KYODO PRINTING CO., LTD.
and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2019 and 2018,
and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KYODO PRINTING CO., Ltd.

We have audited the accompanying consolidated financial statements of KYODO PRINTING CO., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years 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 comply with ethical requirements and 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 present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note1.

Tokyo, Japan
June 27, 2019

Gyosei & Co.

GYOSEI & Co.
Certified Public Accountants

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2019 and 2018

ASSETS	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 17)	¥ 10,432	¥ 14,606	$ 93,973
Receivables (Note 17):			
Trade notes (Note 6)	6,685	6,622	60,219
Trade accounts	21,717	20,697	195,631
Allowance for doubtful accounts	(64)	(73)	(576)
Short-term investments (Notes 9 and 17)	329	333	2,963
Inventories (Note 8)	7,367	6,907	66,363
Prepaid expenses and other current assets	1,391	823	12,530
Total current assets	47,859	49,917	431,123
PROPERTY, PLANT AND EQUIPMENT			
Land	14,579	15,661	131,330
Buildings and structures	51,902	45,115	467,543
Machinery and vehicles	49,315	49,115	444,239
Furniture and fixtures	6,953	6,771	62,633
Lease assets (Notes 7 and 16)	3,471	3,310	31,267
Construction in progress	1,709	3,299	15,395
Total	127,931	123,273	1,152,427
Accumulated depreciation	(74,652)	(76,584)	(672,479)
Net property, plant and equipment	53,279	46,689	479,947
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 9 and 17)	18,854	19,186	169,840
Investments in subsidiaries and associated companies	137	191	1,234
Goodwill	1,248	858	11,242
Intangible assets	1,195	1,130	10,764
Long-term loans receivable	35	45	315
Asset for retirement benefits (Note 11)	1,108	1,042	9,981
Deferred tax assets (Note 15)	481	377	4,332
Other long-term assets	1,240	1,159	11,170
Allowance for doubtful accounts	(49)	(52)	(441)
Total investments and other assets	24,251	23,937	218,457
TOTAL	¥ 125,390	¥ 120,544	$ 1,129,537

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2019 and 2018

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 10 and 17)	¥ 5,553	¥ 542	$ 50,022
Payables (Note 17):			
Trade notes (Note 6)	8,145	8,248	73,371
Trade accounts	9,791	10,255	88,199
Income taxes payable	151	1,496	1,360
Accrued bonuses	1,201	1,202	10,818
Other current liabilities	10,321	7,725	92,973
Total current liabilities	35,163	29,470	316,755
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 17)	16,353	16,507	147,311
Liability for retirement benefits (Note 11)	6,382	6,115	57,490
Provision for dismantling of non-current assets	1,970	2,000	17,746
Deferred tax liabilities (Note 15)	1,761	1,860	15,863
Other long-term liabilities	373	372	3,360
Total long-term liabilities	26,842	26,856	241,798
EQUITY (Notes 12 and 20):			
Common stock—authorized, 36,080,000 shares as of March 31, 2019 and 2018; issued, 9,020,000 shares as of March 31, 2019 and 2018	4,510	4,510	40,626
Capital surplus	1,765	1,728	15,899
Retained earnings	48,832	48,607	439,888
Treasury stock—at cost, 298,748 shares as of March 31, 2019 and 242,141 shares as of March 31, 2018	(726)	(549)	(6,539)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	9,365	9,679	84,361
Foreign currency translation adjustments	(155)	76	(1,396)
Remeasurement of defined benefit plans	(213)	92	(1,918)
Total	63,378	64,143	570,921
Non-controlling interests	6	73	54
Total equity	63,384	64,217	570,975
TOTAL	¥ 125,390	¥ 120,544	$ 1,129,537

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES (Note 22)	¥ 97,782	¥ 95,076	$ 880,839
COST OF SALES (Note 2.n)	81,165	78,387	731,150
Gross profit	16,616	16,688	149,680
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2.n, 11 and 22):			
Delivery expenses	4,658	4,314	41,960
Travel and communication expenses	411	381	3,702
Provision of allowance for doubtful accounts	(10)	13	(90)
Salaries and allowances	5,347	5,277	48,166
Provision for employees' bonuses	366	371	3,297
Provision for directors' bonuses	32	35	288
Retirement benefit expenses	418	303	3,765
Employee benefits	1,278	1,267	11,512
Depreciation	409	349	3,684
Other	2,678	2,648	24,123
Total selling, general and administrative expenses	15,589	14,962	140,428
Operating income (Note 22)	1,027	1,726	9,251
OTHER INCOME (EXPENSES):			
Interest and dividend income	330	364	2,972
Interest expenses	(124)	(103)	(1,117)
Gain on sales of goods	257	290	2,315
Rent income (expenses) on facilities	111	122	999
Dividend income of insurance	181	240	1,630
Gain (loss) on sales and retirement of non-current assets (Note 13)	(789)	(507)	(7,107)
Gain on sales of investment securities	1,022	4,133	9,206
Head office relocation expenses	(142)	-	(1,279)
Impairment loss (Note 14)	-	(1,441)	-
Provision for dismantling of non-current assets	-	(2,000)	-
Other—net	(147)	248	(1,324)
Other income—net	698	1,347	6,287
INCOME BEFORE INCOME TAXES	1,725	3,074	15,539
INCOME TAXES (Note 15):			
Current	685	1,857	6,170
Deferred	16	(828)	144
Total income taxes	702	1,028	6,323
NET INCOME	1,023	2,045	9,215
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(81)	7	(729)
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 1,105	¥ 2,037	$ 9,954

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2019 and 2018

	Yen		U.S. Dollars
	2019	2018	2019
PER SHARE OF COMMON STOCK (Notes 2.q and 12):			
Basic net income (*1 and *2)	¥ 126.01	¥ 232.10	$ 1.13
Diluted net income (*1 and *2)	111.47	205.33	1.00
Cash dividends applicable to the year (*1, *2, *3 and *4)	100.00	100.00	0.90

Notes:
(*1) The Company conducted a consolidation of shares of common stock at a ratio of one share for each ten shares effective October 1, 2017. Basic net income, diluted net income and cash dividends applicable to the year are calculated on the assumption that the stock consolidation was carried out at the beginning of the year ended March 31, 2018.

(*2) The Company's shares owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of Board Benefit Trust ("BBT") are included in treasury stock which is deducted from the calculation of the weighted-average number of shares during the year, in order to calculate basic net income per share. The weighted-average number of shares during the year which was deducted from the calculation of basic net income per share was 35,077 shares.

(*3) Cash dividends applicable to the year ended March 31, 2018 includes an additional dividend of ¥1 per share, based on the number of shares before a share consolidation on October 1, 2017, for celebration of the 120th anniversary of the foundation of the Company.

(*4) Cash dividends applicable to the year ended March 31, 2019 includes dividends of ¥2 million ($18 thousand) resolved at the meeting of the Board of Directors held on November 7, 2018 and the Company's shareholders meeting held on June 27, 2019, respectively, on the Company's common stock owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of BBT.

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥ 1,023	¥ 2,045	$ 9,215
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain (loss) on available-for-sale securities	(314)	(315)	(2,828)
Foreign currency translation adjustments	(232)	(3)	(2,089)
Remeasurement of defined benefit plans	(306)	109	(2,756)
Share of other comprehensive income in associate accounted for using the equity method	0	(2)	0
Total other comprehensive income	(853)	(212)	(7,683)
COMPREHENSIVE INCOME	¥ 170	¥ 1,832	$ 1,531
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥ 254	¥ 1,825	$ 2,288
Non-controlling interests	(84)	7	(756)

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2019 and 2018

	Number of Shares of		Millions of Yen				
	Common Stock Issued	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2017	90,200,000	2,417,614	¥ 4,510	¥ 1,742	¥ 47,360	¥ (548)	¥ 53,064
Net income attributable to owners of parent					2,037		2,037
Cash dividends, ¥90.00 per share					(790)		(790)
Purchase of treasury stock (Note 12)		470				(1)	(1)
Disposal of treasury stock					0	0	0
Change in ownership interest of parent due to transactions with non-controlling interests				(14)			(14)
Share consolidation (Note 12)	(81,180,000)	(2,175,943)					
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2018	9,020,000	242,141	¥ 4,510	¥ 1,728	¥ 48,607	¥ (549)	¥ 54,295
Net income attributable to owners of parent					1,105		1,105
Cash dividends, ¥100.00 per share					(881)		(881)
Purchase of treasury stock (Note 12)		113,607				(303)	(303)
Disposal of treasury stock (Note 12)		(57,000)		36	1	126	164
Change in ownership interest of parent due to transactions with non-controlling interests				0			0
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2019	9,020,000	298,748	¥ 4,510	¥ 1,765	¥ 48,832	¥ (726)	¥ 54,381

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans	Total	Non-Controlling Interests	Total Equity
BALANCE, APRIL 1, 2017	¥ 9,991	¥ 85	¥ (17)	¥ 10,059	¥ 55	¥ 63,180
Net income attributable to owners of parent						2,037
Cash dividends, ¥90.00 per share						(790)
Purchase of treasury stock (Note 12)						(1)
Disposal of treasury stock						0
Change in ownership interest of parent due to transactions with non-controlling interests						(14)
Share consolidation (Note 12)						
Net change in the item other than those in shareholder's equity	(312)	(9)	110	(211)	17	(193)
BALANCE, MARCH 31, 2018	¥ 9,679	¥ 76	¥ 92	¥ 9,847	¥ 73	¥ 64,217
Net income attributable to owners of parent						1,105
Cash dividends, ¥100.00 per share						(881)
Purchase of treasury stock (Note 12)						(303)
Disposal of treasury stock (Note 12)						164
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net change in the item other than those in shareholder's equity	(313)	(231)	(305)	(850)	(67)	(918)
BALANCE, MARCH 31, 2019	¥ 9,365	¥ (155)	¥ (213)	¥ 8,997	¥ 6	¥ 63,384

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2019 and 2018

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2018	$ 40,626	$ 15,566	$ 437,861	$ (4,945)	$ 489,100
Net income attributable to owners of parent			9,954		9,954
Cash dividends, $0.90 per share			(7,936)		(7,936)
Purchase of treasury stock (Note 12)				(2,729)	(2,729)
Disposal of treasury stock (Note 12)		324	9	1,135	1,477
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net change in the item other than those in shareholder’s equity					
BALANCE, MARCH 31, 2019	$ 40,626	$ 15,899	$ 439,888	$ (6,539)	$ 489,874

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans	Total	Non-Controlling Interests	Total Equity
BALANCE, APRIL 1, 2018	$ 87,190	$ 684	$ 828	$ 88,703	$ 657	$ 578,479
Net income attributable to owners of parent						9,954
Cash dividends, $0.90 per share						(7,936)
Purchase of treasury stock (Note 12)						(2,729)
Disposal of treasury stock (Note 12)						1,477
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net change in items other than those in shareholders’ equity	(2,819)	(2,080)	(2,747)	(7,656)	(603)	(8,269)
BALANCE, MARCH 31, 2019	$ 84,361	$ (1,396)	$ (1,918)	$ 81,046	$ 54	$ 570,975

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 1,725	¥ 3,074	$ 15,539
Adjustments for:			
Income taxes—paid	(2,297)	(853)	(20,691)
Depreciation and amortization	5,028	4,244	45,293
(Gain) Loss on sales and retirement of property, plant and equipment	786	506	7,080
(Gain) Loss on sales of investment securities	(1,022)	(4,133)	(9,206)
Impairment loss	-	1,441	-
Amortization of goodwill	240	170	2,161
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	(1,103)	(2,013)	(9,936)
Increase (Decrease) in allowance for doubtful accounts	(11)	17	(99)
(Increase) Decrease in inventories	(353)	(670)	(3,179)
Increase (Decrease) in trade payables	(555)	576	(4,999)
Increase (Decrease) in liability for retirement benefits	(325)	(363)	(2,927)
Increase (Decrease) in accrued consumption tax	(52)	(212)	(468)
(Increase) Decrease in claims provable in bankruptcy, claims provable in rehabilitation	55	(15)	495
Increase (Decrease) in provision for dismantling of non-current assets	(29)	2,000	(261)
Other—net	391	272	3,522
Total adjustments	750	965	6,756
Net cash provided by operating activities	2,476	4,039	22,304
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(10,098)	(9,170)	(90,964)
Purchases of intangible assets	(425)	(296)	(3,828)
Proceeds from sales of property, plant and equipment	846	37	7,620
Purchases of investment securities	(515)	(46)	(4,639)
Proceeds from sales of investment securities	1,376	4,677	12,395
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(698)	(594)	(6,287)
Other—net	(509)	(441)	(4,585)
Net cash used in investing activities	(10,023)	(5,835)	(90,289)
FORWARD	¥ (7,546)	¥ (1,795)	$ (67,975)

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
FORWARD	¥ (7,546)	¥ (1,795)	$ (67,975)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	-	(31)	-
Repayments of long-term debt	(570)	(2,250)	(5,134)
Proceeds from long-term debt	5,000	2,000	45,040
Dividends paid	(881)	(790)	(7,936)
Other—net	(136)	(5)	(1,225)
Net cash provided by (used in) financing activities	3,411	(1,076)	30,726
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(38)	64	(342)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,174)	(2,807)	(37,600)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,606	17,414	131,573
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	¥ 10,432	¥ 14,606	$ 93,973

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years Ended March 31, 2019 and 2018

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.01 to $1, the approximate rate of exchange as of March 29, 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.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollars except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*****—**The consolidated financial statements as of March 31, 2019, include the accounts of the Company and all its 17 (14 in 2018) subsidiaries.

Under the control and influence concept, 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.

Kyodo NCI Printing Co., Ltd. has been newly included in the scope of consolidation from the year ended March 31, 2019 since the Company acquired 90% of the outstanding shares of the said company, which had been newly established by Nissha Printing Communications, Inc. TOMOWEL Promotion Co., Ltd. and TOMOWEL Payment Service Co., Ltd. have been newly included in the scope of consolidation from the year ended March 31, 2019 since they were newly established.

BIONET LABORATORY Co., Ltd. and Masukachi Inc. have been excluded from the scope of consolidation in the year ended March 31, 2019 since its total assets, net sales, net income (amounts corresponding to equity) and retained earnings (amounts corresponding to equity) and others do not have material effect on the consolidated financial statements.

Investments in two (one in 2018) non-consolidated companies are accounted for by the equity method for the year ended March 31, 2019. Investment in one (one in 2018) associated company is accounted for by the equity method for the year ended March 31, 2019.

Masukachi Inc. has been included in the scope of equity method since Digital Catapult Inc., a consolidated subsidiary of the Company acquired its all outstanding shares in the year ended March 31, 2019.

Investment in the other associated company, which is not accounted for by the equity method, is stated at cost because its impact on the consolidated financial statements has been immaterial in terms of net income (amounts corresponding to equity) and retained earnings (amounts corresponding to equity), and due to its overall lack of significance.

The fiscal year-end of three consolidated foreign subsidiaries is at the end of December. The financial statements of the subsidiaries as of and for the years ended December 31, 2019 and 2018 were used in preparing the accompanying consolidated financial statements, with adjustments made as necessary to account for significant transactions occurring during the period from their fiscal year-end to the consolidated balance sheet date.

When the fiscal year-ends of the associated companies are different from that of the Company, the financial statements prepared using the respective fiscal year-ends of the associated companies are used in applying 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. ***Cash and Cash Equivalents—***Cash and cash equivalents include cash on hand, readily available deposits and short-term investments which are easily convertible into cash, are exposed to insignificant risk of changes in value and mature within three months of the date of acquisition.

c. ***Inventories***—Merchandise and work in process inventories are stated at the lower of cost, principally determined by the specific identification method, or net selling value.

Raw materials and supplies are stated at the lower of cost, principally determined by the first-in, first-out method, or net selling value.

d. ***Marketable and Investment Securities***—The Group classifies all investment securities as available-for-sale securities, and reports marketable securities at fair value based on quoted market prices at the balance sheet date, with unrealized gains and losses (net of applicable taxes) as a separate component of equity. The cost of securities sold is determined by the moving-average method.

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.

e. ***Allowance for Doubtful Accounts***—Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience for normal receivables and an evaluation of potential losses in the receivables outstanding.

f. ***Property, Plant and Equipment (Except for Lease Assets)***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed by the straight-line method based on the estimated useful lives of the assets. The ranges of useful lives are principally 31 to 50 years for buildings and structures, and 4 to 10 years for machinery and vehicles.

g. ***Amortization of Goodwill***—In accordance with the Japanese GAAP, goodwill is amortized over the period during which the influence of the goodwill shall apply. Accordingly, goodwill is amortized over a five year period on a straight-line basis.

h. ***Intangible Assets (Except for Lease Assets)***—Intangible assets are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method over five years.

i. ***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 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.

j. ***Leases***— Leased assets under finance lease transactions in which ownership is transferred to the lessees are depreciated in the same method as the depreciation of property, plant and equipment of the Group. Leased assets under finance lease transactions that do not transfer ownership are depreciated over the lease term on a straight-line method assuming the residual value is zero (guaranteed residual value if there is such an agreement.).

k. ***Retirement and Pension Plans***—The Group has defined benefit plans and defined contribution plans for employees' benefits.

In calculation of the projected benefit obligations, expected benefit is attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over eight years within the average remaining service period from the fiscal year following the respective fiscal year in which the gains or losses are recognized. Certain subsidiaries adopt a simplified method and regard payable amount assuming voluntary retirement of all employees at the end of fiscal year and the most recent actuarial obligation of pension plan finance calculation as projected benefit obligations.

l. ***Provision for dismantling of non-current assets***—Provision for dismantling of non-current assets is recorded in the estimated amount to provide for dismantling of non-current assets in the future in line with the reconstruction of the head office building.

m. ***Accrued Bonuses***—Bonuses to employees and directors are accrued at the year-end to which such bonuses are attributable.

n. ***Research and Development Costs***—Research and development costs are charged to income as incurred. Research and development costs for the years ended March 31, 2019 and 2018 were ¥1,120 million ($10,089 thousand) and ¥1,323 million, respectively.

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

p. ***Derivatives and Hedging Activities***—The Group uses foreign currency forward contracts to manage its exposures to fluctuations in foreign currency exchange rates in accordance with its internal policies. These contracts are used for monetary receivables and payables denominated in foreign currencies. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) 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 statements of income and (2) for derivatives used for hedging purposes, if such 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.

Foreign currency forward contracts are used to hedge changes in foreign currency exchange rates of transactions denominated in foreign currencies. Hedged items are identified on an individual basis. Monetary receivables and payables denominated in foreign currencies hedged by foreign currency forward contracts are accounted for using the allocation method. In principle, the value and maturity of the hedged items are matched with the contracted amount denominated in foreign currencies and the corresponding maturity pursuant to the Group's internal policies, etc. Accordingly, an assessment of hedge effectiveness at the end of the year is omitted since there is a complete correlation with subsequent fluctuations in foreign currency exchange rates.

Foreign currency forward contracts used for intercompany transactions as hedged items are measured at fair value and differences between carrying amount and fair value are charged to income.

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

The net income attributable to common shareholders of parent and weighted-average number of common stock used in the computation were ¥1,105 million ($9,954 thousand) and 8,771 thousand shares for the year ended March 31, 2019 and ¥2,037 million and 8,778 thousand shares for the year ended March 31, 2018, respectively.

Diluted net income per share is computed assuming that all the subscription rights to shares are exercised at the beginning of the year (or at the time of issuance). In computing the diluted net income per share for the years ended March 31, 2019 and 2018, adjustment to net income attributable to owners of parent is null and number of common stock increased is 1,144 thousand shares and 1,144 thousand shares, respectively.

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

The Company conducted a consolidation of shares of common stock at a ratio of one share for each ten shares effective October 1, 2017. Basic net income per share, diluted net income per share and cash dividends per share are calculated on the assumption that the stock consolidation was carried out at the beginning of the year ended March 31, 2018.

3. NEW ACCOUNTING STANDARDS YET TO BE APPLIED

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
International Accounting Standards Board ("IASB") and Financial Accounting Standards Board of the United States of America ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS No. 15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has been applied from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards to adopt basic principles of IFRS No. 15 as a starting point from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application
The Group expects to apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Effect of application
The Group is currently assessing the effect of applying the "Accounting Standard for Revenue Recognition" and "Implementation Guidance on Accounting Standard for Revenue Recognition" on the consolidated financial statements.

4. CHANGES IN METHOD OF PRESENTATION

Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) (hereinafter "Partial Amendments to Tax Effect Accounting") from the beginning of the year ended March 31, 2019. Accordingly, deferred tax assets and deferred tax liabilities are presented in investments and other assets and long-term liabilities, respectively, on the accompanying balance sheets and certain changes are made to Note 15. Income Taxes.

As a result of this change, deferred tax assets previously presented in current assets decreased by ¥657 million and deferred tax assets in investments and other assets increased by ¥149 million on the accompanying consolidated balance sheets as of March 31, 2018. Further, total assets decreased by ¥508 million due to offsetting deferred tax assets and deferred tax liabilities of the same taxable entity.

In addition, certain information stated in note 8 (excluding total amount of valuation allowance) and note 9 of explanatory notes to the "Accounting Standard for Tax Effect Accounting" as stipulated in Paragraphs 3 through 5 of the Partial Amendments to Tax Effect Accounting is added to Note 15. Income Taxes. However, information pertaining to the year ended March 31, 2018 is not presented in accordance with the transitional measure prescribed in Paragraph 7 of the Partial Amendments to Tax Effect Accounting.

5. ADDITIONAL INFORMATION

Based on a resolution at the 138th annual shareholders' meeting held on June 28, 2018, the Company introduced a Board Benefit Trust ("BBT") as a performance-linked stock compensation plan (the "Plan") for directors and executive officers of the Company and directors with titles of certain subsidiaries ("Directors, etc.").

The Company adopted the gross method as to the accounting treatment of the trust in line with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force No. 30, March 26, 2015).

(1) Overview of the transaction
Under the Plan, the Company will acquire the Company's stock through a trust using the money entrusted by the Company. The Company's stock and/or money equivalent to their fair conversion value will be delivered to Directors, etc. through the trust based on the attainment of performance targets and other indicators in accordance with the internal rules on stock distribution to officers established by the Company and certain subsidiaries. Directors, etc. are eligible to receive the Company's stock, etc. in principle, when they retire.

(2) The remaining balance of the Company's own stock in the trust
The Company records the balance of the Company's stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock as of March 31, 2019 was ¥164 million ($1,477 thousand) and 57,000 shares, respectively.

6. TRADE NOTES

Trade notes maturing at the end of the consolidated fiscal year are settled on their clearance dates. As the balance sheet dates of the years ended March 31, 2019 and 2018 were bank holidays, the following amounts of trade notes matured on the balance sheet date were included in the balance of trade notes as of March 31, 2019 and 2018:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Trade notes receivable	¥ 483	¥ 471	$ 4,350
Trade notes payable	55	70	495
Other (notes payable – facilities)	2	-	18

7. SUPPLEMENTARY CASH FLOW INFORMATION

Components of Cash and Cash Equivalents

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and time deposits	¥ 10,762	¥ 14,940	$ 96,946
Time deposits exceeding three months to maturity	(329)	(333)	(2,963)
Cash and cash equivalents	¥ 10,432	¥ 14,606	$ 93,973

Assets and Liabilities of a Newly Consolidated Subsidiary Due to Acquisition of its Shares

The Company newly consolidated Kyodo NCI Printing Co., Ltd. in the year ended March 31, 2019 due to acquisition of its shares. The assets transferred and liabilities assumed of Kyodo NCI Printing Co., Ltd. at the time of the start of consolidation, reconciliation of the acquisition cost and the net payment amount for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 237	$ 2,134
Non-current assets	25	225
Goodwill	683	6,152
Current liabilities	(17)	(153)
Long-term liabilities	(95)	(855)
Non-controlling interests	(15)	(135)
Acquisition cost of shares	818	7,368
Cash and cash equivalents	(120)	(1,080)
Payment for acquisition, net	¥ 698	$ 6,287

The Company newly consolidated PT Arisu Graphic Prima in the year ended March 31, 2018 due to acquisition of its shares. The assets transferred and liabilities assumed of PT Arisu Graphic Prima at the time of the start of consolidation, reconciliation of the acquisition cost and the net payment amount for the acquisition were as follows:

	Millions of Yen
Current assets	¥ 279
Non-current assets	996
Goodwill	797
Current liabilities	(318)
Long-term liabilities	(947)
Foreign currency translation adjustments	(2)
Non-controlling interests	(0)
Carrying value under the equity method of accounting before acquisition of control	(148)
Gain on step acquisitions	(44)
Acquisition cost of shares	611
Cash and cash equivalents	(17)
Payment for acquisition, net	¥ 594

Significant Noncash Transactions

Assets and liabilities under finance leases newly recognized for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Lease assets	¥ 426	¥ 1,238	$ 3,837
Lease obligations	462	1,335	4,161

8. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Merchandise and finished products	¥ 3,596	¥ 3,070	$ 32,393
Work in process	2,709	2,872	24,403
Raw materials and supplies	1,061	964	9,557
Total	¥ 7,367	¥ 6,907	$ 66,363

9. 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		Thousands of U.S. Dollars
	2019	2018	2019
Short-term investments:			
Time deposits exceeding three months to maturity	¥ 329	¥ 333	$ 2,963
Total	¥ 329	¥ 333	$ 2,963
Investment securities:			
Marketable equity securities	¥ 18,570	¥ 18,726	$ 167,282
Unlisted equity securities	185	387	1,666
Unlisted debt securities	13	7	117
Other	85	64	765
Total	¥ 18,854	¥ 19,186	$ 169,840

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

	Millions of Yen			
March 31, 2019	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 5,104	¥ 13,525	¥ (60)	¥ 18,570
March 31, 2018				
Equity securities	¥ 4,859	¥ 13,923	¥ (56)	¥ 18,726

	Thousands of U.S. Dollars			
March 31, 2019	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 45,977	$ 121,835	$ (540)	$ 167,282

The information for available-for-sale securities which were sold during the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 1,376	¥ 1,022	¥ -
March 31, 2018			
Equity securities	¥ 4,677	¥ 4,133	¥ -

	Thousands of U.S. Dollars		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 12,395	$ 9,206	$ -

Loss on valuation of investment securities were ¥75 million ($675 thousand) for available-for-sale securities for the year ended March 31, 2019 and ¥84 million for available-for-sale securities for the year ended March 31, 2018.

10. SHORT-TERM DEBT AND LONG-TERM DEBT

There was no balance of short-term debt as of March 31, 2019 and 2018.

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
Unsecured 0.46% bonds, due 2021	¥ 5,000	¥ 5,000	$ 45,040
Unsecured 0.73% bonds, due 2023	3,000	3,000	27,024
Unsecured bonds with subscription rights to shares, due 2019	5,000	5,000	45,040
Loans from banks, due through 2023 with a weighted-average rate of 0.66% in 2019 and 0.89% in 2018:			
Unsecured	7,000	2,000	63,057
Lease obligations	1,906	2,050	17,169
Total	¥ 21,906	¥ 17,050	$ 197,333
Less current portion	(5,553)	(542)	(50,022)
Long-term debt, less current portion	¥ 16,353	¥ 16,507	$ 147,311

Description of unsecured bonds with subscription rights to shares is as follows:

Name of bond	JPY 5,000,000,000 zero coupon JPY convertible notes (notes with subscription rights to shares, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) due December 12, 2019
Stock to be issued	Common stock
Issue price of subscription rights to shares	None
Issue price of stock	¥4,370 ($39.36)
Total issue amount	¥5,000 million ($45,040 thousand)
Total amount of new stock issued by exercising subscription rights to shares	-
Allotment ratio of subscription rights to shares	100%
Exercise period	From December 24, 2014 to November 28, 2019

Notes:
(*1) Contributions upon exercise of subscription rights to shares are to be in this bond and amount of such bond is equal to face value of the bond.

(*2) The Company conducted a consolidation of shares of common stock at a ratio of one share for each ten shares, and changed the number of shares constituting one trading unit from 1,000 shares to 100 shares on October 1, 2017. As a result, the convertible price has changed from ¥437 to ¥4,370.

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

	Bonds		Loans		Lease Obligations	
Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 5,000	$ 45,040	¥ -	$ -	¥ 553	$ 4,981
2021	-	-	-	-	447	4,026
2022	5,000	45,040	2,400	21,619	384	3,459
2023	-	-	4,400	39,636	257	2,315
2024	3,000	27,024	200	1,801	85	765
2025 and thereafter	-	-	-	-	180	1,621
Total	¥ 13,000	$ 117,106	¥ 7,000	$ 63,057	¥ 1,906	$ 17,169

Annual maturities of long-term debt as of March 31, 2018, were as follows:

	Millions of Yen		
Year Ending March 31	Bonds	Loans	Lease Obligations
2019	¥ -	¥ -	¥ 542
2020	5,000	-	465
2021	-	-	358
2022	5,000	-	296
2023	-	2,000	180
2024 and thereafter	3,000	-	207
Total	¥ 13,000	¥ 2,000	¥ 2,050

11. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have defined benefit pension plans and lump-sum retirement payment plans. Certain consolidated subsidiaries have defined contribution plans.

The Company has a job-change assistance system. Additional retirement payments may be made to retiring employees using the system, which are outside of the scope of projected benefit obligation calculated in accordance with the retirement benefit accounting standards.

Simplified method is applied by certain consolidated subsidiaries in calculating the projected benefit obligations.

Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 11,804	¥ 11,720	$ 106,332
Service costs	675	666	6,080
Interest costs	96	93	864
Actuarial (gains) losses	259	135	2,333
Foreign exchange translation differences	(2)	-	(18)
Benefits paid	(791)	(838)	(7,125)
Effect of change in scope of consolidation	153	-	1,378
Increase due to change from simplified method to principle method	-	27	-
Balance at end of year	¥ 12,196	¥ 11,804	$ 109,863

Notes: 1. The plans accounted for using a simplified method are not included in the above table.

2. Extra retirement payments for retirees who applied for the job-change assistance system are not included in the above table.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 7,087	¥ 6,494	$ 63,841
Expected return on plan assets	212	194	1,909
Actuarial gains (losses)	(169)	274	(1,522)
Contributions from the employer	452	444	4,071
Benefits paid	(370)	(320)	(3,333)
Effect of change in scope of consolidation	65	-	585
Balance at end of year	¥ 7,278	¥ 7,087	$ 65,561

Note: The plans accounted for using a simplified method are not included in the above table.

(3) The changes in liability for retirement benefits for defined benefit plans accounted for using a simplified method for the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 356	¥ 338	$ 3,206
Retirement benefit costs	75	95	675
Benefits paid	(61)	(56)	(549)
Contributions to plans	(14)	(9)	(126)
Other	0	(11)	0
Balance at end of year	¥ 355	¥ 356	$ 3,197

(4) Reconciliation between asset and liability for retirement benefits recorded in the consolidated balance sheets and the balances of projected benefit obligations and plan assets as of March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded projected benefit obligations	¥ 6,282	¥ 6,147	$ 56,589
Plan assets	(7,390)	(7,193)	(66,570)
	¥ (1,108)	¥ (1,045)	$ (9,981)
Unfunded projected benefit obligations	6,381	6,119	57,481
Net liability recorded in the consolidated balance sheets	¥ 5,273	¥ 5,073	$ 47,500
Liability for retirement benefits	¥ 6,382	¥ 6,115	$ 57,490
Asset for retirement benefits	(1,108)	(1,042)	(9,981)
Net liability recorded in the consolidated balance sheets	¥ 5,273	¥ 5,073	$ 47,500

(5) The components of retirement benefit costs for the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service costs	¥ 675	¥ 666	$ 6,080
Interest costs	96	93	864
Expected return on plan assets	(212)	(194)	(1,909)
Recognized actuarial (gains) losses	(11)	17	(99)
Amortization of past service costs	-	1	-
Retirement benefit costs calculated under a simplified method	75	95	675
Retirement benefit costs	¥ 623	¥ 679	$ 5,612

Note: Besides the above retirement benefit costs, extra retirement payments of ¥189 million ($1,702 thousand) were recognized, and recorded as selling, general and administrative expenses for the year ended March 31, 2019 and ¥53 million for the year ended March 31, 2018.

(6) Other comprehensive income on remeasurement of defined benefit plans, before income tax effect, for the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Past service costs	¥ -	¥ 1	$ -
Actuarial gains (losses)	(440)	157	(3,963)
Total	¥ (440)	¥ 158	$ (3,963)

(7) Accumulated other comprehensive income on remeasurement of defined benefit plans, before income tax effect, as of March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains (losses)	¥ 307	¥ (132)	$ 2,765
Total	¥ 307	¥ (132)	$ 2,765

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

(a) Components of plan assets

Major items and component proportion ratio of plan assets were as follows:

	2019	2018
Equity investments	54.0%	49.5%
Debt investments	28.4	38.4
General accounts	10.2	9.6
Other	7.4	2.5
Total	100.0%	100.0%

(b) Method of determining the long-term expected rate of return on plan assets

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

(9) Principal actuarial assumptions used for the years ended March 31, 2019 and 2018

	2019	2018
Discount rate	0.8%	0.8%
Long-term expected rate of return on plan assets	3.0%	3.0%
Expected rate of pay raises	1.8%	1.6%

Defined Contribution Plans

The required contribution amount to the defined contribution plans was ¥4 million ($36 thousand) for the year ended March 31, 2019 and ¥3 million for the year ended March 31, 2018.

12. 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 including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal 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 Company meets all 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 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 retained earnings (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal retained earnings and legal capital surplus equals 25% of the common stock. Under the Companies Act, the total amount of legal retained earnings and legal capital surplus may be reversed without limitation. The Companies Act also provides that common stock, legal retained earnings, legal capital surplus, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Subscription Rights to Shares

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 specific formula. Under the Companies Act, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury stock. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

d. *Share Consolidation and Increase/Decrease in Common Stock Issued and Treasury Stock*

Common stock of the Company in the amount of 57,000 shares held by Board Benefit Trust (“BBT”) was included in treasury stock as of March 31, 2019.

Increase in treasury stock of 113,607 shares for the year ended March 31, 2019 resulted from purchase of less than one trading unit of 307 shares, purchase of treasury stock (market purchase on the Tokyo Stock Exchange) based on a resolution of the Board of Directors held on February 7, 2019 (increase of 56,300 shares) and purchase of common stock of the Company by BBT ((increase of 57,000 shares). Decrease in treasury stock of 57,000 shares resulted from disposal of treasury stock based on a resolution of the Board of Directors held on August 7, 2018 (disposal of treasury stock through a third party allotment associated with the introduction of BBT.)

The Company conducted a consolidation of shares of common stock at a ratio of one share for each ten shares effective October 1, 2017.

Decrease in common stock issued of 81,180,000 shares for the year ended March 31, 2018 resulted from the share consolidation. Increase in treasury stock of 470 shares for the year ended March 31, 2018 resulted from purchase of fractional shares of 103 shares and purchase of less than one trading unit (100 shares before the share consolidation, 267 shares after the share consolidation) of 367 shares. Decrease in treasury stock of 2,175,943 shares for the year ended March 31, 2018 resulted from the share consolidation.

13. GAIN (LOSS) ON SALES AND RETIREMENT OF NON-CURRENT ASSETS

Gain (loss) on sales and retirement of non-current assets for the years ended March 31, 2019 and 2018 consisted of the following:

Gain on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Machinery and vehicles	¥ 3	¥ 11	$ 27
Land	25	-	225
Total	¥ 29	¥ 11	$ 261

Loss on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Machinery and vehicles	¥ (26)	¥ (124)	$ (234)
Other facilities	-	(0)	-
Land	(253)	-	(2,279)
Total	¥ (280)	¥ (124)	$ (2,522)

Loss on retirement of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Buildings and structures	¥ (147)	¥ (58)	$ (1,324)
Machinery and vehicles	(208)	(327)	(1,873)
Other facilities	(180)	(7)	(1,621)
Software	(3)	(0)	(27)
Total	¥ (539)	¥ (394)	$ (4,855)

14. IMPAIRMENT LOSSES

No impairment loss was recognized for the year ended March 31, 2019.

The Group recorded impairment losses for the following asset groups for the year ended March 31, 2018.

Location	Purpose of Use	Type
Information communication Koishikawa factory (Bunkyo, Tokyo)	Publication and commercial printing facilities	Buildings and structures
Corporation Head office (Bunkyo, Tokyo)	Other facilities	Buildings and structures

The Group categorizes business assets based on management accounting classifications for which operational results are regularly monitored considering relevance of manufacturing process and others. Assets to be disposed of and idle assets are categorized on the basis of individual assets.

For the year ended March 31, 2018, the book value of the above asset group was written down to the recoverable value and the amount written down was recorded as an impairment loss of ¥1,441 million since such assets were expected to be disposed of in connection with the resolution of reconstruction of the head office. The components of impairment losses were ¥440 million for “Information communication” segment and ¥1,000 million for corporate assets not attributable to any reportable segments.

The recoverable value of the above asset group was measured at net realizable value which, in this case, is considered as the memorandum value since it is difficult to sell or use these assets for other purposes.

15. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Accrued bonuses	¥ 369	¥ 368	$ 3,324
Allowance for doubtful accounts	38	40	342
Liability for retirement benefits	1,814	1,740	16,340
Provision for directors' retirement benefits	5	6	45
Impairment loss	944	716	8,503
Provision for dismantling of non-current assets	602	612	5,422
Tax loss carryforwards	618	555	5,567
Loss on valuation of investment securities	95	73	855
Other	565	889	5,089
Total gross deferred tax assets	¥ 5,055	¥ 5,002	$ 45,536
Valuation allowance for tax loss carryforwards	(519)	-	(4,675)
Valuation allowance for deductible temporary differences	(327)	-	(2,945)
Total valuation allowance	¥ (847)	¥ (753)	$ (7,629)
Offset against deferred tax liabilities	(3,726)	(3,872)	(33,564)
Total deferred tax assets	¥ 481	¥ 377	$ 4,332
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	(1,228)	(1,484)	(11,062)
Unrealized gain (loss) on available-for-sale securities	(4,009)	(4,096)	(36,113)
Other	(249)	(152)	(2,243)
Offset against deferred tax assets	3,726	3,872	33,564
Total deferred tax liabilities	¥ (1,761)	¥ (1,860)	$ (15,863)

Amounts of tax loss carryforwards and deferred tax assets as of March 31, 2019 by expiration period were as follows:

	Millions of Yen						
March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years	Total
Tax loss carryforwards	¥ 80	¥ 36	¥ 21	¥ 3	¥ 12	¥ 464	¥ 618
Valuation allowance	(33)	(0)	(8)	-	(12)	(464)	(519)
Deferred tax assets	46	35	12	3	-	0	99

	Thousands of U.S. Dollars						
March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years	Total
Tax loss carryforwards	$ 720	$ 324	$ 189	$ 27	$ 108	$ 4,179	$ 5,567
Valuation allowance	(297)	(0)	(72)	-	(108)	(4,179)	(4,675)
Deferred tax assets	414	315	108	27	-	0	891

Note: Tax loss carryforwards are the amounts multiplied by normal effective statutory tax rates.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018 is as follows.

	2019	2018
Normal effective statutory tax rate	30.6%	30.9%
Expenses not deductible for income tax purposes	2.6	1.4
Revenues not reportable for income tax purposes	(1.2)	(0.7)
Per capita inhabitants' tax	2.3	1.3
Accrued bonuses for directors	0.6	0.4
Effect of valuation allowance	2.7	(0.5)
Equity in earnings of affiliates accounted for by the equity method	1.2	0.9
Amortization of goodwill	4.3	1.7
Gain on step acquisition	-	(0.4)
Special deduction for research and development costs	(4.7)	(2.8)
Other—net	2.3	1.3
Actual effective tax rate	40.7%	33.5%

16. LEASES

Finance Leases—Lessee

Leased assets under finance lease transactions in which ownership is transferred to the lessees mainly consist of printing equipment.

Leased assets under finance lease transactions that do not transfer ownership mainly consist of printmaking equipment and software.

The depreciation method for lease assets is included in Note 2. j.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group's policy is to manage funds mainly through short-term deposits and others and raise funds through loans from banks and other financial institutions as well as through issuance of bonds. In principle, the Group utilizes derivative transactions to control risks from fluctuation in interest rates for loans and bonds and in foreign currency exchange rates for receivables and payables denominated in foreign currencies. Those transactions are conducted within actual demand and are not entered into for speculative trading purposes.

(2) *Nature and Extent of Risks Arising from Financial Instruments as well as Risk Management for Financial Instruments*

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. The Group manages the risk on the basis of its sales management rules (setting standards for payment terms and credit limits), which include monthly controls on due dates and balances of each customer and monitoring of customers' credit condition on a regular basis.

Short-term investments and investment securities are primarily jointly-managed specified money trusts and equity securities. Jointly-managed specified money trusts are highly safe financial instruments held for short-term fund management whose credit risk are regarded as minimum. Equity securities are exposed to market price fluctuation risk. They are mainly composed of shares of companies with which the Group has a business relationship. The Group monitors the fair values and financial position of issuers on a regular basis and continuously evaluates whether the securities should be maintained in consideration of the relationship with the issuer.

Trade payables, such as trade notes and accounts payable, are mostly due within six months.

Short-term borrowings are mainly intended to finance operating transactions and bonds, bonds with subscription rights to shares, long-term bank loans (generally, due within five years) and obligations under finance leases are mainly intended to raise necessary funds for capital investments.

Receivables and payables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk. Derivative transactions (foreign currency forward contracts) are utilized as hedging instruments within actual demand. Please see Note 2, p. for details on hedge accounting such as hedging instruments, hedged items, hedging policies and assessment method of hedge effectiveness.

The Group executes and controls derivative transactions in accordance with its internal rules which regulate the authorization of derivative transactions and they are reported to the board of directors on a quarterly basis. The Group enters into derivative transactions only with financial institutions which have a certain level of credit rating in order to mitigate the credit risk.

Trade payables and loans payable are exposed to liquidity risk. The Group manages its liquidity risk through cash management plans which each company prepares on a monthly basis.

(3) *Fair Value of Financial Instruments*

Fair value of financial instruments is based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. The calculated values may fluctuate in case different assumptions are applied.

The contract amounts of derivatives presented in Note 18 do not measure the exposure to market risks.

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

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 10,432	¥ 10,432	¥ -
Trade notes and accounts receivable	28,402	28,402	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	329	329	-
– available-for-sale securities	18,570	18,570	-
Total	¥ 57,735	¥ 57,735	¥ -
Trade notes and accounts payable	¥ 17,936	¥ 17,936	¥ -
Bonds	8,000	8,024	24
Bonds with subscription rights to shares	5,000	4,972	(27)
Long-term bank loans	7,000	7,007	7
Total	¥ 37,936	¥ 37,940	¥ 4
Derivatives (*)	¥ (7)	¥ (7)	¥ -
March 31, 2018			
Cash and cash equivalents	¥ 14,606	¥ 14,606	¥ -
Trade notes and accounts receivable	27,319	27,319	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	333	333	-
– available-for-sale securities	18,726	18,726	-
Total	¥ 60,987	¥ 60,987	¥ -
Trade notes and accounts payable	¥ 18,503	¥ 18,503	¥ -
Bonds	8,000	8,000	0
Bonds with subscription rights to shares	5,000	4,982	(17)
Long-term bank loans	2,000	2,000	-
Total	¥ 33,503	¥ 33,487	¥ (16)
Derivatives (*)	¥ 34	¥ 34	¥ -

March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 93,973	$ 93,973	$ -
Trade notes and accounts receivable	255,850	255,850	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	2,963	2,963	-
– available-for-sale securities	167,282	167,282	-
Total	$ 520,088	$ 520,088	$ -
Trade notes and accounts payable	$ 161,571	$ 161,571	$ -
Bonds	72,065	72,281	216
Bonds with subscription rights to shares	45,040	44,788	(243)
Long-term bank loans	63,057	63,120	63
Total	$ 341,734	$ 341,771	$ 36
Derivatives (*)	$ (63)	$ (63)	$ -

Note: (*) Net receivables and payables arising from derivative transactions are stated at net values.

Cash and Cash Equivalents, Trade Notes and Accounts Receivable

The carrying values approximate fair value because of their short maturities.

Short-term Investments and Investment Securities

For time deposits exceeding three months to maturity, the carrying values approximate fair value because of their short maturities. The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of debt securities are measured by the price obtained from counterparty financial institutions. Fair value information on marketable and investment securities by classification is included in Note 9.

Trade Notes and Accounts Payable

The carrying values approximate fair value because of their short maturities.

Bonds (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the rate which reflects the remaining period and credit risk.

Bonds with Subscription Rights to Shares

The fair values are measured by the price obtained from counterparty financial institutions.

Long-Term Bank Loans (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new loan were entered into.

Derivatives

Fair value information for derivatives is included in Note 18.

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

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Unlisted equity securities	¥ 322	¥ 578	$ 2,900
Unlisted debt securities	13	7	117
Others	85	64	765

These are not included in (3)(a) Short-term investments and investment securities as it is extremely difficult to determine their fair value since there is no market price.

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

	Millions of Yen			
March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 10,432	¥ -	¥ -	¥ -
Trade notes and accounts receivable	28,402	-	-	-
Short-term investments and investment securities:				
Time deposits	329	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	7	-
Total	¥ 39,164	¥ -	¥ 7	¥ -
March 31, 2018				
Cash and cash equivalents	¥ 14,606	¥ -	¥ -	¥ -
Trade notes and accounts receivable	27,319	-	-	-
Short-term investments and investment securities:				
Time deposits	333	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	7	-
Total	¥ 42,260	¥ -	¥ 7	¥ -

	Thousands of U.S. Dollars			
March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 93,973	$ -	$ -	$ -
Trade notes and accounts receivable	255,850	-	-	-
Short-term investments and investment securities:				
Time deposits	2,963	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	63	-
Total	$ 352,797	$ -	$ 63	$ -

Please see Note 10 for annual maturities of long-term debt including lease obligations.

18. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

Currency-related transactions

	Millions of Yen			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.$	¥ 609	¥ 357	¥ (8)	¥ (8)
Buying Swiss Franc	369	-	0	0
Total	¥ 978	¥ 357	¥ (7)	¥ (7)

	Millions of Yen			
March 31, 2018	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.$	¥ 686	¥ 520	¥ 34	¥ 34
Buying Swiss Franc	23	-	(0)	(0)
Total	¥ 710	¥ 520	¥ 34	¥ 34

	Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.$	$ 5,485	$ 3,215	$ (72)	$ (72)
Buying Swiss Franc	3,324	-	0	0
Total	$ 8,810	$ 3,215	$ (63)	$ (63)

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from counterparty financial institutions, etc.

2. The above foreign currency forward contracts - selling, which are used for intercompany transactions accompanied by loans to the Company's subsidiary as hedged items, have applied hedge accounting in the non-consolidated financial statements. However, hedge accounting has not been applied to them in the consolidated financial statements because such intercompany transactions have been eliminated in consolidation.

Derivative Transactions to Which Hedge Accounting Is Applied

There were no items to be reported for the years ended March 31, 2019 and 2018.

19. COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 446	¥ 3,614	$ 4,017
Reclassification adjustments to profit or loss	(847)	(4,052)	(7,629)
Amount before income tax effect	¥ (401)	¥ (437)	$ (3,612)
Income tax effect	86	121	774
Total	¥ (314)	¥ (315)	$ (2,828)
Foreign currency translation adjustments:			
Gain (loss) arising during the year	(232)	(3)	(2,089)
Remeasurement of defined benefit plans:			
Gain (loss) arising during the year	(438)	139	(3,945)
Reclassification adjustments to profit and loss	(1)	18	(9)
Amount before income tax effect	¥ (440)	¥ 158	$ (3,963)
Income tax effect	133	(49)	1,198
Total	¥ (306)	¥ 109	$ (2,756)
Share of other comprehensive income in associate accounted for using the equity method:			
Gain (loss) arising during the year	0	(2)	0
Total other comprehensive income	¥ (853)	¥ (212)	$ (7,683)

20. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2019, was approved at the Company's shareholders meeting held on June 27, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥50.00 ($0.45) per share	¥ 439	$ 3,954

Note: The total amount of cash dividends approved at the Company's shareholders' meeting held on June 27, 2019 includes dividends of ¥2 million ($18 thousand) on the Company's common stock owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of BBT.

21. BUSINESS COMBINATION

Business combination through acquisition
The Company acquired 90% of the outstanding shares of Kyodo NCI Printing Co., Ltd., a newly established subsidiary of Nissha Printing Communications, Inc. through a company split on January 7, 2019.

1. Outline of the business combination

(a) Name and business description of the acquired company
Name: Kyodo NCI Printing Co., Ltd.
Business description: Plate making, printing, bookbinding, photo and movie shooting and sales of related products, etc.

(b) Primary reason for the business combination
The contraction of the domestic market for general printing continues due to a decline in demand associated with the diversification of information media. In light of this market environment, the Company and Nissha Printing Communications, Inc. concluded an agreement on capital and business alliance and a production consignment agreement in March 2016, and built a cooperation framework under which Nissha Printing Communications, Inc. consigns production to the Company. In this way, the Company has worked to reorganize the production system, establish a quality control system, and rationalize and improve efficiency of the purchasing and logistics operations.

Based on the cooperation and trust relationship between the two companies established since 2016, the Company and Nissha Printing Communications, Inc. agreed to conduct a transfer of the businesses operated by Nissha Printing Communications, Inc. in the Tokyo region (sales area of the Tokyo region, excluding certain areas, and the business foundation thereof) to the Company. The Company, while upholding the basic policy of strengthening the revenue structure of the information communication segment, aims to improve business profit by properly allocating management resources to the markets and business areas where the Company can leverage its strengths.

(c) Effective date of the business combination
January 7, 2019

(d) Legal form of the business combination
Share acquisition in consideration for cash.

(e) Name of the company after the business combination
Kyodo NCI Printing Co., Ltd.

(f) Percentage of voting rights acquired
90%

(g) Principal basis for determining the acquiring company
It is based on the fact that the Company acquired shares of the acquired company in consideration for cash.

2. Periods for which the operating results of the acquired company are included in the consolidated financial statements
January 7, 2019 through March 31, 2019

3. Cost of acquisition and details

Consideration for acquisition—Cash:	¥818 million ($7,368 thousand)
Acquisition cost:	¥818 million ($7,368 thousand)

4. Major acquisition-related costs

Advisory fees, etc.:	¥20 million ($180 thousand)

5. Amount of goodwill incurred, reasons for goodwill incurred, amortization method and amortization period

Amount of goodwill incurred:	¥683 million ($6,152 thousand)
Reasons for goodwill incurred:	Goodwill is incurred from expected excess earning power in the future arising from further business development.
Amortization method and amortization period:	Straight-line method over 4 years

6. Major assets and liabilities received on the date of business combination

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 237	$ 2,134
Non-current assets	25	225
Total assets	¥ 263	$ 2,369
Current liabilities	¥ 17	$ 153
Long-term liabilities	95	855
Total liabilities	¥ 112	$ 1,008

7. The estimated impact on the accompanying consolidated statement of income for the year ended March 31, 2019, assuming the business combination was completed on April 1, 2018 and the method of estimating the impact

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Net sales	¥ 4,513	$ 40,653
Operating income	325	2,927

The above amounts were estimated as the difference between the amount of net sales and operating income calculated assuming that the business combination was completed at the beginning of the year ended March 31, 2019 and the amount of net sales and operating income recorded in the consolidated statement of income of the Company. The above amounts of estimated impact have not been audited.

22. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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 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.

a. Segment Information

(1) Description of reportable segments

The Group consists of various divisions classified by products and services. Each division designs its comprehensive strategy for the products and services and operates business. For those divisions, separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how to allocate resources and to assess performance.

As reportable segments, those divisions which cover similar products and services are integrated into three reportable segments; that is "Information communication," "Information security" and "Living and industrial materials." "Information communication" mainly covers periodicals, books, general commercial printing and related services. "Information security" mainly covers business forms, securities printing, cards and related services. "Living and industrial materials" mainly covers metal printing, tubes, paper containers, flexible packaging and construction materials.

(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,” except for the valuation method for inventories.

Inventories are stated at cost.

Segment profits correspond to operating income. Intersegment revenues and transfers are based on prices which are set taking into account market prices and manufacturing costs.

(3) Information about sales, profit (loss), assets, liabilities and other items for each reportable segment

	Millions of Yen			
	Reportable Segment			
March 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 39,168	¥ 31,165	¥ 25,270	¥ 95,603
Intersegment sales or transfers	1,739	892	420	3,051
Total	¥ 40,907	¥ 32,057	¥ 25,690	¥ 98,655
Segment profit (loss)	¥ (828)	¥ 1,412	¥ 208	¥ 792
Segment assets	24,055	21,923	32,978	78,957
Other (*4):				
Depreciation and amortization	944	1,376	1,858	4,179
Amortization of goodwill	42	52	144	240
Increase in property, plant and equipment and intangible assets	925	1,339	7,944	10,209

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 2,178	¥ 97,782	¥ -	¥ 97,782
Intersegment sales or transfers	8,591	11,643	(11,643)	-
Total	¥ 10,770	¥ 109,426	¥ (11,643)	¥ 97,782
Segment profit (loss)	¥ 369	¥ 1,162	¥ (135)	¥ 1,027
Segment assets	6,344	85,301	40,088	125,390
Other (*4):				
Depreciation and amortization	130	4,310	718	5,028
Amortization of goodwill	-	240	-	240
Increase in property, plant and equipment and intangible assets	1,733	11,942	1,203	13,145

March 31, 2018	Millions of Yen: Reportable Segment: Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 39,596	¥ 30,078	¥ 23,316	¥ 92,990
Intersegment sales or transfers	1,834	1,025	380	3,240
Total	¥ 41,430	¥ 31,104	¥ 23,696	¥ 96,231
Segment profit (loss)	¥ (199)	¥ 624	¥ 798	¥ 1,223
Segment assets	26,970	21,507	27,402	75,880
Other (*4):				
Depreciation and amortization	964	1,326	1,262	3,552
Amortization of goodwill	-	52	117	170
Increase in property, plant and equipment and intangible assets	3,031	1,154	5,701	9,887

	Millions of Yen: Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 2,085	¥ 95,076	¥ -	¥ 95,076
Intersegment sales or transfers	8,211	11,451	(11,451)	-
Total	¥ 10,296	¥ 106,528	¥ (11,451)	¥ 95,076
Segment profit (loss)	¥ 486	¥ 1,709	¥ 16	¥ 1,726
Segment assets	3,041	78,922	41,622	120,544
Other (*4):				
Depreciation and amortization	120	3,673	570	4,244
Amortization of goodwill	-	170	-	170
Increase in property, plant and equipment and intangible assets	92	9,980	623	10,603

	Thousands of U.S. Dollars			
	Reportable Segment			
March 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	$ 352,833	$ 280,740	$ 227,637	$ 861,210
Intersegment sales or transfers	15,665	8,035	3,783	27,484
Total	$ 368,498	$ 288,775	$ 231,420	$ 888,703
Segment profit (loss)	$ (7,458)	$ 12,719	$ 1,873	$ 7,134
Segment assets	216,692	197,486	297,072	711,260
Other (*4):				
Depreciation and amortization	8,503	12,395	16,737	37,645
Amortization of goodwill	378	468	1,297	2,161
Increase in property, plant and equipment and intangible assets	8,332	12,061	71,561	91,964

	Thousands of U.S. Dollars			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	$ 19,619	$ 880,839	$ -	$ 880,839
Intersegment sales or transfers	77,389	104,882	(104,882)	-
Total	$ 97,018	$ 985,731	$ (104,882)	$ 880,839
Segment profit (loss)	$ 3,324	$ 10,467	$ (1,216)	$ 9,251
Segment assets	57,148	768,408	361,120	1,129,537
Other (*4):				
Depreciation and amortization	1,171	38,825	6,467	45,293
Amortization of goodwill	-	2,161	-	2,161
Increase in property, plant and equipment and intangible assets	15,611	107,575	10,836	118,412

Notes: (*1) “Other” refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(*2) “Reconciliations” for “Segment profit (loss)” refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments. “Reconciliations” for “Segment assets” refer to corporate assets and primarily consist of financial assets (cash and cash equivalents and investment securities) and assets for control functions. “Reconciliations” for “Depreciation and amortization” as well as “Increase in property, plant and equipment and intangible assets” are those for corporate assets.

(*3) “Segment profit (loss)” is adjusted to the operating income stated in the consolidated statements of income.

(*4) “Increase in property, plant and equipment and intangible assets” includes long-term prepaid expenses and “Depreciation and amortization” includes amortization of long-term prepaid expenses.

b. Related Information

(1) Information by product and service

Information by product and service for the years ended March 31, 2019 and 2018 has been omitted because it is identical to segment classification.

(2) Information by geographical area

(a) Sales

Sales information by geographical area for the years ended March 31, 2019 and 2018 has been omitted because sales in Japan accounted for more than 90% of consolidated net sales of the Group.

(b) Property, plant and equipment

Information about property, plant and equipment by geographical area for the years ended March 31, 2019 and 2018 has been omitted because property, plant and equipment in Japan accounted for more than 90% of consolidated property, plant and equipment of the Group.

(3) Information by major customer

Information by major customer for the years ended March 31, 2019 and 2018 has been omitted because no single customer accounts for more than 10% of consolidated net sales of the Group.

c. Information about Impairment Loss by Reportable Segment

No impairment loss was recognized for the year ended March 31, 2019.

	Millions of Yen		
March 31, 2018	Information Communication	Reconciliations	Total
Impairment loss	¥ 440	¥ 1,000	¥ 1,441

Note: “Reconciliations” for the year ended March 31, 2018 refers to impairment losses on corporate assets that are not attributable to any reportable segments.

d. Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment

	Millions of Yen			
March 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Amortization of goodwill	¥ 42	¥ 52	¥ 144	¥ 240
Unamortized balance of goodwill	640	145	462	1,248

	Millions of Yen			
March 31, 2018	Information Communication	Information Security	Living and Industrial Materials	Total
Amortization of goodwill	¥ -	¥ 52	¥ 117	¥ 170
Unamortized balance of goodwill	-	198	660	858

	Thousands of U.S. Dollars			
March 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Amortization of goodwill	$ 378	$ 468	$ 1,297	$ 2,161
Unamortized balance of goodwill	5,765	1,306	4,161	11,242

* * * * * *