OMRON Corporation and Subsidiaries

Consolidated Balance Sheets as of March 31, 2019 and 2018 and Consolidated Statements of Income, Comprehensive Income, Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2019 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of OMRON Corporation:

We have audited the accompanying consolidated financial statements of OMRON Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2019, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 financial position of OMRON Corporation and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, on April 16, 2019, the Company's Board of Directors approved the sale of the Automotive Electronic Components Business (AEC) operating segment. The AEC operating segment consists of: a) OMRON Automotive Electronics Co., Ltd. (OAE), a wholly-owned subsidiary of the Company, b) two other consolidated subsidiaries of the Company, including OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V., and c) a portion of three other consolidated subsidiaries of the Company. The sale and purchase agreement was executed on the same day as the meeting of the Board of Directors. Through the transaction, nine of OAE's subsidiaries will be deconsolidated.

Our opinion is not modified with respect to this matter.

Deloitte Touche Tohmatsu LLC

June 19, 2019

OMRON Corporation and Subsidiaries

Consolidated Balance Sheets
March 31, 2019 and 2018

	Millions of Yen	
ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	¥ 110,250	¥ 113,023
Notes and accounts receivable – trade (Note 5)	171,196	174,065
Allowance for doubtful receivables (Note 1)	(945)	(1,117)
Inventories (Notes 1 and 3)	130,083	129,581
Other current assets (Notes 4, 17, 18 and 20)	18,081	21,833
Total current assets	428,665	437,385
PROPERTY, PLANT, AND EQUIPMENT (Notes 1, 7 and 20):		
Land	24,675	24,886
Buildings	136,439	145,389
Machinery and equipment	207,991	205,233
Construction in progress	15,822	10,063
Total	384,927	385,571
Accumulated depreciation	(242,215)	(250,468)
Net property, plant, and equipment	142,712	135,103
INVESTMENTS AND OTHER ASSETS:		
Goodwill (Notes 1, 6, 20 and 22)	40,532	38,705
Investments in and advances to affiliates (Note 1)	26,023	27,195
Investment securities (Notes 1, 4 and 20)	29,003	29,016
Leasehold deposits	7,730	7,531
Deferred income taxes (Notes 1 and 12)	43,695	39,947
Other assets (Notes 1, 6, 7, 20 and 22)	31,518	30,070
Total investments and other assets	178,501	172,464
TOTAL	¥ 749,878	¥ 744,952

	Millions of Yen	
LIABILITIES AND EQUITY	2019	2018
CURRENT LIABILITIES:		
Notes and accounts payable – trade	¥ 89,235	¥ 93,792
Accrued expenses	41,549	44,291
Income taxes payable	3,511	6,414
Other current liabilities (Notes 1, 9, 12, 17, 18, 19 and 20)	37,177	38,281
Total current liabilities	171,472	182,778
DEFERRED INCOME TAXES (Notes 1 and 12)	1,338	706
TERMINATION AND RETIREMENT BENEFITS (Notes 1 and 9)	58,332	42,342
OTHER LONG-TERM LIABILITIES (Note 19)	12,425	11,740
Total liabilities	243,567	237,566
EQUITY (Notes 1 and 10):		
Common stock, no par value: authorized, 487,000,000 shares in 2019 and 2018; issued, 213,958,172 shares in 2019 and 2018	64,100	64,100
Capital surplus	100,233	99,588
Legal reserve	21,826	19,940
Retained earnings	433,639	390,950
Accumulated other comprehensive income (loss) (Notes 1 and 16)	(70,200)	(49,359)
Treasury stock, at cost, 8,596,608 shares and 3,352,916 shares in 2019 and 2018, respectively	(45,386)	(19,689)
Total	504,212	505,530
Noncontrolling interests	2,099	1,856
Total equity	506,311	507,386
TOTAL	¥ 749,878	¥ 744,952

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen		
	2019	2018	2017
NET SALES (Notes 1 and 2)	¥ 859,482	¥ 859,982	¥ 794,201
COSTS AND EXPENSES (Note 8):			
Cost of sales	505,389	502,170	482,040
Selling, general and administrative expenses (Note 1)	219,683	212,481	193,093
Research and development expenses	57,777	59,077	50,539
Other expenses, net (Note 11)	1,201	2,887	3,037
Total	784,050	776,615	728,709
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	75,432	83,367	65,492
INCOME TAXES (Notes 1 and 12)	18,863	21,615	19,882
EQUITY IN LOSS (EARNINGS) OF AFFILIATES	1,578	(1,754)	(712)
NET INCOME	54,991	63,506	46,322
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	668	347	335
NET INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS	¥ 54,323	¥ 63,159	¥ 45,987

	Yen		
	2019	2018	2017
PER SHARE DATA (Note 13):			
Net income attributable to OMRON Corporation shareholders:			
Basic	¥260.78	¥296.85	¥215.09
Diluted	-	-	215.09

Note: Certain amounts in the consolidated statements of income for the years ended March 31, 2018 and 2017 have been reclassified. For more information, see Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen		
	2019	2018	2017
NET INCOME	¥ 54,991	¥63,506	¥46,322
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 16):			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	(4,419)	3,153	(9,003)
Reclassification adjustment for the portion realized in net income	(109)	-	(7)
Net unrealized gain (loss)	(4,528)	3,153	(9,010)
Pension liability adjustments:			
Pension liability adjustments arising during the year	(11,419)	451	4,908
Reclassification adjustment for the portion realized in net income	2,556	2,335	3,046
Net unrealized gain (loss)	(8,863)	2,786	7,954
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	-	3,695	1,164
Reclassification adjustment for the portion realized in net income	-	(2,034)	(7,283)
Net unrealized gain (loss)	-	1,661	(6,119)
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	32	(514)	983
Reclassification adjustment for the portion realized in net income	(73)	920	(1,109)
Net unrealized gain (loss)	(41)	406	(126)
OTHER COMPREHENSIVE INCOME (LOSS)	(13,432)	8,006	(7,301)
COMPREHENSIVE INCOME	41,559	71,512	39,021
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	651	349	193
COMPREHENSIVE INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS (Note 1)	¥ 40,908	¥71,163	¥38,828

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Equity
Years Ended March 31, 2019, 2018 and 2017

	Number of Common Shares Issued	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Noncontrolling Interests	Total Equity
		Millions of Yen								
BALANCE, MARCH 31, 2016	213,958,172	¥64,100	¥ 99,101	¥15,194	¥317,171	¥(50,204)	¥ (644)	¥444,718	¥2,316	¥447,034
Net income					45,987			45,987	335	46,322
Cash dividends paid to OMRON Corporation shareholders, ¥68 per share					(14,539)			(14,539)		(14,539)
Cash dividends paid to noncontrolling interests								-	(297)	(297)
Equity transaction with noncontrolling interests and other			14					14	(484)	(470)
Transfer to legal reserve				2,619	(2,619)			-		-
Other comprehensive income (loss)						(7,159)		(7,159)	(142)	(7,301)
Acquisition of treasury stock							(16)	(16)		(16)
Sale of treasury stock					(0)		1	1		1
Issuance of stock acquisition rights			23					23		23
BALANCE, MARCH 31, 2017	213,958,172	64,100	99,138	17,813	346,000	(57,363)	(659)	469,029	1,728	470,757
Net income					63,159			63,159	347	63,506
Cash dividends paid to OMRON Corporation shareholders, ¥76 per share					(16,083)			(16,083)		(16,083)
Cash dividends paid to noncontrolling interests								-	(215)	(215)
Equity transaction with noncontrolling interests and other			6		1			7	(6)	1
Share-based compensation			444					444		444
Transfer to legal reserve				2,127	(2,127)			-		-
Other comprehensive income (loss)						8,004		8,004	2	8,006
Acquisition of treasury stock							(19,030)	(19,030)		(19,030)
BALANCE, MARCH 31, 2018	213,958,172	64,100	99,588	19,940	390,950	(49,359)	(19,689)	505,530	1,856	507,386
Cumulative effects from the adoption of accounting standard update (ASU) No. 2016-01 and 2018-03*					7,650	(7,426)		224		224
BALANCE, APRIL 1, 2018 AFTER THE ADOPTION OF ASU NO. 2016-01 AND 2018-03*	213,958,172	64,100	99,588	19,940	398,600	(56,785)	(19,689)	505,754	1,856	507,610
Net income					54,323			54,323	668	54,991
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests								-	(343)	(343)
Equity transaction with noncontrolling interests and other								-	(65)	(65)
Share-based compensation			645					645		645
Transfer to legal reserve				1,886	(1,886)			-		-
Other comprehensive income (loss)						(13,415)		(13,415)	(17)	(13,432)
Acquisition of treasury stock							(25,697)	(25,697)		(25,697)
BALANCE, MARCH 31, 2019	213,958,172	¥64,100	¥100,233	¥21,826	¥433,639	¥(70,200)	¥(45,386)	¥504,212	¥2,099	¥506,311

* Represents the impact of adopting the new accounting standard related to financial instruments. For more information, see Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen		
	2019	2018	2017
OPERATING ACTIVITIES:			
Net income	¥ 54,991	¥ 63,506	¥ 46,322
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,459	29,465	28,966
Net loss (gain) on sales and disposals of property, plant, and equipment	(1,098)	949	705
Impairment losses on long-lived assets	196	911	12,998
Net loss on valuation of investment securities	563	-	-
Net gain on sales of investment securities	-	(3,003)	(3,764)
Impairment losses on investment securities	-	155	558
Gain on contribution of securities to retirement benefit trust	-	-	(7,004)
Termination and retirement benefits	3,818	2,706	2,863
Deferred income taxes	(383)	(2,607)	11
Equity in loss (earnings) of affiliates	1,578	(1,754)	(712)
Loss (gain) on sales of businesses	(407)	14	(3,686)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable – trade	(534)	(3,210)	(8,923)
Decrease (increase) in inventories	(3,491)	(17,409)	(7,112)
Decrease (increase) in other assets	(294)	(6,113)	2,604
Increase (decrease) in notes and accounts payable – trade	(5,401)	4,116	8,384
Increase (decrease) in income taxes payable	(2,775)	(614)	852
Increase (decrease) in accrued expenses and other current liabilities	(6,851)	6,276	5,097
Other, net	874	285	(284)
Total adjustments	16,254	10,167	31,553
Net cash provided by operating activities	71,245	73,673	77,875
INVESTING ACTIVITIES:			
Proceeds from sale or maturities of investment securities	465	3,776	4,606
Purchase of investment securities	(602)	(649)	(3,274)
Capital expenditures	(39,045)	(38,542)	(25,816)
Decrease (increase) in leasehold deposits, net	(193)	(634)	(145)
Proceeds from sales of property, plant, and equipment	3,475	990	2,278
Decrease (increase) in investment in and loans to affiliates, net	(498)	-	30
Proceeds from sales of businesses, net of cash paid	1,817	(427)	7,187
Acquisition of business, net of cash acquired	(830)	(20,445)	-
Other, net	454	89	93
Net cash used in investing activities	(34,957)	(55,842)	(15,041)
FINANCING ACTIVITIES:			
Net borrowings (repayments) of short-term debt	2,109	951	155
Dividends paid by the Company	(16,776)	(15,378)	(14,539)
Dividends paid to noncontrolling interests	(343)	(215)	(297)
Payments for equity transactions with noncontrolling interests	-	-	(470)
Acquisition of treasury stock	(25,716)	(18,530)	(16)
Other, net	(57)	90	155
Net cash used in financing activities	(40,783)	(33,082)	(15,012)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,722	2,248	(4,706)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,773)	(13,003)	43,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	113,023	126,026	82,910
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	¥ 110,250	¥ 113,023	¥ 126,026

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

OMRON Corporation (the "Company") is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications, and control technologies. The Company conducts business in more than 30 countries around the world and strategically manages its worldwide operations through five regional management centers in the United States, the Netherlands, China, Singapore and South Korea. Products, classified by type and market, are organized into operating segments as described below.

Industrial Automation Business (IAB) manufactures and sells programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices, industrial robots and control devices. IAB targets a wide range of customers in major manufacturing industries worldwide to provide manufacturing support through automation devices and services using sensing and control technologies.

Electronic and Mechanical Components Business (EMC) manufactures and sells relays, switches, connectors, amusement components and units, general sensors, facial recognition software, image sensing component and micro-electro-mechanical systems (MEMS) sensors. EMC also provides electronic components globally in a wide range of fields including built-in control components for general application (consumer) devices, automotive devices, environmental and energy devices, industrial equipment, built-in components for mobile devices such as mobile phones, etc.

Automotive Electronic Components Business (AEC) conducts design, production, and sales of automotive body electronics controllers, electric power steering controllers, passive entry and push engine start systems, keyless entry systems, power window switches and various automotive switches and power conversion units. AEC takes on new challenges in automotive electronics to make automobiles safer and more supportive for people and the environment, and conducts design, production, and sales of automotive electronics for vehicle and component manufacturers throughout the world.

Social Systems Solution and Service Business (SSB) creates solutions using sensing and control technologies, software, and total maintenance services for safer, more secure, and more comfortable communities, and works with customers to contribute to building an optimized society. SSB provides products such as railway station service systems, traffic and road management systems, card payment services, security and safety solutions, energy management business, IoT (power protection, data protection) solutions and related maintenance business.

Healthcare Business (HCB) products and services worldwide help with the prevention, improvement, and management of lifestyle diseases from household-use measurement devices to professional medical equipment in order to contribute to the health and comfortable lifestyle for people. In the data service field, HCB provides *OMRON connect,* which allows for data coordination between various health and medical applications of other companies and data measured using OMRON products to support people's health. HCB provides products such as digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors.

Other develops and strengthens existing businesses as well as explores and develops new business fields under the direct control of headquarters. The group provides products such as solar power conditioners, electricity storage systems, electrical power measuring devices and power protection devices.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements for depositary receipts issued in Europe, the consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to amounts previously reported in order to conform to classifications as of and for the year ended March 31, 2019. The Company is not registered with the Securities and Exchange Commission in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the "Companies"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in which the Companies do not exert control but have a 20% to 50% interest (affiliates) are accounted for using the equity method.

The consolidated financial statements include all of the Company's subsidiaries (150 companies at March 31, 2019 and 165 companies at March 31, 2018).

The Companies have introduced a performance based share compensation plan using structures called a BIP Trust and an ESOP Trust starting from the fiscal year ended March 31, 2018. The Companies acquired the Company's shares from the stock market and grant the Company's shares and cash in the amount of the converted value of such shares to the members of the Board of Directors and Executive Officers according to their executive position and degree of achievement of performance targets.

The Companies have both the power to direct the activities that most significantly impact the trusts' economic performance through the establishment of their plans. The Companies have the potential obligation since the Companies may entrust additional money to the trusts for use in acquisition of additional shares of the Company. As a result, the Companies are considered to be the primary beneficiaries of the trusts and therefore consolidate the trusts as variable interest entities, however, the trusts are not included in the number of the Company's subsidiaries.

The carrying amounts of assets and net assets of the trusts which are included in the consolidated balance sheet as of March 31, 2019 and 2018 were ¥113 million and ¥62 million of cash and cash equivalents and ¥4,194 million and ¥4,213 million of treasury stock, respectively.

Application of Equity Method

Investments in the Company's affiliated companies are accounted for using the equity method.

Affiliated companies that are accounted for using the equity method are

Hitachi-Omron Terminal Solutions, Corp. and others.
Total: 20 companies and 17 companies as of March 31, 2019 and 2018, respectively.

Differing Fiscal Year-Ends

There are 36 and 42 subsidiaries as of March 31, 2019 and 2018, respectively, which have different fiscal year-ends from that of the Company. The March 31 year-end financial statements were used by 34 and 40 subsidiaries as of March 31, 2019 and 2018, respectively, for the purpose of the Company's consolidation. The remaining subsidiaries were consolidated based on their respective year end as the effects due to the differing fiscal year-ends did not have a material effect on the Company's consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, securities purchased with resale agreements and money market instruments.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses within the outstanding receivables.

Investments

The Companies measure equity securities that have readily determinable fair value at fair values with changes recognized in "Net loss on investment securities" or "Net gain on valuation of investment securities". Equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer or at other reasonable methods with changes recognized in "Net loss on valuation of investment securities" or "Net gain on valuation of investment securities". Realized gains and losses are determined by the average cost method.

Inventories

Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment is computed principally by the declining-balance method based upon the estimated useful lives of the assets. However, certain of the Company's subsidiaries located outside of Japan calculate depreciation using the straight-line method based upon the estimated useful lives of the assets.

The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment. Depreciation expense was ¥23,992 million, ¥23,014 million, and ¥23,136 million for the years ended March 31, 2019, 2018 and 2017, respectively.

Goodwill and Other Intangible Assets

The Companies account for goodwill and other intangible assets in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, "Intangibles - Goodwill and Other", which requires that goodwill is not to be amortized, but instead tested for impairment at least annually. ASC 350 also requires recognized intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment at least annually.

Long-Lived Assets

Property, plant, and equipment and intangible assets which is amortized ("long-lived assets") are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might be unrecoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be potentially impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of other than by sale are considered held and used until disposed. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less selling costs.

Advertising Costs

Advertising costs are charged to earnings as incurred and included in selling, general and administrative expenses. Advertising expense was ¥11,391 million, ¥10,320 million, and ¥8,293 million for the years ended March 31, 2019, 2018 and 2017, respectively.

Shipping and Handling Charges

Shipping and handling charges are included in selling, general and administrative expenses. Shipping and handling charges were ¥9,706 million, ¥10,015 million, and ¥8,852 million for the years ended March 31, 2019, 2018 and 2017, respectively.

Termination and Retirement Benefits

Termination and retirement benefits are accounted for and are disclosed in accordance with ASC 715, "Compensation - Retirement Benefits", based on the fiscal year end fair value of plan assets and the projected benefit obligations of employees. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Companies.

Income Taxes

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards, and tax credit carryforwards. Future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, are recognized to the extent that such benefits are more likely than not to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Companies apply the guidance ASC 740, "Accounting for Uncertainty in Income Taxes". In evaluating the tax benefits based on available information at the reporting date, the Company records a tax benefit using a more likely than not threshold.

The Company and certain domestic subsidiaries compute current income taxes based on consolidated taxable income as permitted by Japanese tax regulations.

Consumption Taxes and Other Value-Added Taxes

Consumption taxes and other value-added taxes have been excluded from sales.

Product Warranties

A liability for estimated warranty-related costs is established at the time revenue is recognized and is included in other current liabilities. The liability is established using historical information, including the nature, frequency, and average cost of past warranty claims.

Derivatives

Derivative instruments and hedging activities are accounted for in accordance with ASC 815, "Derivatives and Hedging". This standard establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

For forward exchange contracts, currency option contracts and commodity swap contracts, on the date the derivative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies' policy, all forward exchange contracts, currency option contracts and commodity swap contracts entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) until earnings are affected by the variability in cash flows of the designated hedged item.

Cash Dividends

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Corresponding dividends payable are included in other current liabilities in the consolidated balance sheets.

Revenue Recognition

Revenue from contracts with customers is recognized when, or as, control of promised goods or services transfers to customers in an amount that reflects the consideration to which the Companies expects to be entitled in exchange for transferring these goods or services by applying the following five steps model:

Step 1: Identify the contracts with customers
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 transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, less any discounts, rebates or other similar items. The Companies consider all the information (historical, current, and forecast) that is reasonably available to estimate the amount of variable consideration. As a practical expedient, the Companies do not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Share-Based Compensation

The Companies apply ASC 718, "Compensation - Stock Compensation", and measure stock-based compensation costs based on the fair value at the grant date and recognize the costs over the vesting period.

Translation of Financial Statement Items of the Company's Subsidiaries Located Outside of Japan into Japanese Yen

Consolidated financial statements of the Company's subsidiaries located outside of Japan are translated in accordance with ASC 830, "Foreign Currency Matters". Assets and liabilities of the subsidiaries are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are reported in accumulated other comprehensive income (loss) as foreign currency translation adjustments.

Comprehensive Income

The Companies apply ASC 220, "Comprehensive Income". Comprehensive income is composed of net income attributable to shareholders, changes in foreign currency translation adjustments, changes in pension liability adjustments, changes in unrealized gains (losses) on available-for-sale securities and changes in net gains (losses) on derivative instruments designated as cash flow hedges and disclosed within the consolidated statements of comprehensive income.

New Accounting Standards

Recently adopted accounting guidance

In May 2014, the FASB issued its final standard on revenue from contracts with customers. The standard, issued as ASU No. 2014-09, "Revenue from Contracts with Customers", outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASU requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Companies adopted this standard using the modified retrospective method of adoption from the quarter beginning April 1, 2018. The cumulative-effects on retained earnings as of April 1, 2018, resulting from the adoption of this standard were not material.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", and in February 2018, the FASB issued ASU No. 2018-03, "Technical Correction and Improvements to Financial Instruments". The ASUs require a revision to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also requires certain disclosures associated with the fair value of financial instruments. The Companies adopted the ASUs on April 1, 2018 from the quarter beginning April 1, 2018. The Companies recognized a cumulative-effect adjustment to retained earnings of ¥7,426 million as of April 1, 2018 for the after-tax unrealized gains on available-for-sale equity securities previously recognized in accumulated other comprehensive income. The Companies also recognized a cumulative-effect adjustment to retained earnings of ¥224 million as of April 1, 2018 for the equity securities without readily determinable fair values.

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". This ASU requires entities to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU also requires the other components to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. This ASU allows only the service cost component to be eligible for capitalization when applicable. The Companies adopted this standard from the quarter beginning April 1, 2018. The adoption of the new presentation requirement of the service cost component and the other components of net benefit cost resulted in reclassification of ¥127 million and ¥359 million from cost of sales, ¥160 million and ¥446 million from selling, general and administrative expenses and ¥57 million and ¥158 million from research and development expenses into other expenses, net for the years ended March 31, 2018 and 2017, respectively. The adoption of the capitalization of the service cost component of net benefit cost did not have a material impact on its consolidated results of operations and financial condition.

Recently issued accounting guidance not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases". The ASU requires the recognition of the lease assets and liabilities on balance sheet which are classified as operating leases in the current standard. In July 2018, the FASB issued ASU No. 2018-11, "Leases". This ASU provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, entities initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Companies plan to adopt the guidance from the quarter beginning April 1, 2019. The Companies plan to elect the practical expedients package that allows an entity to not reassess whether any existing or expired contracts prior to the adoption date are, or contain leases, and to not reassess lease classification and initial direct costs for any existing or expired lease contracts. The Companies plan to elect the short-term lease exception. The Companies also plan to elect the modified retrospective transition method which permits an entity to not retrospectively adjust comparative periods. The amount of the right-of-use assets and lease liabilities for operating leases recognized at April 1, 2019 is approximately ¥45.0 billion and will be included in assets and liabilities in the consolidated balance sheets. The adoption of this standard is not expected to have a significant impact on the consolidated statements of income and cash flows.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment". This ASU requires the elimination of Step 2 from the goodwill impairment test. This ASU also requires the recognition of an impairment charge for the amount by which the carrying amount exceeds a reporting unit's fair value, on the condition that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Companies plan to adopt ASU No. 2017-04 on April 1, 2021. The Companies are currently evaluating the effect that the adoption of this guidance will have on the consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities". This ASU amends the hedge accounting recognition and presentation requirements to improve the transparency and understandability of information. This ASU also eliminates the requirement to separately measure and report hedge ineffectiveness and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The Companies plan to adopt ASU No. 2017-12 on April 1, 2019. The adoption of this guidance is not expected to have a significant impact on the consolidated financial statements.

2. REVENUE

Disaggregation of Revenue

The following table presents the Companies' revenues disaggregated by geographical region and operating segment for the years ended March 31, 2019, 2018 and 2017.

	Millions of Yen								
2019	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
Sales:									
Sales to external customers	¥391,826	¥ 99,703	¥130,471	¥75,023	¥115,493	¥41,739	¥854,255	¥ 5,227	¥859,482
Intersegment sales	6,426	54,535	402	5,805	172	7,114	74,454	(74,454)	-
Total	¥398,252	¥154,238	¥130,873	¥80,828	¥115,665	¥48,853	¥928,709	¥(69,227)	¥859,482
Major regional market (external customers):									
Japan	¥154,726	¥ 21,612	¥ 18,207	¥73,765	¥ 26,909	¥35,510	¥330,729	¥ 4,437	¥335,166
Americas	34,980	17,883	38,535	-	23,612	-	115,010	-	115,010
Europe	79,851	17,742	2,110	-	22,668	-	122,371	-	122,371
Greater China	78,169	30,443	23,486	435	30,968	6,136	169,637	-	169,637
Southern Asia and Others	43,771	11,949	41,969	-	10,696	-	108,385	-	108,385
Direct Exports	329	74	6,164	823	640	93	8,123	790	8,913
Total	¥391,826	¥ 99,703	¥130,471	¥75,023	¥115,493	¥41,739	¥854,255	¥ 5,227	¥859,482

	Millions of Yen								
2018	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
Sales:									
Sales to external customers	¥396,140	¥104,362	¥131,152	¥70,289	¥108,489	¥44,377	¥854,809	¥ 5,173	¥859,982
Intersegment sales	6,724	57,765	2,034	5,273	306	7,849	79,951	(79,951)	-
Total	¥402,864	¥162,127	¥133,186	¥75,562	¥108,795	¥52,226	¥934,760	¥(74,778)	¥859,982
Major regional market (external customers):									
Japan	¥151,975	¥ 24,283	¥ 17,274	¥69,424	¥ 26,034	¥35,460	¥324,450	¥ 4,065	¥328,515
Americas	35,282	17,532	41,891	-	23,785	-	118,490	-	118,490
Europe	77,725	16,945	2,794	-	20,962	-	118,426	-	118,426
Greater China	77,660	31,035	28,638	294	26,796	8,524	172,948	-	172,948
Southern Asia and Others	53,073	14,452	33,252	-	10,327	-	111,104	-	111,104
Direct Exports	425	115	7,303	570	585	393	9,391	1,108	10,499
Total	¥396,140	¥104,362	¥131,152	¥70,289	¥108,489	¥44,377	¥854,809	¥ 5,173	¥859,982

2017	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
	Millions of Yen								
Sales:									
Sales to external customers	¥ 330,959	¥ 95,203	¥ 132,060	¥ 68,046	¥ 101,295	¥ 58,881	¥ 786,444	¥ 7,757	¥ 794,201
Intersegment sales	5,268	49,788	502	4,843	239	7,848	68,488	(68,488)	-
Total	¥ 336,227	¥ 144,991	¥ 132,562	¥ 72,889	¥ 101,534	¥ 66,729	¥ 854,932	¥ (60,731)	¥ 794,201
Major regional market (external customers):									
Japan	¥ 133,498	¥ 23,715	¥ 18,988	¥ 67,480	¥ 28,921	¥ 51,418	¥ 324,020	¥ 6,903	¥ 330,923
Americas	30,295	16,297	43,879	-	21,720	-	112,191	-	112,191
Europe	65,609	14,835	3,875	-	18,339	-	102,658	-	102,658
Greater China	59,634	29,013	28,004	255	23,061	7,293	147,260	-	147,260
Southern Asia and Others	41,343	11,289	30,110	-	8,977	-	91,719	-	91,719
Direct Exports	580	54	7,204	311	277	170	8,596	854	9,450
Total	¥ 330,959	¥ 95,203	¥ 132,060	¥ 68,046	¥ 101,295	¥ 58,881	¥ 786,444	¥ 7,757	¥ 794,201

Note: Major countries or regions belonging to segments other than Japan are as follows:

(1) Americas: United States of America, Canada, Brazil, Mexico
(2) Europe: Netherlands, Great Britain, Germany, France, Italy, Spain
(3) Greater China: China, Hong Kong, Taiwan
(4) Southeast Asia and Others: Singapore, South Korea, India, Australia
(5) Direct Exports: Direct delivery exports

In relation to businesses other than the SSB and Environment component (which is included in the Other segment), the Companies recognize revenue from domestic sales of goods when goods are delivered at customer's sites, unless stated otherwise in a contract. The revenue from export sales for such businesses is recognized when the transfer of the risk of loss to customer is complete, based on the trade terms and conditions such as Incoterms.

In addition, the Companies will provide for an estimate of rebates for customers based on the quantities sold to promote the sales of its products. The amount of the rebate is included in variable consideration and can be reasonably estimated, therefore, the estimate of variable consideration is not constrained. Consideration is received in approximately three months. The product of the Company or subsidiaries does not include any right of return.

In relation to the SSB or Environment component (which is included in the Other segment), the Companies recognize revenue when the products are accepted by the customers. Consideration is received in approximately three months. In addition, certain trades include long-term maintenance service for which revenue is recognized over a certain period. Consideration for such service rendered is received in approximately three months. The Companies may receive consideration as an advance payment for future products or sales, in which case will be recognized as a contract liability is recorded in other current liabilities or other non-current liabilities.

Contract Balances

The beginning and the ending balances of contract liabilities for the fiscal year ended March 31, 2019 were as follows:

	Millions of Yen			
		Contract liabilities		
	Notes and Accounts Receivable	Other Current Liabilities	Other Long-Term Liabilities	Total
Balance at beginning of year	¥174,065	¥1,685	¥7,360	¥ 9,045
Balance at ending of year	171,196	1,710	8,543	10,253

For the year ended March 31, 2019, revenue of ¥1,552 million was recognized from contract liabilities at the beginning of the year.

Transaction Price Allocated to Remaining Performance Obligations

Remaining performance obligations at March 31, 2019 are mainly expected to be recognized as revenue within 1 to 10 years. We have not disclosed information about transaction price allocated to remaining performance obligations that have original expected durations of one year or less.

3. INVENTORIES

Inventories at March 31, 2019 and 2018 consisted of:

	Millions of Yen	
	2019	2018
Finished products	¥ 76,708	¥ 77,006
Work in process	15,411	14,804
Materials and supplies	37,964	37,771
Total	¥ 130,083	¥ 129,581

4. INVESTMENTS

The unrealized holding gains or losses and realized gains or losses on equity securities for the year ended March 31, 2019 were as follows:

	Millions of Yen
	2019
Net losses (gains) recognized during the period on equity securities	¥ 563
Net losses (gains) realized during the period on equity securities sold during the period	(36)
Unrealized losses (gains) recognized during the period on equity securities held at March 31	599

The carrying amount of non-marketable equity securities without readily determinable fair value was ¥4,783 million at March 31, 2019. From April 1, 2018, equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer or at other reasonable methods with changes recognized in "Net loss on valuation of investment securities" or "Net gain on valuation of investment securities". No impairment were recorded, and other adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, recorded to gains during the year ended March 31, 2019 were ¥48 million. The aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥6,396 million at March 31, 2018.

5. NOTES AND ACCOUNTS RECEIVABLE

The Companies have entered into different types of transactions with affiliated companies through the ordinary course of business.

The amount of accounts receivable with affiliates resulting from these transactions was ¥1,808 million and ¥2,173 million for the years ended March 31, 2019 and 2018, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of acquired intangible assets, excluding goodwill, at March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Software	¥60,917	¥48,752	¥52,808	¥42,510
Customer-related asset	5,835	811	5,628	509
Technology-based asset	6,808	1,485	6,622	838
Other	5,743	1,678	5,851	1,998
Total	¥79,303	¥52,726	¥70,909	¥45,855

Aggregate amortization expense related to intangible assets was ¥6,467 million, ¥6,451 million, and ¥5,830 million for the years ended March 31, 2019, 2018 and 2017, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

Years Ending March 31	Millions of Yen
2020	¥6,099
2021	4,996
2022	3,996
2023	3,185
2024	2,065

Intangible assets, not subject to amortization, at March 31, 2019 and 2018 were immaterial.

The carrying amounts of goodwill in each segment at March 31, 2019 and 2018, and changes in their carrying amounts for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen						
	2019						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year:							
Goodwill	¥42,026	¥ 429	¥ 588	¥ -	¥5,988	¥ 1,475	¥ 50,506
Accumulated impairment losses	(9,406)	(332)	(588)	-	-	(1,475)	(11,801)
Total	¥32,620	¥ 97	¥ -	¥ -	¥5,988	¥ -	¥ 38,705
Acquisition	-	-	-	-	1,203	-	1,203
Impairment	-	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-	-
Foreign currency translation adjustments and other	1,324	(4)	-	-	(696)	-	624
Balance at end of year:							
Goodwill	39,683	425	588	-	6,495	¥ 1,475	48,666
Accumulated impairment losses	(5,739)	(332)	(588)	-	-	(1,475)	(8,134)
Total	¥33,944	¥ 93	¥ -	¥ -	¥6,495	¥ -	¥ 40,532

	Millions of Yen						
	2018						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year:							
Goodwill	¥33,083	¥ 425	¥ 588	¥ -	¥6,615	¥ 1,475	¥ 42,186
Accumulated impairment losses	(9,406)	(332)	(588)	-	-	(1,475)	(11,801)
Total	¥23,677	¥ 93	¥ -	¥ -	¥6,615	¥ -	¥ 30,385
Acquisition	10,720	-	-	-	-	-	10,720
Impairment	-	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-	-
Foreign currency translation adjustments and other	(1,777)	4	-	-	(627)	-	(2,400)
Balance at end of year:							
Goodwill	42,026	429	588	-	5,988	1,475	50,506
Accumulated impairment losses	(9,406)	(332)	(588)	-	-	(1,475)	(11,801)
Total	¥32,620	¥ 97	¥ -	¥ -	¥5,988	¥ -	¥ 38,705

The Companies records goodwill and other intangible assets in accordance with ASC 350, "Intangibles - Goodwill and Other". No impairment losses were recognized for the fiscal years ended March 31, 2019 and 2018. The Companies recognized impairment losses for the fiscal year ended March 31, 2017 of ¥105 million due to the increasing competition in the electronic components market in the EMC. The impairment losses are included in other expenses, net in the consolidated statements of income. The fair value of the reporting unit was estimated based on the present value of expected future cash flows.

7. IMPAIRMENT LOSSES ON LONG-LIVED ASSETS

In accordance with ASC 360, "Property, Plant, and Equipment", the Companies recognized impairment losses of ¥99 million related to certain idle equipment used by the EMC segment for the fiscal year ended March 31, 2019. The Companies also recognized impairment losses of ¥97 million on long-lived assets due to decreasing profitability of the backlight business, in the Other segment.

The Companies recognized impairment losses of ¥5 million on long-lived assets for the fiscal year ended March 31, 2018 related the HCB segment as a result of the closure of a part of the service business. The Companies also recognized impairment losses of ¥163 million on long-lived assets due to decreasing profitability of the backlight business and ¥73 million due to decreasing profitability of the micro-device related business, both in the Other segment. Furthermore, the Companies recognized impairment losses of ¥670 million on long-lived assets due to some idle equipment under Eliminations and Others.

The Companies recognized impairment losses of ¥397 million on long-lived assets for the fiscal year ended March 31, 2017 related to part of the relay-related business due to a change in its business plan in the EMC segment. The Companies also recognized impairment losses of ¥275 million on long-lived assets that were held-for-sale due to revaluation and ¥227 million on part of the service business due to decreasing profitability, both in the HCB segment. Furthermore, the Companies recognized impairment losses of ¥10,997 million on long-lived assets due to a change in its business plan in accordance with the change of the backlight related business environment and ¥1,102 million due to decreasing profitability of the micro-device related business, both in the Other segment.

These impairment losses are included in other expenses, net within the consolidated statements of income. The fair values of the held-for-sale long-lived assets in the HCB segment were estimated based on the contract amounts. For the held-for-use long-lived assets, fair values were estimated using the present value of expected future cash flows and the appraised value.

8. LEASES

The Companies do not have any material capital lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Generally, leases that expire are expected to be renewed or replaced by other leases. At March 31, 2019, future minimum lease payments applicable to noncancelable leases having remaining noncancelable lease terms in excess of one year were as follows:

Years Ending March 31	Millions of Yen
2020	¥2,795
2021	2,394
2022	896
2023	712
2024	517
Thereafter	602
Total	¥7,916

Lease expense amounted to ¥13,139 million, ¥13,776 million, and ¥13,638 million for the years ended March 31, 2019, 2018 and 2017, respectively.

9. TERMINATION AND RETIREMENT BENEFITS

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees (the "funded contributory termination and retirement plan in Japan"). Benefits were based on a point-based benefits system, under which benefits are calculated mainly based on accumulated points awarded to employees each year according to their job classification and performance. If termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law.

Obligations and Funded Status

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	¥ 239,898	¥ 230,770
Service cost	7,364	6,917
Interest cost	1,799	1,846
Actuarial loss	9,362	7,921
Benefits paid	(8,155)	(6,716)
Settlement paid	(821)	(775)
Divestitures	(591)	(65)
Benefit obligation at end of year	¥ 248,856	¥ 239,898
Change in plan assets:		
Fair value of plan assets at beginning of year	¥ 164,006	¥ 158,786
Actual return on plan assets	1,679	5,771
Employers' contributions	2,375	3,706
Contributions from assets in retirement benefit trust	2,029	2,297
Benefits paid	(5,821)	(5,733)
Settlement paid	(821)	(775)
Divestitures	(199)	(46)
Fair value of plan assets at end of year	¥ 163,248	¥ 164,006
Fair value of assets in retirement benefit trust at beginning of year	¥ 36,167	¥ 31,273
Actual return on assets in retirement benefit trust	(3,867)	7,191
Contributions to plan assets	(2,029)	(2,297)
Fair value of assets in retirement benefit trust at end of year	¥ 30,271	¥ 36,167
Funded status at end of year	¥ (55,337)	¥ (39,725)

Amounts recognized in the consolidated balance sheets at March 31, 2019 and 2018, consisted of:

	Millions of Yen	
	2019	2018
Other current liability	¥ (1,267)	¥ (1,078)
Termination and retirement benefit	(54,070)	(38,647)
Total	¥ (55,337)	¥ (39,725)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2019 and 2018, before tax, consisted of:

	Millions of Yen	
	2019	2018
Net actuarial loss	¥102,060	¥90,473
Prior service benefit	(559)	(1,853)
Total	¥101,501	¥88,620

The accumulated benefit obligation at March 31, 2019 and 2018 was as follows:

	Millions of Yen	
	2019	2018
Accumulated benefit obligation	¥237,927	¥229,875

Components of Net Periodic Benefit Cost

The expense recorded for the contributory termination and retirement benefit plans for the years ended March 31, 2019, 2018 and 2017, included the following components:

	Millions of Yen		
	2019	2018	2017
Service cost	¥ 7,364	¥ 6,917	¥ 7,031
Interest cost on projected benefit obligation	1,799	1,846	1,625
Expected return on plan assets	(5,063)	(4,860)	(4,713)
Amortization	3,520	3,358	4,050
Net periodic benefit cost	¥ 7,620	¥ 7,261	¥ 7,993

The unrecognized prior service benefit is amortized on a straight-line basis over 15 years. The unrecognized actuarial gains and losses are amortized on a straight-line basis over 15 years that exceed 10% of the larger of the projected benefit obligation or plan assets.

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2020 are summarized as follows:

	Millions of Yen
Net actuarial loss	¥4,825
Prior service benefit	(559)

Measurement Date

The Company and some of its domestic subsidiaries which cover the majority of the projected benefit obligation and plan assets of the termination and retirement benefits use March 31 as the measurement date.

Assumptions

Weighted-average assumptions used to determine the benefit obligations at March 31, 2019 and 2018 were as follows:

	2019	2018
Discount rate	0.60%	0.75%
Compensation increase rate	2.00%	2.00%

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2019, 2018 and 2017 were as follows:

	2019	2018	2017
Discount rate	0.75%	0.80%	0.70%
Compensation increase rate	2.00%	2.00%	2.00%
Expected long-term rate of return on plan assets	3.00%	3.00%	3.00%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

Plan Assets

The Company's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio composed of the optimal combination of equity and debt securities in order to yield a total return that will match the expected return on a mid-term to long-term basis.

The Company evaluates the gap between long-term expected return and actual return of invested plan assets to determine if such differences necessitate a revision in the formulation of the model portfolio. In the event that the Company determines the need for a revision of the model portfolio to accomplish the expected long-term rate of return on plan assets, the Company revises the model portfolio to the extent necessary.

The target allocation of plan assets is 15.5% equity securities, 59.5% debt securities and life insurance general account assets, and 25.0% other. Equity securities are mainly composed of stocks that are listed on various securities exchanges. The Company has investigated the business condition of investee companies and appropriately diversified the equity investments by type of industry, brand, and other relevant factors. Debt securities are primarily composed of government bonds, public debt instruments, and corporate bonds. The Company has investigated the quality of the debt issued, including credit rating, interest rate, and repayment dates and appropriately diversified the debt investments. For investments in life insurance general account assets, contracts with the insurance companies include a guaranteed interest and return of capital. Others are joint trusts mainly composed of alternative and appropriately diversified.

The fair values of the Company's pension plan assets by asset category as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1 and 2)	¥27,946	¥ -	¥ -	¥ 27,946
Joint trusts (*3 and 4)	-	-	-	26,250
Debt securities:				
Joint trusts (*3 and 5)	-	-	-	38,281
Other assets:				
Life insurance general account assets	-	31,389	-	31,389
Joint trusts (*3)	-	-	-	67,330
Other	2,275	48	-	2,323
Total	¥64,405	¥31,437	¥ -	¥193,519

	Millions of Yen			
	2018			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1 and 2)	¥37,211	¥ -	¥ -	¥ 37,211
Joint trusts (*3 and 4)	-	-	-	28,989
Debt securities:				
Joint trusts (*3 and 5)	-	-	-	40,840
Other assets:				
Life insurance general account assets	-	30,965	-	30,965
Joint trusts (*3)	-	-	-	59,409
Other	275	2,484	-	2,759
Total	¥37,486	¥33,449	¥ -	¥200,173

(*) 1 No common stock of the Company was included in Domestic stocks for the years ended March 31, 2019 and 2018.

2 Domestic stocks include ¥27,946 million and ¥33,422 million of retirement benefit trusts for the years ended March 31, 2019 and 2018, respectively.

3 Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.

4 Joint trusts of equity securities invest in listed equity securities at a ratio of 10% Japanese companies and 90% foreign companies for the years ended March 31, 2019 and 2018.

5 Joint trusts of debt securities invested at a ratio of approximately 10% in Japanese government bonds and 90% in foreign government bonds for the year ended March 31, 2019, and 30% Japanese government bonds and 70% in foreign government bonds for the year ended March 31, 2018.

Level 1 assets are composed principally of cash in bank and equity securities which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are composed principally of life insurance general account assets. Life insurance general account assets are valued based on the sum of original value and return.

Joint trusts are valued at their net asset values.

Cash Flows

Contributions

As of March 31, 2018, the Companies' expected contribution to their domestic termination and retirement benefit plans for the year ended March 31, 2019 was ¥2,417 million; however, the Companies actually contributed ¥2,374 million to the retirement benefit plans for the year ended March 31, 2019. The Companies expect to contribute ¥792 million to their domestic termination and retirement benefit plans in the year ending March 31, 2020.

Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending March 31	Millions of Yen
2020	¥ 8,461
2021	8,969
2022	9,221
2023	9,712
2024	9,887
2025 – 2029	50,212

The aggregate liability for the termination plans, excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2019 and 2018 was ¥4,262 million and ¥3,695 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2019, 2018 and 2017 was ¥351 million, ¥563 million, and ¥126 million, respectively.

The termination plans excluding the funded contributory termination and retirement plan in Japan, include the termination and retirement benefit plans in European subsidiaries and the Companies' other termination and retirement benefit plans. Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets in European subsidiaries were ¥8,932 million and ¥8,175 million, respectively, at March 31, 2019, and ¥9,078 million and ¥8,178 million, respectively, at March 31, 2018. The projected benefit obligation and related fair value of the Companies' other termination and retirement benefit plans were not material at March 31, 2019 and 2018. The Companies also have unfunded noncontributory termination plans administered by the Companies.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock, while the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within equity.

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

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, 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 a Board of Corporate Auditors; 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) 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 of the board of directors if it is stipulated by the articles of incorporation of the Company. Under the Companies Act, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Companies Act also 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. Such amount available for dividends under the Companies Act was ¥82,825 million at March 31, 2019, based on the amount recorded in the Company's general books of account.

11. OTHER EXPENSES (INCOME), NET

Other expenses (income), net, for the years ended March 31, 2019, 2018 and 2017, consisted of the following:

	Millions of Yen		
	2019	2018	2017
Net loss (gain) on sales and disposals of property, plant, and equipment	¥(1,098)	¥ 949	¥ 705
Impairment losses on long-lived assets	196	911	12,998
Cost for quality control	606	1,068	1,956
Gain on contribution of securities to retirement benefit trust	-	-	(7,004)
Net loss on valuation of investment securities	563	-	-
Net gain on sales of investment securities	-	(3,003)	(3,764)
Impairment losses on investment securities	-	155	558
Loss (gain) on sales of businesses	(407)	14	(3,686)
Disaster related expenses	2,478	-	-
Insurance proceeds	(2,535)	-	-
Interest income, net	(590)	(697)	(514)
Foreign exchange loss, net	2,933	3,328	9
Dividend income	(772)	(749)	(817)
Restructuring expenses	-	-	1,340
Other, net	(173)	911	1,256
Total	¥ 1,201	¥ 2,887	¥ 3,037

Note: Certain amounts in the consolidated statements of operations for the years ended March 31, 2018 and 2017 have been reclassified. For more information, see Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

12. INCOME TAXES

The provision for income taxes for the years ended March 31, 2019, 2018 and 2017, consisted of the following:

	Millions of Yen		
	2019	2018	2017
Current income tax expense	¥19,246	¥24,222	¥19,871
Deferred income tax expenses, exclusive of the following	1,010	(4,389)	(3,375)
Change in the valuation allowance	(1,393)	1,386	3,386
Change in the effective statutory tax rates	-	396	-
Total	¥18,863	¥21,615	¥19,882

With the reduction of corporate tax rates enacted into U.S. law in December 2017, income tax expense increased due to a decrease of ¥396 million in deferred tax assets resulting from the revaluation of such assets based on the newly-enacted income tax rates.

The total amount of income taxes for the years ended March 31, 2019, 2018 and 2017, respectively, were allocated to the following items:

	Millions of Yen		
	2019	2018	2017
"Income taxes" in consolidated statements of income	¥18,863	¥21,615	¥19,882
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(83)	93	(382)
Pension liability adjustments	(4,023)	1,259	3,551
Unrealized gains (losses) on available-for-sale securities	-	746	(2,749)
Net gains (losses) on derivative instruments	(18)	182	(57)
Total	¥14,739	¥23,895	¥20,245

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The statutory effective tax rate is 31.0% for the fiscal years ended March 31, 2019, 2018 and 2017.

The effective income tax rates of the Companies differ from the normal Japanese statutory effective tax rates for the years ended March 31, 2019, 2018 and 2017, as follows:

	2019	2018	2017
Japanese statutory effective tax rates	31.0%	31.0%	31.0%
Increase in taxes resulting from permanently nondeductible items	0.8	0.7	1.0
Tax credit for research and development expenses	(3.6)	(4.2)	(3.2)
Losses of subsidiaries for which no tax benefit was provided	1.8	2.0	2.0
Difference in subsidiaries' tax rates	(3.8)	(3.0)	(2.1)
Change in the valuation allowance	(3.6)	(0.3)	3.1
Realization of previously unrecognized deferred tax effects	(0.3)	(1.9)	(2.2)
Change in the effective statutory tax rates	-	0.5	-
Taxes on undistributed earnings	3.6	0.0	0.1
Other, net	(0.9)	1.1	0.7
Effective income tax rates	25.0%	25.9%	30.4%

The approximate effect of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Inventory valuation	¥ 8,267	¥ -	¥ 6,930	¥ -
Accrued bonuses and vacations	6,102	-	6,060	-
Termination and retirement benefits	23,870	-	18,273	-
Marketable securities	-	3,028	-	2,251
Property, plant, and equipment	3,559	-	3,623	-
Taxes on undistributed earnings	-	6,338	-	3,730
Other temporary differences	7,598	1,542	11,944	2,303
Net operating loss carryforwards	11,180	-	11,566	-
	¥60,576	¥10,908	¥ 58,396	¥8,284
Valuation allowance	(7,311)	-	(10,870)	-
Total	¥53,265	¥10,908	¥ 47,526	¥8,284

The total valuation allowance decreased by ¥3,559 million in 2019 and ¥980 million in 2018.

As of March 31, 2019, the Companies had net operating loss carryforwards for corporate income taxes approximating ¥37,741 million in domestic subsidiaries which will expire by 2027 and ¥35,132 million in overseas which will expire by 2038.

The Company has not provided deferred tax liabilities on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The accumulated unremitted earnings of the foreign subsidiaries for which the Company has not recognized deferred tax liabilities were ¥53,875 million and ¥128,373 million at March 31, 2019 and 2018, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

A reconciliation of beginning and ending amounts of unrecognized tax benefits was as follows:

	Millions of Yen	
	2019	2018
Balance at beginning of year	¥1,483	¥ 282
Additions based on tax positions related to the current year	44	1,483
Additions based on tax positions related to the prior year	-	183
Reductions for tax positions of prior years	-	(465)
Balance at end of year	¥1,527	¥1,483

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥1,124 million and ¥1,124 million for the years ended March 31, 2019 and 2018, respectively.

Based on the information available as of March 31, 2019, a change to the unrecognized tax benefits within the next 12 months is expected to be immaterial.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. The Companies file income tax returns in Japan and foreign jurisdictions. With few exceptions, tax examinations in Japan and in foreign countries for years on or prior to March 31, 2017 and 2007, respectively, have been completed.

13. SHARE BASED PAYMENTS

Outline of Performance Share Plan

The Companies introduced a performance share plan (hereinafter the "Plan") for the members of the board of directors and executive officers in the fiscal year ended March 31, 2018.

The Plan is consisted of two structures, a BIP Trust and an ESOP Trust. The BIP Trust is established for an executive incentive program similar to the performance share and restricted stock plans in the U.S. and Europe. It is designed to grant the Company's shares acquired by the BIP Trust and cash in the amount of the converted value of such shares to directors and executive officers according to executive position and their degree of achievement of performance targets. The ESOP Trust is used for an employee incentive program using a trust fund based on the Employee Stock Ownership Plan in the U.S. The shares held by the BIP Trust and the ESOP Trust are accounted for as treasury stock.

Vesting conditions are subject to individuals holding the position of directors and executive officers and meeting other specific requirements. The rights of granted points (1 point = 1 share) will be awarded to directors and executive officers on the last day of each fiscal year during the term of a new medium-term management plan according to their positions and the degree of achievement of performance targets. The number of performance-linked points due to directors and executive officers will be awarded after the term of the plan, and non-performance-linked points will be awarded over a specified period each year during the term of the plan. Directors and executive officers will receive the Company's shares and cash which are awarded based on their points, upon completion of certain settlement procedures.

The following table summarizes the unvested points activity in 2019:

	Number of Points	Millions of Yen Weighted Average Grant-Date Fair Value
Outstanding at beginning of year	121,012	¥5,044
Granted	119,803	5,103
Vested	(3,417)	4,974
Outstanding at ending of year	237,398	¥5,075

Share-Based Payment Expenses

Share-based payment expense recognized in the consolidated statement of income for the fiscal year ended March 31, 2019 was ¥664 million, and was ¥444 million for the fiscal year ended March 31, 2018.

14. PER SHARE DATA

The Company calculates its net income per share in accordance with ASC 260, "Earnings Per Share". The numerators and denominators of net income attributable to shareholders per share computations are shown below. The dilutive effect was not stated since there were no potentially dilutive securities as of March 31, 2019 and 2018.

Numerator

	Millions of Yen		
	2019	2018	2017
Net income attributable to shareholders	¥54,323	¥63,159	¥45,987
Diluted net income attributable to shareholders	-	-	45,987

Denominator

	2019	2018	2017
Weighted-average common shares outstanding	208,306,026	212,766,401	213,807,653
Dilutive effect of:			
Diluted common shares outstanding	-	-	213,807,653

Note: The Company's shares held through the BIP Trust and the ESOP Trust are included in the number of treasury stock shares to be deducted in calculation of the weighted-average shares for the earnings per share computation (767,253 shares for the year ended March 31, 2019, 473,908 shares for the year ended March 31, 2018 and no shares for the year ended March 31, 2017).

15. SUPPLEMENTAL INFORMATION FOR CASH FLOWS

Supplemental cash flow information for the years ended March 31, 2019, 2018 and 2017 was as follows:

	Millions of Yen		
	2019	2018	2017
Interest paid	¥ 431	¥ 172	¥ 160
Income taxes paid	22,529	23,678	20,261
Noncash investing and financing activities:			
Liabilities assumed in connection with capital expenditures	4,221	1,405	1,095
Fair value of securities contributed to retirement benefit trust	-	-	9,962

16. OTHER COMPREHENSIVE INCOME (LOSS)

Tax effects allocated to each component of other comprehensive income (loss), including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the years ended March 31, 2019, 2018 and 2017 were as follows:

	Millions of Yen								
	2019			2018			2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:									
Beginning balance	¥ (2,814)	¥ (362)	¥ (3,176)	¥ (6,058)	¥ (269)	¥ (6,327)	¥ 3,192	¥ (651)	¥ 2,541
Foreign currency translation adjustments arising during the year	(4,502)	83	(4,419)	3,246	(93)	3,153	(9,384)	381	(9,003)
Reclassification adjustment for the portion realized in net income	(109)	-	(109)	-	-	-	(8)	1	(7)
Net unrealized gain (loss)	(4,611)	83	(4,528)	3,246	(93)	3,153	(9,392)	382	(9,010)
Other comprehensive income (loss) attributable to noncontrolling interests	17	-	17	(2)	-	(2)	142	-	142
Ending balance	(7,408)	(279)	(7,687)	(2,814)	(362)	(3,176)	(6,058)	(269)	(6,327)
Pension liability adjustments:									
Beginning balance	(89,313)	35,528	(53,785)	(93,358)	36,787	(56,571)	(104,863)	40,338	(64,525)
Pension liability adjustments arising during the year	(16,590)	5,171	(11,419)	661	(210)	451	7,090	(2,182)	4,908
Reclassification adjustment for the portion realized in net income	3,704	(1,148)	2,556	3,384	(1,049)	2,335	4,415	(1,369)	3,046
Net unrealized gain (loss)	(12,886)	4,023	(8,863)	4,045	(1,259)	2,786	11,505	(3,551)	7,954
Ending balance	(102,199)	39,551	(62,648)	(89,313)	35,528	(53,785)	(93,358)	36,787	(56,571)
Unrealized gains (losses) on available-for-sale securities:									
Beginning balance	15,005	(7,579)	7,426	12,598	(6,833)	5,765	21,466	(9,582)	11,884
Cumulative effects from the adoption of ASU No. 2016-01 and 2018-03*	(15,005)	7,579	(7,426)	-	-	-	-	-	-
Unrealized holding gains (losses) arising during the year	-	-	-	5,355	(1,660)	3,695	1,687	(523)	1,164
Reclassification adjustment for the portion realized in net income	-	-	-	(2,948)	914	(2,034)	(10,555)	3,272	(7,283)
Net unrealized gain (loss)	-	-	-	2,407	(746)	1,661	(8,868)	2,749	(6,119)
Ending balance	-	-	-	15,005	(7,579)	7,426	12,598	(6,833)	5,765
Net gains (losses) on derivative instruments:									
Beginning balance	269	(93)	176	(319)	89	(230)	(136)	32	(104)
Unrealized holding gains (losses) arising during the year	46	(14)	32	(745)	231	(514)	1,424	(441)	983
Reclassification adjustment for the portion realized in net income	(105)	32	(73)	1,333	(413)	920	(1,607)	498	(1,109)
Net unrealized gain (loss)	(59)	18	(41)	588	(182)	406	(183)	57	(126)
Ending balance	210	(75)	135	269	(93)	176	(319)	89	(230)
Other comprehensive income (loss):									
Beginning balance	(76,853)	27,494	(49,359)	(87,137)	29,774	(57,363)	(80,341)	30,137	(50,204)
Cumulative effects from the adoption of ASU No. 2016-01 and 2018-03*	(15,005)	7,579	(7,426)	-	-	-	-	-	-
Unrealized holding gains (losses) arising during the year	(21,046)	5,240	(15,806)	8,517	(1,732)	6,785	817	(2,765)	(1,948)
Reclassification adjustment for the portion realized in net income	3,490	(1,116)	2,374	1,769	(548)	1,221	(7,755)	2,402	(5,353)
Net unrealized gain (loss)	(17,556)	4,124	(13,432)	10,286	(2,280)	8,006	(6,938)	(363)	(7,301)
Other comprehensive income (loss) attributable to noncontrolling interests	17	-	17	(2)	-	(2)	142	-	142
Ending balance	¥ (109,397)	¥ 39,197	¥ (70,200)	¥ (76,853)	¥ 27,494	¥ (49,359)	¥ (87,137)	¥ 29,774	¥ (57,363)

* Represents the impact of adopting the new accounting standard related to financial instruments. For more information, see Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The reclassification adjustment related to unrealized gains (losses) on available-for-sale securities for the portion realized in net income is included in other expenses, net. The reclassification adjustment related to pension liability adjustments for the portion realized in net income is included in other retirement benefit expenses and expenses, net. The reclassification adjustment related to net gains (losses) on derivative instruments for the portion realized in net income is included in cost of sales and other expenses, net. The reclassification adjustment related to foreign currency translation adjustments for the portion realized in net income is included in other expenses, net. The tax effect is included in income tax expense.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying amounts and estimated fair values as of March 31, 2019 and 2018, of the Companies' financial instruments were as follows:

	Millions of Yen			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Derivatives)				
Forward exchange contracts:				
Other current assets	¥ 769	¥ 769	¥3,409	¥3,409
Other current liabilities	(1,897)	(1,897)	(285)	(285)

The following methods and assumptions were used to estimate the fair values of each class of financial instrument for which it is practicable to estimate its value:

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses on open contracts. Dealer quotes are available for most of the Companies' derivatives. For the rest of the Companies' derivatives, valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, leasehold deposits, and notes and accounts payable:

The carrying amounts approximate fair value. Cash and cash equivalents are classified as Level 1, while others are classified as Level 2.

(2) Investment securities

Equity securities that have readily determinable fair values are valued using quoted market prices in active markets. Equity securities without readily determinable fair values are valued with adjustments for observable changes in prices or impairments, or using other reasonable methods. (See Note 20 about equity securities measured at fair value on a recurring basis.)

18. DERIVATIVES AND HEDGING ACTIVITIES

The Companies enter into forward exchange contracts and currency option contracts to hedge changes in foreign currency exchange rates (primarily the U.S. dollar and the Euro). The Companies enter into commodity swap contracts to hedge changes in prices of commodities, including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of forward exchange contracts, currency option contracts and commodity swap contracts designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). Gains and losses on forward exchange contracts and currency option contracts are subsequently reclassified into other expenses, net, and gains and losses on commodity swap contracts are subsequently reclassified into cost of sales, net, in the same period as and when the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to derivatives at March 31, 2019 is expected to be reclassified into earnings within 12 months.

The notional amounts of outstanding contracts to exchange foreign currencies at March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Forward exchange contracts	¥87,613	¥103,606

The fair values of derivatives at March 31, 2019 and 2018 were as follows:

Derivatives designated as hedges

Assets

		Millions of Yen	
	Account	2019	2018
Forward exchange contracts	Other current assets	¥769	¥3,409

Liabilities

		Millions of Yen	
	Account	2019	2018
Forward exchange contracts	Other current liabilities	¥(1,897)	¥(285)

The effects on the consolidated statements of income for the years ended March 31, 2019, 2018 and 2017 were as follows:

Derivatives designated as hedges

Cash flow hedge

	Unrealized Holding Gains (Losses) in Other Comprehensive Income (Loss) (Hedge Effective Portion)			Transfer from Other Comprehensive Income (Loss) to Profit and Loss (Hedge Effective Portion)		
	Millions of Yen			Millions of Yen		
	2019	2018	2017	2019	2018	2017
Forward exchange contracts	¥ 50	¥(523)	¥1,035	¥(79)	¥929	¥(1,155)
Currency option contracts	-	-	(52)	-	-	52
Commodity swap contracts	(18)	9	0	6	(9)	(6)

The amount of hedge ineffectiveness was immaterial.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment

The Companies have non-cancelable contracts with outside service providers to receive certain information technology-related services. The amounts of outstanding contracts as of March 31, 2019 and 2018 is ¥1,277 million and ¥1,826 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high credit quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 40% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

Guarantees

The Companies provide guarantees for bank loans of employees. The guarantees are made to enhance employees' credit. The Company did not have any guarantees for bank loans of employees at March 31, 2019 and 2018 were both nil.

Cost for Environmental Remediation

The Companies record an environmental remediation accrual when it is probable that a liability has been incurred and the amount can reasonably be estimated. The environmental remediation accrual as of March 31, 2019 and 2018 was ¥520 million and ¥377 million, respectively.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2019 and 2018 were summarized as follows:

	Millions of Yen	
	2019	2018
Balance at beginning of year	¥ 3,983	¥ 3,395
Additions	2,053	1,976
Utilizations	(3,552)	(1,388)
Others	(50)	-
Balance at end of year	¥ 2,434	¥ 3,983

Deferred Revenue

The Companies provide extended warranties for certain products, and the revenue is recognized using the straight-line method over the warranty term. The costs from the extended warranties are charged to earnings as incurred. The deferred revenue as of March 31, 2019 and 2018 was ¥9,828 million and ¥8,449 million, respectively and recorded in other current liabilities and other long-term liabilities.

Lawsuits

The Company and some of its subsidiaries are facing several petitions and lawsuits arising from the normal course its business. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such petitions and lawsuits, if any, would not have a material effect on the consolidated financial statements.

20. FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosures", defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2019 and 2018 were as follows:

	Amount of Fair Value Measurements			
	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Equity securities	¥ 20,403	¥ -	¥ 2,042	¥ 22,445
Derivative:				
Forward exchange contracts	-	769	-	769
Liabilities				
Derivative:				
Forward exchange contracts	¥ -	¥1,897	¥ -	¥ 1,897

	Amount of Fair Value Measurements			
	Millions of Yen			
	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Equity securities	¥ 21,358	¥ -	¥ -	¥ 21,358
Derivative:				
Forward exchange contracts	-	3,409	-	3,409
Liabilities				
Derivative:				
Forward exchange contracts	¥ -	¥ 285	¥ -	¥ 285

Investment Securities

Investment securities mainly consist of stocks. Since fair values of the publicly listed stocks are valued using quoted market prices in active markets for identical assets and can be observed, these are classified as Level 1. Since fair values of unlisted stocks are estimated using information mainly obtained from the investee companies, and considering its non-liquidity, such securities are classified as Level 3.

Derivatives

Derivatives consist of forward exchange contracts, currency option contracts and commodity swap contracts. Since fair value of derivatives is determined using the observable market data, such as rates or interest rates, these are classified as Level 2.

A reconciliation of Level 3 assets measured at fair value on a recurring basis is as follows:

	Investment Security
	Equity Security
	Millions of Yen
Balance at beginning of year after adoption of ASU No. 2016-01 and 2018-03	¥2,062
Amount included in net income	
Other expenses, net	12
Purchases	18
Sales	(50)
Balance at end of year	¥2,042

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2019 and 2018 were as follows:

	Amount of Fair Value Measurements				
	Millions of Yen				
	2019				
	Total Amount of Gain (Loss)	Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	¥ 48	¥ -	¥691	¥ -	¥691
Long-lived assets	(196)	-	-	22	22

	Amount of Fair Value Measurements				
	Millions of Yen				
	2018				
	Total Amount of Gain (Loss)	Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	¥(155)	¥ -	¥ -	¥ 58	¥ 58
Long-lived assets	(911)	-	-	1,243	1,243

During the year ended March 31, 2018, the Company classified most of the assets described above as Level 3, as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. During the year ended March 31, 2019, the Company classified the investment securities listed above as Level 2, as the Company accounted for at its cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. In addition the Company classified long-lived assets listed above as Level 3, as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured using the discounted future cash flows method.

21. SEGMENT INFORMATION

Operating Segment Information

ASC 280, "Segment Reporting", establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has five operating segments: "Industrial Automation Business", "Electronic and Mechanical Components Business", "Automotive Electronic Components Business", "Social Systems Solution and Service Business", and "Healthcare Business". These segments are mainly separated based on the Companies' consideration of their nature of the products and the business standing in the group. The Company presents operating segments other than the above five segments in "Other".

The primary products included in each segment are as follows:

(1) IAB: Programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices, industrial robots and control devices.

(2) EMC: Relays, switches, connectors, amusement components and units, general sensors, face recognition software, image sensing component and MEMS sensors.

(3) AEC: Automotive body electronics controllers, electric power steering controllers, passive entry and push engine start systems, keyless entry systems, power window switches and various automotive switches and power conversion units.

(4) SSB: Railway station service systems, traffic and road management systems, card payment services, security and safety solutions, energy management business, IoT (power protection, data protection) solutions and related maintenance business.

(5) HCB: Digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors.

(6) Other: Solar power conditioners, electricity storage system, electrical power measuring devices, power protection devices and high-quality backlight units for LCDs.

The segment information is presented in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating results. Based on the Company's allocation method used by management to evaluate results of each segment, revenues and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and Others". Segment profit (loss) is presented by subtracting cost of sales, selling, general and administrative expenses, and research and development expenses from net sales.

Operating segment information as of and for the years ended March 31, 2019, 2018 and 2017 was as follows:

	Millions of Yen								
2019	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	¥391,826	¥ 99,703	¥130,471	¥75,023	¥115,493	¥41,739	¥854,255	¥ 5,227	¥859,482
2. Intersegment sales	6,426	54,535	402	5,805	172	7,114	74,454	(74,454)	-
Total	¥398,252	¥154,238	¥130,873	¥80,828	¥115,665	¥48,853	¥928,709	¥(69,227)	¥859,482
Segment profit (loss)	¥ 62,895	¥ 8,165	¥ 6,323	¥ 5,763	¥ 13,033	¥ (473)	¥ 95,706	¥(19,073)	¥ 76,633
II. Assets, depreciation, and capital expenditures									
Assets	¥397,921	¥132,488	¥ 91,831	¥83,656	¥ 95,335	¥34,768	¥835,999	¥(86,121)	¥749,878
Depreciation and amortization	6,863	7,612	5,104	1,498	2,826	627	24,530	5,929	30,459
Capital expenditures	7,430	11,998	6,200	1,875	4,024	875	32,402	9,459	41,861

	Millions of Yen								
2018	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	¥396,140	¥104,362	¥131,152	¥70,289	¥108,489	¥44,377	¥854,809	¥ 5,173	¥859,982
2. Intersegment sales	6,724	57,765	2,034	5,273	306	7,849	79,951	(79,951)	-
Total	¥402,864	¥162,127	¥133,186	¥75,562	¥108,795	¥52,226	¥934,760	¥(74,778)	¥859,982
Segment profit (loss)	¥ 73,980	¥ 12,474	¥ 5,816	¥ 4,823	¥ 11,211	¥ (1,158)	¥107,146	¥(20,892)	¥ 86,254
II. Assets, depreciation, and capital expenditures									
Assets	¥384,926	¥145,770	¥ 89,048	¥81,041	¥ 92,024	¥37,760	¥830,569	¥(85,617)	¥744,952
Depreciation and amortization	5,216	7,745	5,150	1,504	3,037	704	23,356	6,109	29,465
Capital expenditures	9,322	10,100	5,825	1,646	3,152	753	30,798	8,054	38,852

	Millions of Yen								
2017	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	¥330,959	¥ 95,203	¥132,060	¥68,046	¥101,295	¥58,881	¥786,444	¥ 7,757	¥794,201
2. Intersegment sales	5,268	49,788	502	4,843	239	7,848	68,488	(68,488)	-
Total	¥336,227	¥144,991	¥132,562	¥72,889	¥101,534	¥66,729	¥854,932	¥(60,731)	¥794,201
Segment profit (loss)	¥ 52,005	¥ 9,751	¥ 7,127	¥ 4,143	¥ 8,535	¥ 147	¥ 81,708	¥(13,180)	¥ 68,528
II. Assets, depreciation, and capital expenditures									
Assets	¥336,722	¥136,278	¥ 81,024	¥78,031	¥ 81,992	¥41,547	¥755,594	¥(57,893)	¥697,701
Depreciation and amortization	4,213	8,026	4,877	1,478	3,293	1,565	23,452	5,514	28,966
Capital expenditures	4,546	6,938	5,241	1,437	2,208	908	21,278	4,414	25,692

Annotations about the above segment information:

- Intersegment sales are recorded at the same prices used in transactions with third parties.

- Eliminations and others include not allocated expenses and eliminations of intersegment transactions.

- Depreciation and amortization and capital expenditures include expenses and expenditures arising from intangible assets.

- In 2019, based on changes in the Companies' organization, a portion of the Other segment was moved to the EMC segment, or to Eliminations and Others. Further, the Company reclassified certain operations from the Other segment to the SSB segment. Accordingly, the segment information figures as of March 31, 2018 and 2017 have been restated to conform with the current year categorization as presented herein.

- The Company has reclassified certain amounts included in the consolidated statements of operations for the prior consolidated fiscal years for presentation purposes. These reclassifications are included and presented in Eliminations & Others. See Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for more information.

A reconciliation between segment profit (loss) and income before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2019, 2018 and 2017 is as follows:

	Millions of Yen		
	2019	2018	2017
Total amount of segment profit	¥ 95,706	¥107,146	¥ 81,708
Other expenses, net	1,201	2,887	3,036
Eliminations and others	(19,073)	(20,892)	(13,180)
Income before income taxes and equity in loss (earnings) of affiliates	¥ 75,432	¥ 83,367	¥ 65,492

The gain on sale of business ¥3,530 million in the IAB segment and impairment losses of ¥12,099 million on long-lived assets in the Other segment were included in Other expenses, net for the fiscal year ended March 31, 2017.

Geographic Information

Information on the Companies' sales to external customers and property, plant, and equipment by major geographic area as of and for the years ended March 31, 2019, 2018 and 2017, was as follows:

	Millions of Yen						
	2019						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥335,166	¥115,010	¥122,371	¥169,637	¥108,385	¥8,913	¥859,482
Property, plant, and equipment	72,542	14,443	4,755	36,908	14,064	-	142,712

	Millions of Yen						
	2018						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥328,515	¥118,490	¥118,426	¥172,948	¥111,104	¥10,499	¥859,982
Property, plant, and equipment	68,793	13,580	4,863	34,375	13,492	-	135,103

	Millions of Yen						
	2017						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥330,923	¥112,191	¥102,658	¥147,260	¥91,719	¥9,450	¥794,201
Property, plant, and equipment	71,039	12,648	4,520	48,811	14,434	-	151,452

Annotations about the above geographic information:

- Classification of country or area is based upon physical geographic proximity.

- Major countries or areas belonging to segments other than Japan are as follows:

  (1) Americas: United States of America, Canada, Brazil and Mexico
  (2) Europe: Netherlands, Great Britain, Germany, France, Italy and Spain
  (3) Greater China: China, Hong Kong and Taiwan
  (4) Southeast Asia and Others: Singapore, South Korea, India and Australia
  (5) Direct Exports: Direct delivery exports

- For sales and property, plant, and equipment, there were no material amounts specific to a particular country, except for Japan, that require separate disclosure as of and for the years ended March 31, 2019, 2018 and 2017.

- For sales to external customers, there were no amounts specific to particular customers that require separate disclosure for the years ended March 31, 2019, 2018 and 2017.

- In 2019, based on a change in categorization, the Company reclassified a portion of sales to external customers in each geographic area to Direct Exports. Accordingly, the geographic information figures as of March 31, 2018 and 2017 have been restated to conform with the current year categorization as presented herein.

22. BUSINESS COMBINATIONS

1. Sentech Co., Ltd.

On July 3, 2017, the Company, through Omron Sentech Co., Ltd., acquired the industrial camera business of Sentech Co., Ltd. (ST Group), including 100% of outstanding stocks of its seven subsidiaries. The Company paid ¥3,193 million for this acquisition in cash. The acquisition-related costs incurred in connection with the acquisition of the stock of ST Group, such as due diligence costs, were immaterial. The purpose of this acquisition is to enhance the Companies' factory automation technology by acquiring the high resolution, high speed and miniaturized camera design technology of ST Group. The newly acquired business is included in the IAB segment. The fair values of the acquired assets and assumed liabilities at July 3, 2017 were as follows:

	Fair Value
	Millions of Yen
Current assets	¥ 3,013
Property, plant, and equipment	18
Total investments and other assets	1,561
Current liabilities	(1,366)
Long-term liabilities	(33)
Total equity	(3,193)

Goodwill and identifiable intangible assets included in total investments and other assets were ¥26 million and ¥1,455 million, respectively. The goodwill has been assigned to the IAB segment. The pro forma information for the acquisition of ST Group was immaterial.

2. Microscan Systems, Inc.

On October 2, 2017 the Company, through Omron Management Center of America Inc., acquired 100% of outstanding stock of Microscan Systems, Inc. (MS Group), including three subsidiaries of MS Group. The Company paid ¥17,478 million for this acquisition in cash. The acquisition-related costs incurred in connection with the acquisition of the stock of MS Group, such as due diligence costs, were immaterial. The purpose of this acquisition is to help develop the Companies' factory automation technology and enhance the skills of the sales force in the IAB segment. The fair values of the acquired assets and assumed liabilities at October 2, 2017 were as follows:

	Fair Value
	Millions of Yen
Current assets	¥ 2,343
Property, plant, and equipment	126
Total investments and other assets	17,173
Current liabilities	(921)
Long-term liabilities	(1,243)
Total equity	(17,478)

Goodwill and identifiable intangible assets included in total investments and other assets were ¥10,694 million and ¥6,179 million, respectively. The goodwill has been assigned to the IAB segment and is not deductible from taxable income. The pro forma information for the acquisition of MS Group was immaterial.

There were no significant acquisitions for the year ended March 31, 2019.

23. SALES OF BUSINESSES

1. Omron Nohgata Co., Ltd.

   On October 26, 2018, the Company reached an agreement to sell 80% of its shares in Omron Nohgata Co., Ltd., a wholly-owned subsidiary of the Company, be sold to Advantech Co., Ltd. Since the completion of the transfer was planned by the end of fiscal year ended March 31, 2019, the assets and the liabilities of Omron Nohgata Co., Ltd. were classified as held-for-sale assets and liabilities in the quarterly consolidated balance sheets for the quarter ended December 31, 2018. As a result of the completion of the transfer of shares on February 1, 2019, a gain on sale of the business of ¥370 million was included in other expenses, net in the consolidated statement of income for the year ended March 31, 2019. Omron Nohgata Co., Ltd. was included in the Other segment.

2. Omron Credit Service Co. Ltd.

   On May 15, 2017 the Company sold all of its shares of Omron Credit Service Co. Ltd., which was a wholly-owned subsidiary of the Company, to a third party, Aino Taxiticket Corporation. The transfer of shares was completed on August 1, 2017. The loss on sale of the business was immaterial. Omron Credit Service Co. Ltd. was included in the Eliminations and Others segment.

3. Omron Oilfield and Marine, Inc.

   On May 31, 2016 the Company sold all of its shares of Omron Oilfield and Marine, Inc., which was a wholly-owned subsidiary of OMRON Electronics LLC, to a third party, Schlumberger. Omron Oilfield and Marine, Inc. was included in the IAB segment. A gain of ¥3,530 million on sale of the business ¥3,530 million was included in other expenses, net, in the consolidated statement of income for the year ended March 31, 2017.

4. Omron Colin Co.

   On June 9, 2016 the Company reached an agreement whereby all of its shares of Omron Colin Co., which was a wholly-owned subsidiary of Omron Healthcare Co., were sold to Fukuda Denshi Co. Since the completion of the transfer was planned in 2016, the assets and the liabilities of Omron Colin Co. were classified as held-for-sale assets and held-for-sale liabilities in the quarterly consolidated balance sheets for the year ended March 31, 2017. As a result of the reduction to the fair value less cost to sell, impairment losses of ¥275 million were included in other expenses, net in the consolidated statement of income for the year ended March 31, 2017. As a result of the completion of the transfer of shares on December 1, 2016, the gain on sale of business of ¥156 million was included in other expenses, net, in the consolidated statement of income for the year ended March 31, 2017. Omron Colin Co. was included in the HCB segment.

24. SUBSEQUENT EVENTS

The Companies have evaluated subsequent events in accordance with ASC 855, "Subsequent Events".

1. Sale and purchase agreement

   On April 16, 2019, the Company's Board of Directors approved the sale of the Automotive Electronic Components Business (AEC) operating segment. The AEC operating segment consists of: a) OMRON Automotive Electronics Co., Ltd. (OAE), a wholly-owned subsidiary of the Company (*1), b) two other consolidated subsidiaries of the Company, including OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V., and c) a portion of three other consolidated subsidiaries of the Company. Shares of the entities under (a) and (b), and assets within (c) were agreed to be sold to Nidec Corporation Group for exchange of cash consideration of JPY100.0 billion (*2). The sale and purchase agreement was executed on the same day as the meeting of the Board of Directors. This transaction is scheduled to be completed by the end of October 2019. However, approvals from the antitrust regulatory authorities must be obtained in each country. Accordingly, the closing date of this transaction has yet to be determined and it is difficult for the Company to evaluate the impact of this transaction on its financial statements. The Company is therefore unable to disclose the impact. We plan to classify and disclose the AEC segment as a discontinued operation.

   Notes: 1. Nine of OAE's subsidiaries will be deconsolidated.
   2. The total transfer price will be finalized based on the sale and purchase agreement terms. Accordingly, the figures stated above are preliminary.

2. Switch to the defined contribution pension plan

   In the first quarter of fiscal 2019, the Company and certain domestic subsidiaries decided to switch from the existing defined benefit pension plan and lump-sum payment plan (the "Plans") to the defined contribution pension plan for future service rendered on or after July 1, 2019. The Company also decided to amend the Plans and switch certain parts of the Plans for service rendered prior to June 30, 2019 to the defined contribution pension plan over a period required by the regulation. Under accounting principles generally accepted in the United States of America, upon this decision, a decrease in the projected benefit obligations (PBO) due to the plan amendment of the Plans is required to be immediately recognized in earnings. Additionally, due to the switch from the Plans to the defined contribution plan, the difference between the PBO decrease and the payment to the defined contribution pension plan is required to be recognized in earnings. Furthermore, any effects on the PBO due to the plan amendment in the first quarter of fiscal 2019 is required to be recognized as a pension liability adjustment.

   This transaction is not expected to have a significant impact on the consolidated financial statements of income for the fiscal year ending March 31, 2020.

No other significant subsequent events took place at June 19, 2019, the date when the Yukashouken-Houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the year ended March 31, 2019 was available to be issued.

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