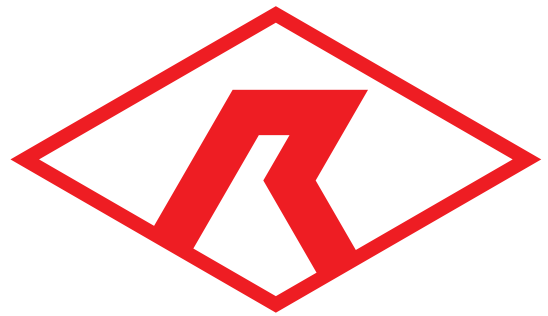


RYODEN CORPORATION



**RYODEN**

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**ANNUAL REPORT 2019**

# PROFILE

The Ryoden Group aims to achieve profitable and sustainable growth amid a constantly changing business environment. While we are promoting our transmission into a global corporation, we also aim to evolve into a “Global Solution Provider” which creates solutions with unique added value and provides them to customers.

The challenges customers face and the solutions required to solve them vary greatly depending on their line of business, management strategy, and orientation.

The Ryoden Group offers a broad range of solution services in Japan and around the world. In the fields of Network Solutions, Building Management Solutions, Ecology Energy Solutions, Smart Industrial Solutions, Medical Solutions, HMI and Sensor Solutions, and Automotive Solutions, we deliver the optimum package by tapping Ryoden’s unique strengths.

## Network Solutions

### Delivering myriad solutions built around monitoring systems and harnessing the latest network technology

The age of big data has arrived, and with it new advances in network technology. By capitalizing on the latest technological trends, Ryoden brings greater sophistication to networked monitoring systems and other such solutions. We know how to apply monitoring system technology and recognition and identification algorithms in a host of fields.

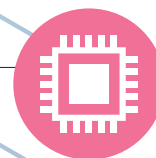


## Smart Industrial Solutions

### Maximizing efficiency, safety, and comfort

The industrial market has seen considerable advances in production process visualization as well as enhanced efficiency, safety, and comfort on the production line.

Ryoden makes use of its extensive experience to offer solutions tailored exactly to its customers’ increasingly diverse requirements.



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## Ecology Energy Solutions

### An excellent record of global environmental stewardship

The growing importance of energy conservation and management has focused increasing interest on EMS solutions, which enable centralized management of energy use on the production line and in the office. Ryoden delivers optimal solutions in a wide range of fields by applying its expertise as a trading firm with an excellent record of global environmental stewardship.



## MANAGEMENT PRINCIPLE

- Address the changes in society, striving for stability and progress in corporate management, while contributing to the community.
- Act through sincere marketing activities and the supply of progressive technology, to win the trust and expectations of customers.
- Respect the character and individuality of each employee, nurturing human resources high in specialization, innovative spirit and creativity.

## BUSINESS ACTIVITIES

- 1 Adhere to laws and regulations
- 2 Aim for growth with profit
- 3 Take responsibility towards the society as a global company
- 4 Individuals should create their own views, and together create an energetic organization.
- 5 Ensure respect toward the individual's personality and uniqueness, and engage in personal development to attain high goals.
- 6 Management and the managers should fulfill their responsibilities.

## HMI and Sensor Solutions

### Solutions adaptable to a wide range of environments and applications

Today human-machine interfaces (HMIs) affect the value of many different products, and the HMI field has limitless potential for expansion. Ryoden delivers solutions adaptable to a wide range of environments and applications in such fields as office automation, automobiles, and manufacturing of assembled machine tools.



## Medical Solutions

### Providing medical institutions with comprehensive support in case of disasters

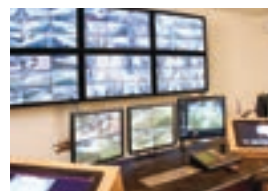
We help medical institutions to disaster-proof themselves so that damage is minimized in case of earthquake, blackouts, or momentary power failures.



## Building Management Solutions

### Remote monitoring of building facilities nationwide

Our solutions allow remote inspection, monitoring, control, and meter reading of building facilities 24 hours a day, 365 days a year anywhere in Japan.



## Automotive Solutions

### Bringing you systems for streamlining production and for optimizing safety during next-generation vehicle development

We capitalize on our experience and technical expertise in components and systems to construct a management system for optimizing your facilities. We also recommend virtual development environment systems for designing safer, more comfortable vehicles, including ADAS and HUD technology.



# FINANCIAL HIGHLIGHTS

Ryoden Corporation and Consolidated Subsidiaries

Years ended March 31	2015	2016	2017	2018	Millions of yen	Thousands of U.S. dollars
					2019	2019
<b>Business Results</b>						
Net sales . . . . .	¥237,877	¥221,990	¥219,225	¥236,494	<b>¥240,312</b>	<b>\$2,164,979</b>
Overseas sales . . . . .	66,342	54,439	48,919	50,111	<b>45,826</b>	<b>412,849</b>
Ratio of overseas sales (%) . . .	27.9	24.5	22.3	21.2	<b>19.1</b>	–
Operating profit . . . . .	4,992	3,673	2,730	5,078	<b>5,624</b>	<b>50,669</b>
Profit attributable to owners of parent . . . . .	2,891	1,846	1,388	3,588	<b>3,731</b>	<b>33,619</b>
<b>Financial position</b>						
Total assets . . . . .	¥125,121	¥119,382	¥122,763	¥133,710	<b>¥132,729</b>	<b>1,195,760</b>
Net assets . . . . .	61,444	60,401	60,975	64,057	<b>65,716</b>	<b>592,037</b>
Short-term loans . . . . .	2,706	2,083	761	795	<b>1,358</b>	<b>12,234</b>
<b>Cash flows</b>						
Cash flows from operating activities . . . . .	¥ (4,168)	¥ 3,747	¥ 4,601	¥ (4,833)	<b>¥ 4,479</b>	<b>40,356</b>
Cash flows from investing activities . . . . .	(1,230)	(777)	474	674	<b>(686)</b>	<b>(6,186)</b>
Cash flows from financing activities . . . . .	(1,087)	(1,550)	(2,227)	(942)	<b>(563)</b>	<b>(5,074)</b>
					Yen	U.S. dollars
<b>Per share data</b>						
Profit per share . . . . .	66.70	42.61	64.04	165.44	<b>171.98</b>	<b>1.549</b>
Net assets per share . . . . .	1,417.10	1,392.47	2,809.01	2,948.86	<b>3,022.78</b>	<b>27.232</b>
Cash dividends per share . . . . .	24	26	22	37	<b>56</b>	<b>0.504</b>
						%
<b>Principal financial data</b>						
Operating profit to net sales . . .	2.1	1.7	1.2	2.1	<b>2.3</b>	
Return on equity . . . . .	4.9	3.0	2.3	5.7	<b>5.8</b>	
Return on assets . . . . .	3.7	2.7	2.0	3.9	<b>4.2</b>	
Equity ratio . . . . .	49.1	50.5	49.6	47.8	<b>49.4</b>	
Number of employees . . . . .	1,251	1,276	1,284	1,284	<b>1,251</b>	

Note: 1 U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111 = \$1, the approximate exchange rate prevailing on March 31, 2019.

2 The Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017.

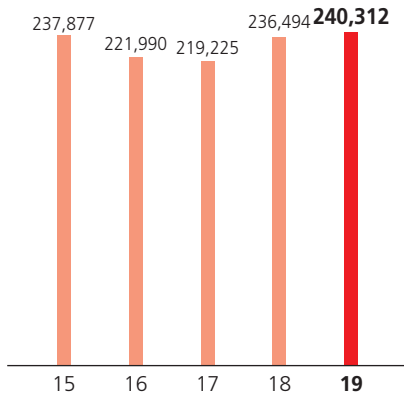
Accordingly, profit per share and net assets per share were calculated on the assumption that the Company conducted the share consolidation at the beginning of the fiscal year ended March 31, 2017.

3 The cash dividend per share of ¥37.00 for the fiscal year ended March 31, 2018 is a sum of the interim cash dividend of ¥11.00 and the year-end cash dividend per share of ¥26.00. Since the Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017, the interim cash dividend of ¥11.00 represents the amount before the share consolidation, whereas the year-end cash dividend of ¥26.00 represents the amount after the share consolidation. The amount of cash dividend per share for the fiscal year ended March 31, 2018 calculated on a post-consolidation basis would be ¥48.00.

4 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), have been applied from the beginning of the fiscal year under review. Accordingly, the key financial indicators for the fiscal year ended March 31, 2018 are those after retrospectively applying the standard.

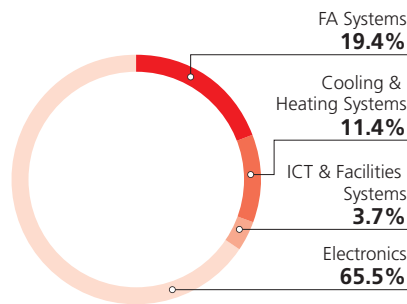
## NET SALES

(Millions of yen)



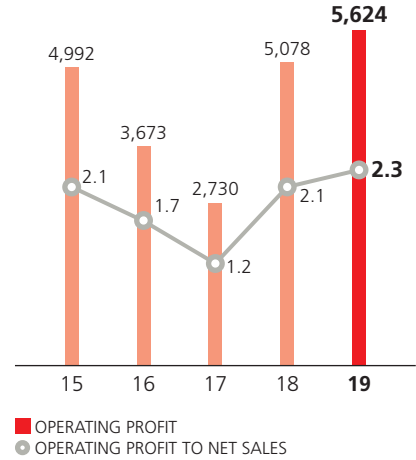
## SALES COMPOSITION

(%)



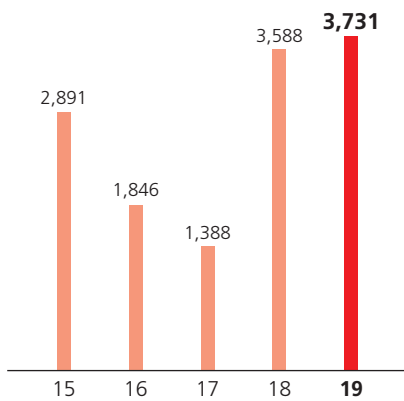
## OPERATING PROFIT/ OPERATING PROFIT TO NET SALES

(Millions of yen/%)



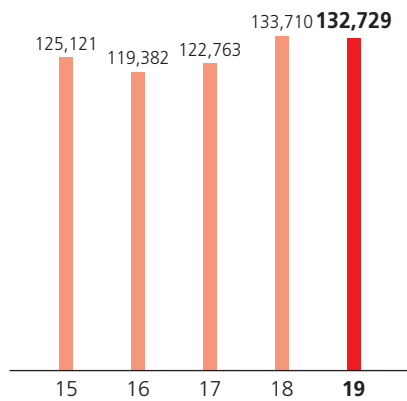
## PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

(Millions of yen)



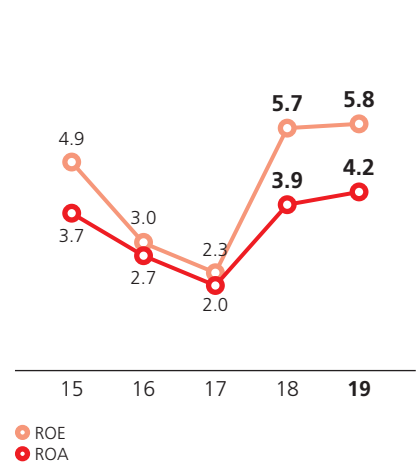
## TOTAL ASSETS

(Millions of yen)



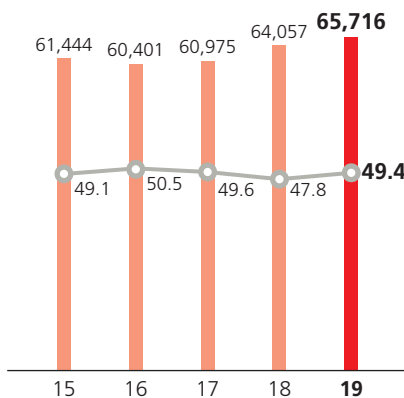
## ROA/ROE

(%)



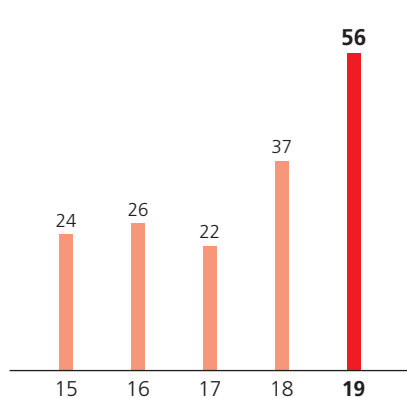
## NET ASSETS/EQUITY RATIO

(Millions of yen/%)



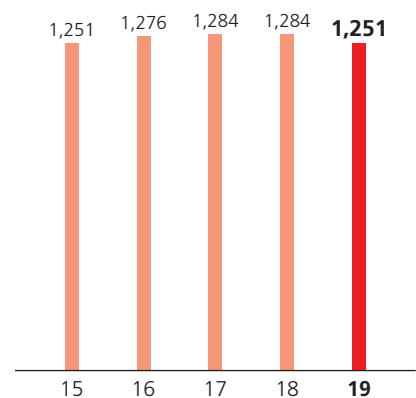
## CASH DIVIDENDS PER SHARE

(Yen)



## NUMBER OF EMPLOYEES

(Number)



■ NET ASSETS  
● EQUITY RATIO

Note: The cash dividend per share of ¥37.00 for the fiscal year ended March 31, 2018 is a sum of the interim cash dividend of ¥11.00 and the year-end cash dividend per share of ¥26.00. Since the Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017, the interim cash dividend of ¥11.00 represents the amount before the share consolidation, whereas the year-end cash dividend of ¥26.00 represents the amount after the share consolidation. The amount of cash dividend per share for the fiscal year ended March 31, 2018 calculated on a post-consolidation basis would be ¥48.00.

# LETTER TO OUR SHAREHOLDERS

## The Year in Review

In the global economy during the fiscal year ended March 31, 2019, while the U.S. economy remained strong, China's economic growth showed signs of turning sluggish due to the impact of trade friction and other factors. The European economy was also on a downward trend. Going forward, the U.S. economy, which had been the driver of the global economy, is expected to lose speed as the effects of tax system reforms weaken and the pace of employment growth slackens. Furthermore, with the impact of U.S.-China trade friction, which is expected to take hold in earnest, the outlook is increasingly unclear, including the possibility of deteriorating business confidence worldwide.

The Japanese economy was on a moderate recovery track due to an increase in capital investment and improvement in employment against the backdrop of robust corporate earnings. However, the trend to depend on domestic demand is expected to be evident as exports show signs of leveling off in the second half of the fiscal year.

The business sectors that affect the Group showed a strong tendency overall, despite a slowdown in some areas of the facilities-related industry. The energy-saving-related industries continued to perform briskly, and business for Japan and Europe was solid in the automobile-related industry.

In this economic climate, the Group promoted enhancing its business as a "Global Solution Provider," adjusting to a changing business environment. We launched the new medium-term management plan "Challenge & Evolution 2018 (CE2018)" in 2016 with the aim of becoming more valuable for our customers as well as for the market and improving profitability by cultivating deeper and closer relationships with customers while creating value corresponding to their needs. In fiscal 2018, the final year of CE2018, we stepped up proposals of solutions based on customer needs.

As a result, net sales for the fiscal year under review were ¥240,312 million, an increase of 1.6% year on year. Operating profit was ¥5,624 million, an increase of 10.8%, ordinary profit was ¥5,648 million, an increase of 11.7%, and profit attributable to owners of parent was ¥3,731 million, an increase of 4.0%.

## Future Outlook

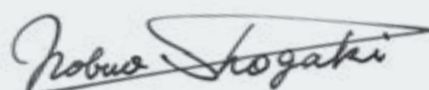
The outlook for the global economy in fiscal 2019 is unclear amid an atmosphere marked by signs of deteriorating business confidence worldwide. This is mainly due to the slowdown in the U.S. economy, which remained strong, as a result of the weakening effects of tax system reforms and slackening growth in the pace of employment, in addition to the impact of U.S.-China trade friction, which is expected to take hold in earnest, as well as geopolitical risks.

Nevertheless, a recovery trend is expected to continue, as the slowdown in the Chinese economy remains at a certain level and the Japanese economy is supported by domestic demand, including firm capital investment and personal consumption.

In these circumstances, the Group will achieve sustainable growth by pursuing measures to strengthen the management base and business strategies in order to shift to a high added value model in its core foundation businesses and to continue to create growth businesses centered on ICT.

Our forecast for performance in the fiscal year ending March 31, 2020 is consolidated net sales of ¥233,600 million, operating profit of ¥5,300 million, ordinary profit of ¥5,300 million, and profit attributable to owners of parent of ¥3,700 million.

Nobuo Shogaki, President & CEO



# MANAGEMENT POLICIES

## Basic Management Policies

The Ryoden Group considers contribution to our society as well as fulfilling its Corporate Social Responsibility (CSR) as Management Principle in the whole group while placing “Stability and growth in corporate management”, “Building customer trust through sincere sales activities and provision of advanced technologies”, “Respect for personality and individuality of each employee as well as raising human resources with high degree of expertise, reform spirit and creativity” and “Activity for social contribution” in the basic management policy. Moreover, to be more trusted corporate brand in the society, the group established Behavior Principles guiding its daily business activities and strives to meet the mandates and expectations of shareholders, business partners and employees.

## Management Strategies, Management Environment and Issues to be Addressed

The Group promoted enhancing its business as a “Global Solution Provider,” adjusting to a changing business environment. We launched the new medium-term management plan “Challenge & Evolution 2018 (CE2018)” in 2016 with the aim of becoming more valuable for our customers as well as for the market and improving profitability by cultivating deeper and closer relationships with customers while creating value corresponding to their needs. In fiscal 2018, the final year of CE2018, we stepped up proposals of solutions based on customer needs.

During this period, results fell significantly short of the numerical targets of the medium-term management plan. This was mainly due to weaker-than-expected development in overseas business amid major changes in the business environment, including sharp yen appreciation, the spread of nationalism, and geopolitical risks, in addition to delays in expansion of solution businesses where an increase in profitability was expected. However, we achieved certain results in enhancing activities for growth strategies linked to future development.

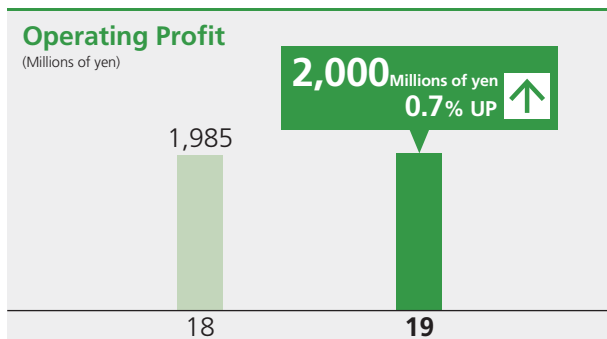
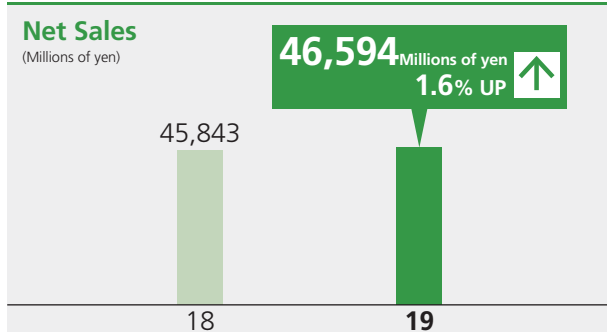
	FY2018 Medium-term management plan target (consolidated basis)	FY2018 Actual results (consolidated basis)	(Reference) Compared to actual results for FY2015 (final year of previous medium- term management plan)
Net sales	<b>¥270.0 billion</b>	<b>¥240.3 billion</b>	<b>Up 8.3%</b> (growth rate)
Operating profit	<b>¥10.0 billion</b>	<b>¥5.6 billion</b>	<b>Up 53.1%</b> (growth rate)
Operating profit to net sales	<b>4%</b>	<b>2.3%</b>	<b>1.7%</b> (actual value)

The outlook for the global economy in fiscal 2019 is unclear amid an atmosphere marked by signs of deteriorating business confidence worldwide. This is mainly due to the slowdown in the U.S. economy, which have remained strong, as a result of the weakening effects of tax system reforms and slackening growth in the pace of employment, in addition to the impact of U.S.-China trade friction, which is expected to take hold in earnest, as well as geopolitical risks.

Nevertheless, a recovery trend is expected to continue, as the slowdown in the Chinese economy remains at a certain level and the Japanese economy is supported by domestic demand, including firm capital investment and personal consumption.

In these circumstances, the Group will carry on the vision of the previous medium-term management plan of “aiming to improve profitability by accelerating the implementation of the customer value creation business model, adjusting to a changing business environment.” On that basis, we will promote to strengthen the management foundation and business strategies by implementing the following measures.

# REVIEW OF OPERATIONS

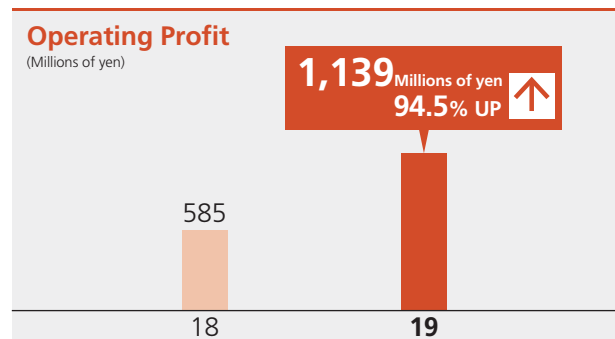
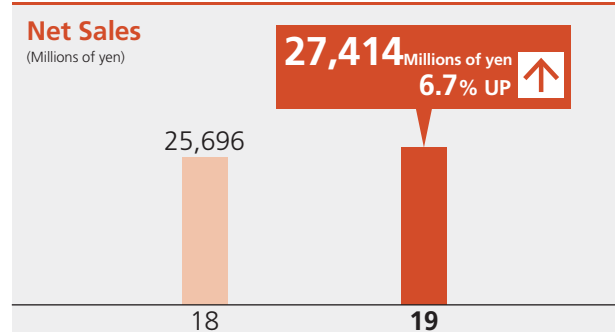


Sales of the FA Systems Business increased due to brisk sales of machine tools and mounters, although sales of semiconductor and LCD-related manufacturing equipment were poor and sales for dealers were sluggish.

Operating profit in the FA Systems Business was flat year on year.



Robot system for placing parts discretely



While projects for major HVAC installation companies mainly in major cities and sales of freezer and refrigeration systems were sluggish, sales to wholesalers were buoyant. As a result, sales of the Cooling & Heating Systems Business increased.

Operating profit in the Cooling & Heating Systems Business was up significantly due to increased sales and improvement in the gross profit margin.



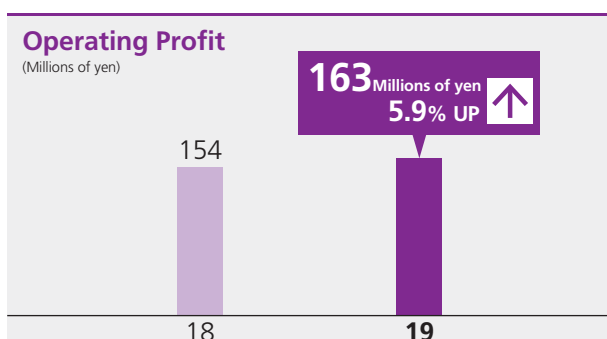
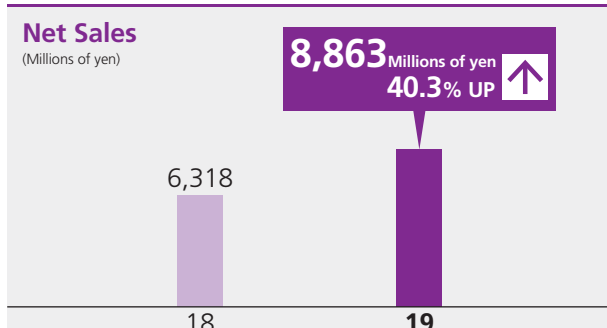
Air-cooled heat pump chiller manufactured by Mitsubishi Electric Corporation



## ICT & Facilities Systems

Sales Composition Ratio

3.7%



Sales of ICT network-related equipment in the information and communication field and the medical field were brisk. In the building systems field, sales of building facilities-related equipment were buoyant due to the impact of the booming construction market mainly in major cities, while large plant factory projects were recorded in the smart agriculture field. As a result, sales of the ICT & Facilities Systems Business increased greatly.

With regard to operating profit, increases in selling, general and administrative expenses in the medical field and the smart agriculture field were offset by favorable gross profit in ICT network-related equipment and building facilities-related products. As a result, profit in the ICT & Facilities Systems Business increased.



Cloud-enabled rental security camera housing



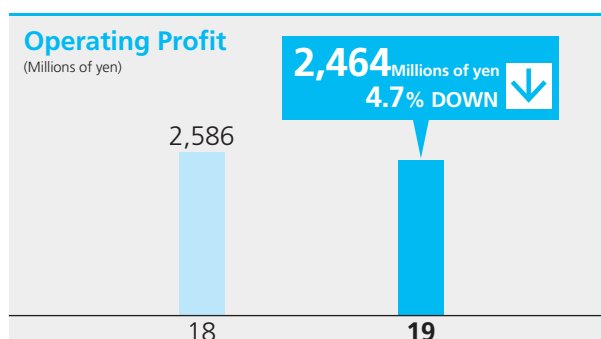
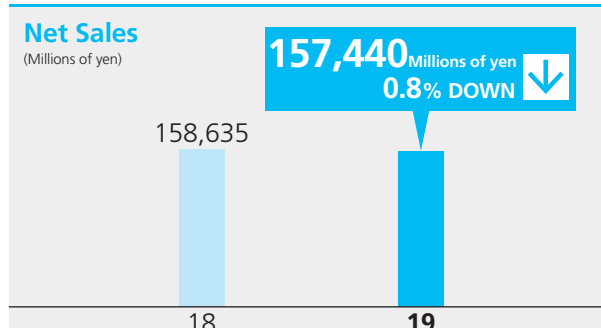
RFID antenna gate

Note: The name of the former "IT & Facilities Systems" has been changed to "ICT & Facilities Systems" as of the fiscal year under review.

## Electronics

Sales Composition Ratio

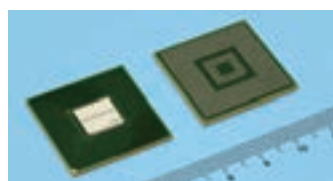
65.5%



In Japan, in addition to increased production of automotive-related electronic products for Japan and European, performance of the business related to advanced driver-assistance systems (ADAS) was robust. The air conditioning-related market, including home air conditioners, was buoyant. However, with regard to industrial equipment-related electronic products, the FA-related business for China, including machine tools and semiconductor manufacturing equipment, slowed in the second half. As a result, the sales of the Electronics Business in Japan remained flat year on year.

At overseas subsidiaries, sales of products for industrial equipment-related and air conditioner-related applications in China were brisk in the first half of the year, but slowed in the second half. In addition, sales of automotive-related products were weak in North America. As a result, overseas subsidiaries recorded a decrease in sales.

With regard to operating profit, efforts to reduce selling, general and administrative expenses failed to offset the decrease in gross profit resulting from a decline in the gross profit margin. As a result, profit in the Electronics Business decreased.



R-Car M2 SoC for automotive information devices manufactured by Renesas Electronics Corporation

Note: The Company changed the allocation method of the group-wide new business development costs and it is not allocated to any reporting segments this fiscal year. Such change has been made to follow and align with the internal profit and loss management change. The previous fiscal year segment information have been restated in accordance with this change.

TOPICS1

Cloud-based logistics equipment visualization service

# Launch of "ATLAS-Things"



We have launched the cloud service, "ATLAS-Things,"<sup>\*1</sup> which utilizes the automatic recognition technology, represented by RFID<sup>\*2</sup> and barcodes that are widely used in industries such as apparel and aviation. "ATLAS-Things" is a service specializing in recording the receipt and shipment of all things.

In manufacturing industries including the automotive industry, a large number of returnable containers (pallets, boxes, etc.) are used between companies and their bases. However, since companies do not keep track of their inventory and usage status, they experience shipping

difficulties due to not having the right numbers of dedicated containers at the right time, or end up purchasing unnecessary returnable containers due to problems such as losses and flow difficulties.

This service uses a cloud system in order to provide a safe operating environment anytime, anywhere, which enables to greatly reduce the cost of building and operating the system for customers, and lower up-front implementation costs.

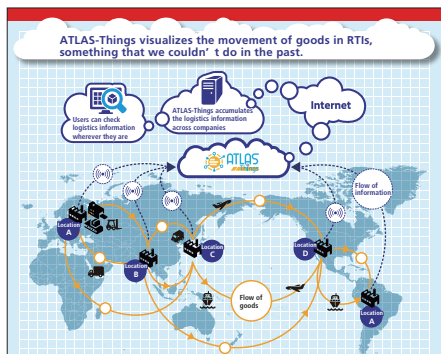
\* 1 ATLAS-Things is currently pending trademark registration.

\* 2 RFID: A system for wirelessly reading and writing RF tag data embedded with ID information using radio waves.

## Characteristics of "ATLAS-Things"

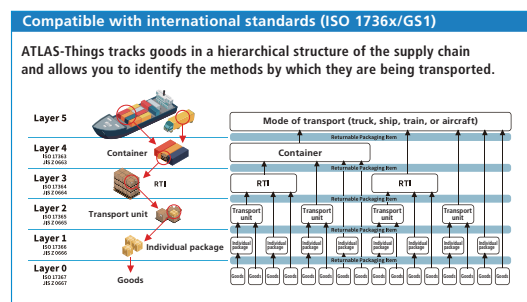
### 1 Flexible support from small to large scale

Because it employs a cloud service, the system can be introduced quickly, from small trials to large-scale enterprise users.



### 2 Compatibility with international standards

The service supports supply chain hierarchical structures, and is compatible with international standards, as well as proprietary code systems. (Automotive industry: ISO 1736x/Distribution industry: GS1)



### 3 Release of an online API

Customers can develop local edge systems without placing limits on the readers to be used.



### 4 Supporting visualization

The service provides a screen that allows the user to track the status of the receipt and shipment of products, using a browser as a standard feature. In addition, it is equipped with a data export function that enables various types of analysis using BI tools.



TOPICS2

Centrally manages all information, streamlining operations

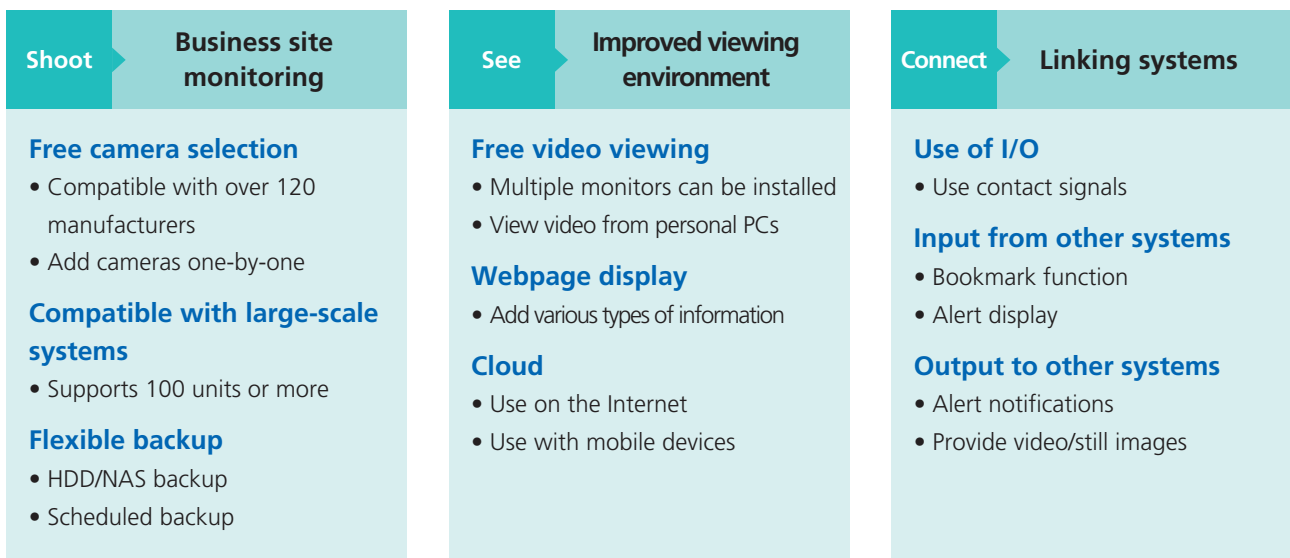
# “FlaRevo”

The Company offers the video monitoring system, Flag Revolution [FlaRevo<sup>®</sup>], which adopts a VMS (video management system) that contributes to improving operational efficiency, in addition to the conventional application of surveillance cameras for crime prevention. Implementing this system enables visualization in various scenarios, as well as remote monitoring of hazardous areas and special areas, and monitoring of equipment to detect and restore defects quickly. In addition, by automatically tagging

the necessary locations in acquired data with flags, searchability is improved and times are shortened, yielding benefits such as reducing the amount of discarded defective products. At the Food Safety Expo held in March of this year, this system attracted the attention of many visitors, and many companies showed a positive attitude toward implementing it.

\* FlaRevo is currently pending trademark registration.

## Shifting from “surveillance cameras” to “business cameras”



## A new future made possible by “FlaRevo”

Use case

Can also be used at medical facilities



“FlaRevo-Medical,” which applies “FlaRevo” specially to medical facilities, has been evaluated highly in the extremely busy medical field. This system assists in preventing various medical accidents through monitoring, drug management, etc.

# CORPORATE GOVERNANCE

## OUTLINE OF CORPORATE GOVERNANCE SYSTEM AND REASONS FOR ADOPTING THE SYSTEM DESCRIBED

### A. OUTLINE OF CORPORATE GOVERNANCE SYSTEM

#### Board of Directors

The Company has introduced an Executive Officer system in order to increase the speed of decision-making so as to appropriately respond to the business environment in which the Company operates, clarify the responsibilities for duties by separating oversight functions and execution functions, and to enhance agility of execution. At the Ordinary General Meeting of Shareholders held on June 28, 2018, the Articles of Incorporation was amended to set the number of Directors at 12 or less. The Board of Directors of the Company determines important matters regarding the business execution of the Company, as well as supervises the execution of duties of the Directors. The Board of Directors comprises Nobuo Shogaki, the Representative Director of Board & President; Takamichi Kasugai, Representative Director of Board & Senior Vice President; Shoji Kitai and Osamu Tanaka, Directors of Board & Senior Executive Officers; and Masamitsu Miyagishi, Yoshiko Shirata and Masahiro Muroi, Outside Directors. The Standing Audit & Supervisory Board Members, Toshiharu Oya and Kenji Nagae, and Outside Audit & Supervisory Board Members, Kentaro Tani and Hideyo Ishino, also attend the meetings of the Board of Directors. The Board of Directors is chaired by Representative Director of Board & President Nobuo Shogaki. During the fiscal year under review, 18 meetings of the Board of Directors (including four meetings in writing) were held. Additionally, all Directors and Audit & Supervisory Board Members except for Outside Director Masamitsu Miyagishi attended all 14 meetings of the Board of Directors held in fiscal 2018. Mr. Masamitsu Miyagishi attended all 10 meetings of the Board of Directors held since his appointment in June 2018.

#### Nomination & Compensation Advisory Committee

The Company, in an effort to ensure the fairness, transparency and objectivity of the processes regarding the nomination and compensation of Directors and to improve its corporate governance, established the Nomination & Compensation Advisory Committee in March 2019, the majority of which are comprised of Outside Directors. The Nomination & Compensation Advisory Committee, upon consultation from the Board of Directors, deliberates and provides advice on matters regarding the nomination and compensation of Directors to the Board of Directors. The Nomination & Compensation Advisory Committee comprises Nobuo Shogaki, Representative Director of Board & President; Osamu Tanaka, Director of Board & Senior Executive Officer; and Masamitsu Miyagishi, Yoshiko Shirata and Masahiro Muroi, Outside Directors. The Committee is chaired by Representative Director of Board & President, Nobuo Shogaki, who has been elected from among the Committee members by resolution of the Committee.

#### Executive Committee

The Company has established the Executive Committee to deliberate the agenda to be submitted to the Board of Directors as well as important matters regarding business execution of the

Company. The Executive Committee comprises Nobuo Shogaki, Representative Director of Board & President; Takamichi Kasugai, Representative Director of Board & Senior Vice President; Shoji Kitai and Osamu Tanaka, Directors of Board & Senior Executive Officers; and Hideharu Yamazaki, Yasuhiro Souda, Hitoshi Chihara, and Masatoshi Nakamura, Senior Executive Officers. The Executive Committee is chaired by Representative Director of Board & President, Nobuo Shogaki. During the fiscal year under review, 27 meetings of the Executive Committee were held (including three deliberations in writing), at which active discussions ensued. Standing Audit & Supervisory Board Members also attend the meetings to ensure proper deliberations.

#### Audit & Supervisory Board System

The Company's Audit & Supervisory Board comprises two Standing Audit & Supervisory Board Members and two Outside Audit & Supervisory Board Members, and six meetings were held during the fiscal year under review. Each Audit & Supervisory Board Member attends the meetings of the Board of Directors as well as other key meetings in accordance with the audit policy and audit plan determined by the Audit & Supervisory Board, and audits and oversees legal compliance by the Directors in performing their duties, by verifying reports from Directors and employees of the Company and the Group and conducting investigations into the business operation and financial situations of each company. Toshiharu Oya and Kenji Nagae, Standing Audit & Supervisory Board Members, have many years of experience in accounting at the Company's accounting divisions and have considerable insight into finance and accounting. Outside Audit & Supervisory Board Member Kentaro Tani is an attorney, and has experience and expertise in corporate legal affairs. Outside Audit & Supervisory Board Member Hideyo Ishino, having served in important positions at the Board of Audit of Japan and other organizations, has considerable insight into finance and accounting.

### B. REASONS FOR ADOPTING THE CORPORATE GOVERNANCE SYSTEM DESCRIBED

The Company has adopted the Audit & Supervisory Board System and appointed three Outside Directors and two Outside Audit & Supervisory Board Members. The Outside Directors, drawing on their respective abundant experience and wide-ranging knowledge, provide advice concerning operations and supervise execution. Outside Audit & Supervisory Board Members, from their objective and independent stances, monitor and oversee the status of management execution in cooperation with Standing Audit & Supervisory Board Members and conduct audits to ascertain whether the execution of duties by Directors is in compliance with laws and regulations and the Company's Articles of Incorporation through examination of the design and operation of internal control systems of the Company and the Group. Thus, the system is designed to ensure effective corporate governance in the Company and throughout the Group.



## The Company's basic policies on internal control systems

### 1 Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Company's Articles of Incorporation

- (1) The Company recognizes that ensuring thorough compliance as a high-priority issue, and has established compliance rules. The Company strives to ensure that all Directors and employees of the Company and the Group are aware of the compliance rules and are thoroughly educated concerning the said rules.
- (2) To reinforce and enrich internal control systems of the Company and the Group, the Internal Control Supervisory Committee has been established, which is chaired by the President and supervises the status of activities concerning internal control.
- (3) To achieve complete compliance, the Company has established the Ethics and Legal Compliance Committee, which is chaired by the Director in charge of compliance. The committee periodically determines and enforces compliance promotion matters. The Internal Audit Division monitors the state of compliance observation of the Company and the Group.
- (4) The Company includes a provision in the "Ryoden Group Action Guidelines" to the effect that a resolute stance will be taken against anti-social forces, ensures that all Directors and employees of the Company and the Group adopt this stance, and arranges a system to this end.
- (5) If Directors and/or employees of the Company or the Group become aware of behavior that is or may be in violation of compliance rules, they can report the incident using a hotline system and will receive no disadvantageous treatment.

### 2 Systems for filing and managing information concerning the execution of duties by Directors

As provided in its company rules, the Company appropriately files and manages documents required to be retained by law as well as other important documents and related materials (including magnetic records) and maintains them and ensures that they are accessible when the need arises.

### 3 Rules and other systems relating to management of risks of loss

The Company determines Basic Rules on Risk Management concerning risk management of the Company and the Group and, through a Risk Management Committee chaired by the Director in charge of Risk Management, identifies risks and devises countermeasures based on the likelihood of occurrence, the level of impact, etc. Important matters are discussed by the Executive Committee and the Board of Directors. In this way, the Company implements multifaceted risk management throughout the Group.

### 4 Systems for ensuring efficient execution of duties by Directors

- (1) To achieve transparency in its business and speedy decision-making, the Company carries out wide-ranging deliberations on important matters concerning the Company and the Group in its Executive Committee, the members of which are principal Directors and Executive Officers.
- (2) The Board of Directors determines the division of professional duties and areas of professional competence in each organization, clarifies the professional competence and responsibility of each organization, and arranges a system for the correct and efficient execution of professional duties.
- (3) To ensure efficiency in practice, the Board of Directors clearly establishes management targets for the Company and each Group company for each fiscal year, and supervises managers' fulfillment of those targets.

### 5 System for ensuring appropriate operations at the Group

- (1) The Company requires that Group companies report or receive approval for important matters before implementation.
- (2) The Audit & Supervisory Board Members of Group companies and the Company's Audit & Supervisory Board Members and Internal Audit Division share information and cooperate in conducting audits of Group companies to ensure the proper conduct of the Group as a whole.

## **6 Systems for ensuring the correctness of financial reports**

The Company arranges a system for ensuring the correctness and reliability of financial reports of the Company and the Group, and periodically evaluates the effectiveness of the system.

## **7 Matters concerning employees when Audit & Supervisory Board Members request the assignment of employees to assist them in their duties**

When Audit & Supervisory Board Members deem it necessary, employees may be assigned to assist Audit & Supervisory Board Members, subject to discussion with the Directors.

## **8 Matters concerning independence from the Directors of the employees assigned to assist Audit & Supervisory Board Members in their duties and ensuring effective implementation of the instructions issued by Audit & Supervisory Board Members to the employees**

- (1) When employees are assigned to Audit & Supervisory Board Members, Directors and Audit & Supervisory Board Members discuss and agree on items regarding authority over the said staff beforehand.
- (2) Such employees comply exclusively with instructions issued by Audit & Supervisory Board Members.

## **9 System for Directors and employees to report to Audit & Supervisory Board Members and other systems for reporting to Audit & Supervisory Board Members**

- (1) Directors and employees of the Company and the Group report to the Audit & Supervisory Board on the situation about the deliberations of important meetings, the results of internal audits, and important matters regarding business execution of the Company or Group companies. Items with the potential to have a major impact on the Company or Group companies are also reported promptly to the Audit & Supervisory Board.
- (2) The Company's department in charge of the hotline system periodically reports to the Company's Audit & Supervisory Board Members concerning the situation of internal reporting by Directors and employees of the Company and the Group.
- (3) When asked by the Audit & Supervisory Board Members to report on an item regarding business execution, Directors and employees of the Company and the Group report on the said item without delay.
- (4) No Directors or employees of the Company and the Group that report to the Company's Audit & Supervisory Board Members will receive disadvantageous treatment on the ground of making such report.

## **10 Other systems for ensuring the effectiveness of audits by Audit & Supervisory Board Members**

- (1) When deemed necessary for their work, Audit & Supervisory Board or Audit & Supervisory Board Members may contract with legal counsel, certified public accountants or other advisors.
- (2) The Audit & Supervisory Board Members exchange information with the Company's Independent Auditor and the Audit & Supervisory Board Members of the Group companies and collaborate in achieving effective audits of the Company and the Group companies.
- (3) When Audit & Supervisory Board Members request the Company for advance payment or reimbursement of expenses incurred in execution of their duties, the Company pays such expenses or processes obligations without delay unless otherwise deemed unnecessary for Audit & Supervisory Board Members' execution of duties.

# INDEPENDENCE STANDARDS FOR OUTSIDE DIRECTORS/OUTSIDE CORPORATE AUDITORS

The Company nominates Independent Outside Directors/Outside Corporate Auditors in accordance with the "Independence Standards for Outside Directors/Outside Corporate Auditors," which reflect the independence standards stipulated by the Tokyo Stock Exchange, Inc.

[Independence Standards for Outside Directors/Outside Corporate Auditors of the Company]

An Outside Director or an Outside Corporate Auditor (hereinafter collectively referred to as "Outside Officer") is considered independent if none of the following applies.

- (1) A person who executes business (hereinafter "business executor") of the Company or subsidiaries of the Company (hereinafter referred to as the "Group") or a person who was a business executor of the Group in the past 10 years
- (2) A person for whom the Group is a major business partner or a business executor thereof
- (3) A major business partner of the Group or a business executor thereof
- (4) The Accounting Auditor of the Group or a person affiliated therewith
- (5) A consultant, accounting professional, or legal professional who has received a large amount of monetary consideration or other property from the Group besides compensation as a Director of Board or a Corporate Auditor (If the person who has received such is an organization, such as a corporation or an association, a person who is affiliated with such organization)
- (6) A person who has received a large amount of monetary consideration or other property from the Group as donations (or if the person receiving such donations is an organization, such as a corporation or an association, a person who is affiliated with such organization)
- (7) A major lender to the Group or a business executor thereof
- (8) A major shareholder of the Company or a business executor thereof
- (9) A business executor of a company of which the Group is a major shareholder
- (10) A person to whom any of the items (2) through (9) above applied during the past three years
- (11) The spouse or a second-degree or closer relative of a person to whom any of the items (1) through (9) above applies (important business executor only)
- (12) A business executor of an entity with which the Company has a relationship of interlocking Outside Officers

\*1 "Business executor" means a business executor stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act.

\*2 "Person for whom the Group is a major business partner" means a group (group consisting of a direct business partner, its parent, its subsidiaries, and subsidiaries of the parent; the same applies hereinafter) that provides products and services to the Group and whose amount of transactions with the Ryoden Group exceeded 2% of that group's consolidated annual net sales in the most recent fiscal year.

\*3 "Major business partner of the Group" means a group to whom the Group provides products and services and the amount of transactions with whom exceeded 2% of the Group's consolidated annual net sales in the most recent fiscal year.

\*4 "A large amount of monetary consideration or other property" means monetary consideration or other property whose total amount exceeded 10 million yen in the most recent fiscal year and that exceeded 2% of the total revenue of the recipient in the most recent fiscal year.

\*5 "Major lender" means a lender whose name is listed under major lenders in the business report related to the most recent fiscal year.

\*6 "Major shareholder" means a shareholder that holds 10% or more of the voting rights (including indirect holding) at the end of the most recent fiscal year.

\*7 "Important business executor" means a Director of Board or an employee whose position is a general manager or higher.

\*8 "Relationship of interlocking Outside Officers" means a relationship where the Group's business executor serves as an Outside Officer of another company and that company's business executor serves as an Outside Officer of the Company.



# Financial Section

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## FINANCIAL SECTION

## CONSOLIDATED BALANCE SHEETS

Ryoden Corporation and Consolidated Subsidiaries  
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 14)	¥ 17,117	¥ 14,128	\$ 154,215
Notes and accounts receivable - trade (Note 14)	57,688	58,573	519,712
Electronically recorded monetary claims - operating (Note 14)	16,013	15,243	144,261
Securities	44	247	400
Merchandise and finished goods	23,784	25,336	214,277
Other	3,140	4,735	28,291
Allowance for doubtful accounts	(35)	(26)	(319)
Total current assets	117,753	118,237	1,060,840
<b>Property, plant and equipment:</b>			
Buildings and structures	2,921	2,887	26,317
Accumulated depreciation	(2,076)	(1,992)	(18,710)
Buildings and structures, net	844	895	7,606
Machinery, equipment and vehicles	662	660	5,971
Accumulated depreciation	(301)	(253)	(2,720)
Machinery, equipment and vehicles, net	360	407	3,250
Tools, furniture and fixtures	1,309	1,274	11,800
Accumulated depreciation	(1,022)	(963)	(9,214)
Tools, furniture and fixtures, net	287	311	2,586
Land	3,087	3,087	27,818
Total property, plant and equipment	4,580	4,702	41,262
<b>Intangible assets</b>			
Software	622	619	5,603
Other	51	60	462
Total intangible assets	673	680	6,065
<b>Investments and other assets:</b>			
Investments securities (Note 15)	6,905	7,296	62,215
Long - term prepaid expenses	40	51	368
Deferred tax assets (Note 19)	1,110	1,075	10,000
Other (Note 5)	2,093	2,159	18,860
Allowance for doubtful accounts	(427)	(494)	(3,854)
Total investments and other assets	9,722	10,089	87,591
Total non - current assets	14,976	15,472	134,920
Total assets	¥ 132,729	¥ 133,710	\$ 1,195,760

See the accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Notes and accounts payable - trade (Note 14)	¥ 44,031	¥ 45,399	\$ 396,676
Electronically recorded obligations - operating (Note 14)	10,842	12,464	97,684
Short - term loans payable (Note 14)	1,358	795	12,234
Income taxes payable	1,035	1,405	9,329
Other	3,948	3,551	35,571
Total current liabilities	61,216	63,615	551,496
<b>Non - current liabilities:</b>			
Net defined benefit liability (Note 17)	4,667	4,718	42,049
Other	1,129	1,317	10,176
Total non - current liabilities	5,797	6,036	52,226
Total liabilities	67,013	69,652	603,723
<b>Net assets:</b>			
Shareholders' equity:			
Capital share:			
Authorized—56,550,000 shares			
Issued—22,824,977 shares	10,334	10,334	93,101
Capital surplus	7,405	7,399	66,714
Retained earnings (Note 4 and Notes 22)	47,900	45,340	431,534
Treasury shares, at cost: 1,124,755 shares at March 31, 2019 and 1,131,243 shares at March 31, 2018	(846)	(850)	(7,621)
Total shareholders' equity	64,793	62,224	583,729
Accumulated other comprehensive income:			
Unrealized gains (losses) on available - for - sale securities	1,650	2,305	14,865
Foreign currency translation adjustments	405	710	3,651
Remeasurements of defined benefit plans	(1,254)	(1,267)	(11,301)
Total accumulated other comprehensive income	800	1,747	7,215
Subscription rights to shares	121	86	1,092
Total net assets	65,716	64,057	592,037
Total liabilities and net assets	¥ 132,729	¥ 133,710	\$ 1,195,760

See the accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF INCOME

Ryoden Corporation and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net sales</b> (Note 7)	¥ 240,312	¥ 236,494	\$ 2,164,979
<b>Cost of sales</b> (Note 7)	215,173	212,061	1,938,497
<b>Gross profit</b>	25,139	24,432	226,482
<b>Selling, general and administrative expenses</b> (Note 9 and Note 10)	19,515	19,354	175,812
<b>Operating profit</b>	5,624	5,078	50,669
<b>Other income:</b>			
Interest income	69	47	624
Dividend income	119	145	1,072
Share of profit of entities accounted for using equity method	17	21	157
Gain on valuation of investment securities	8	10	72
Rent income on non - current assets	60	64	542
Compensation income	65	—	592
Other	115	147	1,040
Total other income	455	436	4,103
<b>Other expenses:</b>			
Interest expenses	41	30	373
Sales discounts	52	81	472
Loss on sales of accounts receivable	31	39	288
Foreign exchange losses	265	273	2,395
Other	39	35	356
Total other expenses	431	459	3,885
<b>Ordinary profit</b>	5,648	5,055	50,886
<b>Extraordinary income:</b>			
Gain on sales of investment securities	57	252	515
Total extraordinary income	57	252	515
<b>Extraordinary losses:</b>			
Loss on sales of investment securities	20	—	188
Loss on valuation of shares of subsidiaries and associates	93	107	838
Total extraordinary losses	113	107	1,026
<b>Profit before income taxes:</b>	5,591	5,200	50,375
<b>Income taxes - current</b> (Note 19)	1,747	1,761	15,746
<b>Income taxes - deferred</b> (Note 19)	112	(150)	1,009
<b>Total income taxes</b>	1,859	1,611	16,755
<b>Profit</b>	3,731	3,588	33,619
<b>Profit attributable to owners of parent</b>	¥ 3,731	¥ 3,588	\$ 33,619

See the accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Ryoden Corporation and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥ 3,731	¥ 3,588	\$ 33,619
Other comprehensive income(loss): (Note 13)			
Valuation difference on available - for sale securities	(655)	302	(5,902)
Foreign currency translation adjustments	(305)	48	(2,748)
Remeasurements of defined benefit plans, net of tax	13	62	121
Total other comprehensive income (loss)	(946)	412	(8,529)
Comprehensive income	¥ 2,784	¥ 4,001	\$ 25,089
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 2,784	¥ 4,001	\$ 25,089
Comprehensive income attributable to non - controlling interests	—	—	—

See the accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Ryoden Corporation and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital share	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	
<b>Balance at March 31, 2017</b>	¥ 10,334	¥ 7,392	¥ 42,705	¥ (855)	¥ 59,576	¥ 2,003	¥ 661	¥ (1,329)	¥ 1,334	¥ 63	¥ 60,975
Changes of items during period	—	—	—	—	—	—	—	—	—	—	—
Dividends of surplus	—	—	(954)	—	(954)	—	—	—	—	—	(954)
Profit (loss) attributable to owners of parent	—	—	3,588	—	3,588	—	—	—	—	—	3,588
Purchase of treasury shares	—	—	—	(3)	(3)	—	—	—	—	—	(3)
Disposal of treasury shares	—	7	—	8	16	—	—	—	—	—	16
Net changes of items other than shareholders' equity	—	—	—	—	—	302	48	62	412	22	435
Total changes of items during period	—	7	2,634	5	2,647	302	48	62	412	22	3,082
<b>Balance at March 31, 2018</b>	¥ 10,334	¥ 7,399	¥ 45,340	¥ (850)	¥ 62,224	¥ 2,305	¥ 710	¥ (1,267)	¥ 1,747	¥ 86	¥ 64,057
Changes of items during period	—	—	—	—	—	—	—	—	—	—	—
Dividends of surplus	—	—	(1,171)	—	(1,171)	—	—	—	—	—	(1,171)
Profit (loss) attributable to owners of parent	—	—	3,731	—	3,731	—	—	—	—	—	3,731
Purchase of treasury shares	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Disposal of treasury shares	—	5	—	5	10	—	—	—	—	—	10
Net changes of items other than shareholders' equity	—	—	—	—	—	(655)	(305)	13	(946)	35	(911)
Total changes of items during period	—	5	2,560	4	2,569	(655)	(305)	13	(946)	35	1,658
<b>Balance at March 31, 2019</b>	¥ 10,334	¥ 7,405	¥ 47,900	¥ (846)	¥ 64,793	¥ 1,650	¥ 405	¥ (1,254)	¥ 800	¥ 121	¥ 65,716

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital share	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	
<b>Balance at March 31, 2018</b>	\$93,101	\$66,666	\$ 408,470	\$(7,661)	\$ 560,576	\$ 20,768	\$ 6,399	\$ (11,422)	\$ 15,745	\$ 775	\$ 577,098
Changes of items during period	—	—	—	—	—	—	—	—	—	—	—
Dividends of surplus	—	—	(10,555)	—	(10,555)	—	—	—	—	—	(10,555)
Profit (loss) attributable to owners of parent	—	—	33,619	—	33,619	—	—	—	—	—	33,619
Purchase of treasury shares	—	—	—	(8)	(8)	—	—	—	—	—	(8)
Disposal of treasury shares	—	47	—	47	95	—	—	—	—	—	95
Net changes of items other than shareholders' equity	—	—	—	—	—	(5,902)	(2,748)	121	(8,529)	316	(8,212)
Total changes of items during period	—	47	23,064	39	23,150	(5,902)	(2,748)	121	(8,529)	316	14,938
<b>Balance at March 31, 2019</b>	\$93,101	\$66,714	\$ 431,534	\$(7,621)	\$ 583,729	\$ 14,865	\$ 3,651	\$ (11,301)	\$ 7,215	\$ 1,092	\$ 592,037

See the accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Ryoden Corporation and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 5,591	¥ 5,200	\$ 50,375
Depreciation	492	513	4,432
Increase (decrease) in allowance for doubtful accounts	(28)	(91)	(256)
Increase (decrease) in net defined benefit liability	(31)	228	(279)
Interest and dividends income	(188)	(193)	(1,696)
Interest expense	41	30	373
Share of (profit) loss of entities accounted for using equity method	(17)	(21)	(157)
Loss (gain) on sales and retirement of non-current assets	3	4	29
Loss (gain) on sales of investment securities	(36)	(252)	(326)
Loss (gain) on valuation of investment securities	(8)	(10)	(72)
Loss on valuation of shares of subsidiaries and associates	93	107	838
Decrease (increase) in trade receivables	21	(8,463)	192
Decrease (increase) in inventories	1,393	(6,601)	12,550
Increase (decrease) in trade payable	(2,714)	5,719	(24,452)
Other	1,780	(744)	16,038
Subtotal	6,392	(4,575)	57,588
Interest and dividend income received	193	367	1,746
Interest expenses paid	(41)	(30)	(373)
Income taxes paid	(2,065)	(596)	(18,604)
Net cash provided by (used in) operating activities	4,479	(4,833)	40,356
<b>Cash flows from investing activities:</b>			
Proceeds from redemption of securities	101	100	917
Purchase of property, plant and equipment	(157)	(109)	(1,420)
Proceeds from sales of property, plant and equipment	0	3	6
Purchase of intangible assets	(150)	(266)	(1,359)
Purchase of investment securities	(712)	(560)	(6,415)
Proceeds from sales of investment securities	220	1,434	1,987
Decrease (increase) in short-term loans receivable	(39)	(17)	(356)
Other	50	91	453
Net cash provided by (used in) investing activities	(686)	674	(6,186)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	609	14	5,490
Net decrease (increase) in treasury shares	(0)	(2)	(7)
Cash dividends paid	(1,171)	(954)	(10,557)
Net cash provided by (used in) financing activities	(563)	(942)	(5,074)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(234)	50	(2,113)
<b>Net increase (decrease) in cash and cash equivalents</b>	2,995	(5,050)	26,981
<b>Cash and cash equivalents at beginning of period</b>	14,112	19,163	127,143
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	—	—	—
<b>Cash and cash equivalents at end of period (Note 11)</b>	¥ 17,107	¥ 14,112	\$ 154,124

See the accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Ryoden Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic

computation only, at the rate of ¥111= U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2019. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

Each amounts indicated in millions of yen and thousands of U.S. dollars have been rounded down the nearest million yen and thousand U.S. dollars, except for per share information. As a consequence, sums of figures may not match the totals presented.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of consolidation and accounting for investments in an affiliated company

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. The company over which the Company exercises significant influence in terms of its operating and financial policies has been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

### (b) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

### (c) Securities and investment securities

Marketable securities classified as available - for - sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

### (d) Merchandise inventories

The Company mainly applies the cost method based on the weighted-average method, which determines the amount of the inventories shown on the balance sheet by writing them down based on the decrease in their profitability.

### (e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

### (f) Property, plant and equipment

Property and equipment are stated at cost. Depreciation is computed principally by the declining-balance method at rates based upon the estimated useful lives of assets. The range of useful lives is from 3 to 50 years for buildings and structure and 17 years for machinery, equipment and vehicles.

### (g) Software

Software for internal use is amortized on a straight - line basis over its estimated useful lives (five years at the maximum).

### (h) Other intangible assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight - line method over their estimated useful lives.

### (i) Accounting for employees' retirement benefits

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. The retirement benefit obligation is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees. Actuarial differences are amortized over a 12 year period, which is shorter than the average

remaining service period of employees, using the straight-line method from the following fiscal year when the difference was generated. Prior service cost is amortized as incurred over a 12 year period, which is shorter than the average remaining service period of employees using the straight-line method from the time when the prior services cost was generated. Certain consolidated subsidiaries adopt the simplified accounting method in calculating their net defined benefit liabilities and retirement benefit expenses. Under the simplified method, retirement benefit obligations are calculated as amounts paid for voluntary termination at the year-end.

### (j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

### (k) Derivative financial instruments

The Company has entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. Derivative financial instruments are carried at fair value.

### (l) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates, except for assets and liabilities hedged by forward foreign exchange contracts.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated at the rate of exchange in effect at the balance sheet date. Except for the components of net assets, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

### (m) Revenue and costs recognition

Basis of recording revenues and costs of construction contracts

- (1) Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion method (the percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost)
- (2) All other projects are accounted for on the completed-contract method.

### (n) Accounting standards issued but not yet effective

[Disclosure for the year ended March 31, 2019]

Accounting Standard and Implementation Guidance on Revenue Recognition

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



#### (1) Overview

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

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

#### (2) Scheduled date of adoption

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

#### (3) Impact of the adoption of accounting standard and implementation guidance

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

### 3. ACCOUNTING CHANGES

[Disclosure for the year ended March 31, 2019]

#### (1) Change in accounting policies

Not applicable.

#### (2) Change in presentation

##### Partial Amendments to Accounting Standard for Tax Effect Accounting

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

As a result, 792 million of deferred tax assets in current assets and 2 million of deferred tax liabilities in current liabilities previously presented in consolidated balance sheet as of March 31, 2018 have been reclassified and included within 1,075 million of deferred tax assets in investments and other assets and 1,317 million of deferred tax liabilities in non-current liabilities, respectively.

### 4. RETAINED EARNINGS

The corporation law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal

reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

### 5. PLEDGED ASSETS

Pledged assets as collateral and collateral obligations at March 31, 2019 and 2018 each, were as follows:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars (Note 1)
Pledged assets as collateral			2019
Long-term time deposit	¥ 4	¥ 10	\$ 44

### 6. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries are contingently liable for guarantees of loans to employees and others, amounting to ¥264 million (\$2,382 thousand) and ¥257 million at March 31, 2019 and 2018, respectively.

### 7. INVENTORIES

Write - down (net of reversal) of inventories held for sale amounted to ¥36 million ( \$-327 thousand) and ¥108 million for the years ended March 31, 2019 and 2018, are included in cost of sales in the consolidated statements of income.

## 8. RELATED PARTY TRANSACTIONS

Transactions with Mitsubishi Electric Corporation, which holds 35.8% interest of the Company at March 31, 2019 and 2018, were as follows:

OTHER AFFILIATE COMPANY	NAME	CAPITAL STOCK	PERCENTAGE OF VOTING RIGHTS	TRANSACTION	Transaction amount			Balance at the fiscal year end		
					Millions of yen		Thousands of U.S. dollars (Note1)	Millions of yen		Thousands of U.S. dollars (Note1)
					2019	2018	2019	Account	2019	2018
MITSUBISHI ELECTRIC CORPORATION	¥ 175,820	Direct Ownership 35.8%	Sales	¥ 19,354	¥ 20,604	\$ 174,367	Accounts receivable - trade	¥ 4,714	¥ 5,647	\$ 42,468
			Purchases	¥ 41,811	¥ 40,783	\$ 376,678	Accounts payable - trade	¥ 4,030	¥ 4,874	\$ 36,313
			Rebates	¥ 1,282	¥ 1,468	\$ 11,558	Accounts receivable - other	¥ 326	¥ 504	\$ 2,940

Transactions with Mitsubishi Electric Living Environment Systems Corporation, which holds 0.00% interest of the Company at March 31, 2019 and 2018, were as follows:

SUBSIDIARY OF OTHER AFFILIATE COMPANY	NAME	CAPITAL STOCK	PERCENTAGE OF VOTING RIGHTS	TRANSACTION	Transaction amount			Balance at the fiscal year end		
					Millions of yen		Thousands of U.S. dollars (Note1)	Millions of yen		Thousands of U.S. dollars (Note1)
					2019	2018	2019	Account	2019	2018
MITSUBISHI ELECTRIC LIVING ENVIRONMENT SYSTEM CORPORATION	¥ 2,627	—	Purchases	¥ 20,159	¥ 18,828	\$ 181,613	Accounts payable - trade	¥ 6,591	¥ 5,904	\$ 59,380
			Rebates	¥ 2,895	¥ 3,021	\$ 26,082	Accounts receivable - other	¥ 691	¥ 621	\$ 6,233

Sales and purchases prices were negotiated on an arm's-length basis based on the final retail prices of the Company.

## 9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Transportation expenses	¥ 2,403	¥ 2,319	\$ 21,649
Salaries	6,338	6,384	57,102
Bonuses	2,500	2,421	22,530
Retirement benefit expenses	774	677	6,977
Welfare expenses	1,786	1,750	16,092
Rent	1,439	1,469	12,967
Depreciation and amortization	415	445	3,747

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to general and administrative expenses were ¥14 million (\$129 thousand) and ¥0 million for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Research and development costs	¥ 14	¥ —	\$ 129

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

Relations with the amount of money of a consolidated balance sheet of cash and cash equivalents as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash and time deposits	¥ 17,117	¥ 14,128	\$ 154,215
Time deposits over 3 months	(9)	(15)	(89)
Cash and cash equivalents	¥ 17,107	¥ 14,112	\$ 154,126

## 12. LEASE TRANSACTIONS

### Lessees' Accounting

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Within 1 year	¥ 138	¥ 159	\$ 1,243
Over 1 year	197	344	1,779
Total	¥ 335	¥ 504	\$ 3,022

## 13. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal year ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Unrealized holding gain (loss) on securities			
Amount arising during the year	¥ (909)	¥ 689	\$ (8,194)
Reclassification adjustment for gains and losses included in net income	(36)	(248)	(326)
Unrealized gains (losses) on available-for-sale securities before tax adjustment	(945)	441	(8,520)
Tax effect	290	(139)	2,618
Unrealized gains (losses) on available-for-sale securities	(655)	302	(5,902)
Translation adjustments			
Amount arising during the year	(305)	48	(2,748)
Remeasurements of defined benefit plans			
Amount arising during the year	339	361	3,054
Reclassification adjustment for gains and losses included in net income	(319)	(273)	(2,882)
Remeasurements of defined benefit plans before tax adjustment	19	88	172
Tax effect	(5)	(26)	(51)
Remeasurements of defined benefit plans	13	62	121
Total other comprehensive income	¥ (946)	¥ 412	\$ (8,529)

## 14. FINANCIAL INSTRUMENTS

(a) Policies, classifications, and risk management

### Policy on use of financial instruments

The Company and its subsidiaries (the "Group") invest their temporary surpluses of funds mainly in highly liquid financial assets. The Group's primary use of derivatives is to hedge the risks mentioned below, and its policy is not to engage in speculative transactions.

### Classifications of financial instruments and related risks

Among operating receivables, notes and accounts receivable, electronically recorded monetary claims are subject to the credit risk of customers. In addition, foreign currency denominated operating receivables arising from business activities are subject to exchange rate risk. To minimize this exchange rate risk, the Group uses forward exchange agreements to hedge the risk on foreign exchange denominated transactions for which this treatment is deemed appropriate

### Risk management related to financial instruments

(i) Credit risk (risk of nonperformance on agreements by business counterparties)

In accordance with its credit management rules, the Company's branches and Administrative Department of the head office monitor the status of business counterparties on a regular basis. They manage credit risk by maturity date and outstanding balance on an individual business counterparty basis and aim to achieve early discovery of and to minimize repayment concerns due to deteriorating financial position and other factors.

(ii) Credit risk (risk of nonperformance of derivative transaction)

The Company considers credit risk on derivative transactions to be negligible because transactions are only conducted with financial institutions that have high credit ratings.

(iii) Management of market risk (risk of fluctuations in currencies, interest rates, etc.)

In principle, the Company and some of its consolidated subsidiaries manage the exchange rate risk on foreign currency denominated operating receivables and payables by using forward exchange agreements to hedge currency rate risk determined by currency on a monthly basis.

For marketable and investment securities, the Group monitors the fair

### Supplementary items regarding the fair value etc. of financial instruments

The fair values of financial instruments are based on market prices. If a market price is not available then rational valuation of the price is used instead. Such price evaluations include variable factors, and its results

within the scope of actual volume of business considered necessary.

Marketable and investment securities comprised bonds related to the investment of surplus funds and stocks of companies with which the Group has a business relationship, and are subject to market risk.

Notes, electronically recorded obligations operating and accounts payable are operating liabilities that are mostly payable within six months. The portion of these liabilities denominated in foreign currency are subject to exchange rate risk, but similar to operating receivables, the Group uses forward exchange agreements to hedge this risk within the scope of actual volume of business considered necessary.

The Group's derivative transactions comprise forward exchange agreements and non-deliverable forward contracts made for the purpose of hedging currency rate risk on foreign currency denominated operating receivables and payables and structured derivative transactions involving bonds purchased as a method of investing surplus funds.

value of the financial instrument and the financial position etc. of the issuer (business counterparty) on a regular basis. With stocks of companies the Group does business with, the Group continuously revises its holdings, taking into consideration market conditions and its business relationship with company.

Among derivative transactions, the Accounting Department concludes the forward exchange agreements and non-deliverable forward contracts entered into by the Company on an aggregated basis in accordance with the Company's exchange rate risk management rules and produces reports on overall profits and losses and individual risk exposures that are included in the reports on the financial overview of the Company made during regular meeting of the Board of Directors. As to structure derivative transactions, the Accounting Department is responsible for investing funds in said bonds within the approved scope set by the Management Committee and reports the results of those investments to the Management Committee.

(iv) Management of liquidity risk related to funding (the risk of defaulting on maturing debt)

The Accounting Department prepares and revises cash flow plans as necessary based on reports from branches, while also managing liquidity risk by maintaining adequate cash levels. Consolidated subsidiaries also manage their liquidity risk in a similar manner.

may differ if different assumptions are used in the evaluation.

Furthermore, the notional amount for derivatives included in Note 15. Derivative Transactions do not represent the total market risk of the Group's derivative transactions.

(b) Fair value of financial instruments

As of March 31, 2019 and 2018, carrying value, fair value and the difference between the two are as follows:

Year ended or as of March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets:</b>						
(1) Cash and time deposits	¥ 17,117	¥ 17,117	¥ —	\$ 154,215	\$ 154,215	\$ —
(2) Notes and accounts receivable - trade	57,688	57,688	—	519,712	519,712	—
(3) Electronically recorded monetary claims - operating	16,013	16,013	—	144,261	144,261	—
(4) Marketable and Investment securities	5,798	5,798	—	52,238	52,238	—
(5) Short-term loans receivable	56	56	—	510	510	—
<b>Total</b>	<b>¥ 96,674</b>	<b>¥ 97,674</b>	<b>¥ —</b>	<b>\$ 870,939</b>	<b>\$ 870,939</b>	<b>\$ —</b>
<b>Liabilities:</b>						
(1) Notes and accounts payable	¥ 44,031	¥ 44,031	¥ —	\$ 396,676	\$ 396,676	\$ —
(2) Electronically recorded obligations operating	10,842	10,842	—	97,684	97,684	—
(3) Short-term bank loans payable	1,358	1,358	—	12,234	12,234	—
<b>Total</b>	<b>¥ 56,232</b>	<b>¥ 56,232</b>	<b>¥ —</b>	<b>\$ 506,595</b>	<b>\$ 506,595</b>	<b>\$ —</b>
<b>Derivative transactions:</b>						
Hedge accounting not applied	¥ (54)	¥ (54)	¥ —	\$ (489)	\$ (489)	\$ —

Year ended or as of March 31, 2018	Millions of yen		
	Carrying value	Fair value	Difference
<b>Assets:</b>			
(1) Cash and time deposits	¥ 14,128	¥ 14,128	¥ —
(2) Notes and accounts receivable - trade	58,573	58,573	—
(3) Electronically recorded monetary claims - operating	15,243	15,243	—
(4) Marketable and Investment securities	6,610	6,610	—
(5) Short-term loans receivable	17	17	—
<b>Total</b>	<b>¥ 94,572</b>	<b>¥ 94,572</b>	<b>¥ —</b>
<b>Liabilities:</b>			
(1) Notes and accounts payable	¥ 45,399	¥ 45,399	¥ —
(2) Electronically recorded obligations operating	12,464	12,464	—
(3) Short-term bank loans payable	795	795	—
<b>Total</b>	<b>¥ 58,658</b>	<b>¥ 58,658</b>	<b>¥ —</b>
<b>Derivative transactions:</b>			
Hedge accounting not applied	¥ 70	¥ 70	¥ —

Notes:

Assets

(1) Cash and time deposits, (2) Notes and accounts receivable, (3) Electronically recorded monetary claims - operating, (5) Short-term loans receivable  
All of these are settled within a short time, and their fair value and carrying value are nearly equal. Thus, the carrying value is listed as fair value in the table above.

(4) Marketable and Investments securities

The fair values of investment securities are based on prices quoted by stock exchanges, and the fair values of bonds are based on prices quoted by stock exchanges or prices presented by trading financial institutions. Securities categorised by the purpose for which they are held are described in "Note 15 Securities."

Liabilities

(1) Notes and accounts payable and (2) Electronically recorded obligation operating (3) Short-term bank loans payable

All of these are settled within a short time, and their fair value and carrying value are nearly equal. Thus, the carrying value is listed as fair value in the table above.

Derivative transactions

Net receivables (payables) derived from derivative transactions are displayed in the table above. Total net payables are shown in parenthesis. Please refer to Note 16, "Derivative transactions"

(c) The carrying amount of financial instruments whose fair value cannot be reliably determined as of March 31, 2019 and 2018, consisted of the following:

Year ended or as of March 31, 2019	Millions of yen	Thousands of U.S. dollars (Note 1)
Investments securities that do not have quoted market price in an active market	¥ 1,151	\$ 10,378

Year ended or as of March 31, 2018	Millions of yen
Investments securities that do not have quoted market price in an active market	¥ 934

(d) The maturity analysis for financial assets and securities with contractual maturities as of March 31, 2019 and 2018, were as follows:

Year ended or as of March 31, 2019	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and time deposits	¥ 17,117	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	57,688	—	—	—
Electronically recorded monetary claims - operating	16,013	—	—	—
Investments securities	44	456	595	200
Short-term loans receivable	56	—	—	—
<b>Total</b>	<b>¥ 90,920</b>	<b>¥ 456</b>	<b>¥ 595</b>	<b>¥ 200</b>

	Thousands of U.S. dollars (Note 1)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and time deposits	\$ 154,215	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	519,712	—	—	—
Electronically recorded monetary claims - operating	144,261	—	—	—
Investments securities	400	4,110	5,366	1,801
Short-term loans receivable	510	—	—	—
<b>Total</b>	<b>\$ 819,101</b>	<b>\$ 4,110</b>	<b>\$ 5,366</b>	<b>\$ 1,801</b>

Year ended or as of March 31, 2018	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and time deposits	¥ 14,128	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	58,573	—	—	—
Electronically recorded monetary claims - operating	15,243	—	—	—
Investments securities	292	382	374	253
Short-term loans receivable	17	—	—	—
<b>Total</b>	<b>¥ 88,255</b>	<b>¥ 382</b>	<b>¥ 374</b>	<b>¥ 253</b>

## 15. SECURITIES

(a) Information regarding marketable securities classified as other securities as of March 31, 2019 and 2018, were as follows:

March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 1,271	¥ 3,767	¥ 2,495	\$ 11,457	\$ 33,939	\$ 22,481
Bonds	100	100	0	900	905	5
Other	110	112	1	995	1,012	17
<b>Subtotal</b>	<b>¥ 1,482</b>	<b>¥ 3,980</b>	<b>¥ 2,498</b>	<b>\$ 13,353</b>	<b>\$ 35,857</b>	<b>\$ 22,504</b>
Securities whose acquisition cost exceeds their carrying value:						
Stock	¥ 393	¥ 353	¥ (39)	\$ 3,543	\$ 3,185	\$ (357)
Bonds	300	289	(10)	2,702	2,611	(91)
Other	1,275	1,174	(100)	11,491	10,583	(907)
<b>Subtotal</b>	<b>1,968</b>	<b>1,818</b>	<b>(150)</b>	<b>17,737</b>	<b>16,380</b>	<b>(1,357)</b>
<b>Total</b>	<b>¥ 3,451</b>	<b>¥ 5,798</b>	<b>¥ 2,347</b>	<b>\$ 31,091</b>	<b>\$ 52,238</b>	<b>\$ 21,147</b>

March 31, 2018

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 1,646	¥ 5,010	¥ 3,364
Bonds	200	200	0
Other	121	122	0
Subtotal	¥ 1,967	¥ 5,333	¥ 3,365
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 98	¥ 90	¥ (8)
Bonds	257	243	(14)
Other	992	943	(49)
Subtotal	1,349	1,277	(72)
Total	¥ 3,317	¥ 6,610	¥ 3,293

Impairment losses for securities amounting to ¥107 million(¥107 million for shares of subsidiaries and associates) were recorded for the previous fiscal year.

Impairment losses for securities amounting to ¥93 million(\$838 thousand) (¥93 million for shares of subsidiaries and associates) were recorded for the current fiscal year.

(b) Sale of securities classified as available for sale securities amounted to ¥201 million (\$1,819 thousand) and ¥1,419 million with an aggregate gain of ¥57 million (\$515 thousand) and ¥411 million and an aggregate loss of ¥20 million (\$188 thousand) for the years ended March 31, 2019 and 2018, respectively.

## 16. DERIVATIVE TRANSACTIONS

The Company has entered into foreign currency hedging transactions to reduce their exposure to adverse fluctuations in foreign exchange rates relating to their receivables and payables denominated in foreign currencies.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions and non-deliverable transactions outstanding at March 31, 2019 and 2018.

### Currency-related transactions

March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sell:						
US\$	¥ 11,248	¥ (45)	¥ (45)	\$ 101,341	\$ (411)	\$ (411)
EUR	331	19	19	2,988	180	180
Buy:						
US\$	6,300	(28)	(28)	56,759	(256)	(256)
YEN	368	1	1	3,324	17	17
Non-deliverable forward foreign exchange contracts						
Sell:						
NT\$	¥ 248	¥ (2)	¥ (2)	\$ 2,237	\$ (19)	\$ (19)
Total	¥ 18,498	¥ (54)	¥ (54)	\$ 166,651	\$ (489)	\$ (489)

March 31, 2018	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
US\$	¥ 13,417	¥ 127	¥ 127
Buy:			
US\$	7,206	(52)	(52)
YEN	287	(3)	(3)
Total	¥ 20,911	¥ 70	¥ 70

The fair values of forward foreign exchange contracts and non-deliverable forward exchange contracts are mainly based on prices provided by the financial institution making markets in these securities.

### Bond Derivatives

With respect to bond derivatives whose fair values cannot be categorized and measured for each embedded derivatives, the entire Bond Derivatives are appraised by fair value, and are included in the Note 15, "Securities."

## 17. RETIREMENT BENEFITS

### For the year ended March 31, 2019 and 2018

The Company and a part of consolidated subsidiaries have funded and unfunded defined benefit pension plans. Under the defined benefit pension plans (funded plans), employees terminating their employment are entitled to lump-sum or annuity payments determined based on the rate of pay and years of service. Under the lump-sum retirement benefit of defined pension plans (unfunded plans), benefits are determined on based on the rate of pay and years of service.

Certain consolidated subsidiaries that have the lump-sum retirement benefit of defined pension plan calculate net defined benefit liabilities and retirement benefit expenses using the simplified method.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Changes in Retirement Benefit Obligations (excluding plans that apply the simplified method)</b>			
Beginning balance of retirement benefit obligations	¥ 12,699	¥ 12,427	\$ 114,411
Service costs	530	520	4,779
Interest costs	74	73	674
Actuarial differences arising during the year	179	278	1,618
Retirement benefits paid	(591)	(601)	(5,328)
Increase due to change from the simplified method to the principle method	—	0	—
Ending balance of retirement benefit obligations	¥ 12,893	¥ 12,699	\$ 116,155

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Changes in Pension Assets (excluding plans that apply the simplified method)</b>			
Beginning balance of pension assets	¥ 8,025	¥ 7,888	\$ 72,299
Expected return on pension assets	200	197	1,807
Actuarial differences arising during the year	(120)	94	(1,085)
Contributions by the Company and consolidated subsidiaries	523	237	4,712
Retirement benefits paid	(348)	(392)	(3,136)
Ending balance of pension assets	¥ 8,280	¥ 8,025	\$ 74,597

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Changes in net defined benefit liabilities for plans that apply the simplified method</b>			
Beginning balance of net defined benefit liability	¥ 45	¥ 40	\$ 405
Retirement benefit expenses	22	6	203
Retirement benefits paid	(12)	(0)	(110)
Contribution to plans	(0)	(0)	(6)
Decrease due to change from the simplified method to the principle method	—	(0)	—
Ending balance of net defined benefit liability	¥ 54	¥ 45	\$ 491



	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Reconciliation of benefit obligations and pension assets with net defined benefit liability and asset on the Consolidated Balance Sheets			
Funded retirement benefit obligations	¥ 8,982	¥ 8,855	\$ 80,926
Pension assets	(8,280)	(8,025)	(74,597)
Net	702	830	6,329
Unfunded retirement benefit obligations	3,964	3,888	35,720
Net amount of liability and asset on Consolidated Balance Sheets	4,667	4,718	42,049
Net defined benefit liability	4,667	4,718	42,049
Net amount of liability and asset on Consolidated Balance Sheets	¥ 4,667	¥ 4,718	\$ 42,049

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Components of retirement benefit expenses			
Service costs	¥ 530	¥ 520	\$ 4,779
Interest costs	74	73	674
Expected return on pension assets	(200)	(197)	(1,807)
Amortization of actuarial differences	319	273	2,882
Retirement benefit expenses by simple method	22	6	203
Retirement benefit expenses for defined benefit pension plans	¥ 747	¥ 676	\$ 6,732

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Remeasurements of defined benefit plans(Other comprehensive income)			
Breakdown(before deduction of tax effects)			
Actuarial differences	¥ 19	¥ 88	\$ 172
Net	¥ 19	¥ 88	\$ 172

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Components of remeasurements of defined benefit plans (before deduction of tax effects)			
Unrecognized actuarial differences	¥ 1,808	¥ 1,827	\$ 16,293
Total	¥ 1,808	¥ 1,827	\$ 16,293

	As of March 31, 2019	As of March 31, 2018
Components of pension assets		
Bonds	28%	32%
Stocks	39%	29%
Life insurance general accounts	12%	12%
Others	21%	27%
Total	100%	100%

#### Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various assets.

	As of March 31, 2019	As of March 31, 2018
Basic Assumptions for Calculating Retirement Benefit Obligations		
Discount rate	0.6%	0.6%
Expected rate of return on pension assets	2.5%	2.5%
Expected salary increase rate	5.3%	5.3%

## 18. STOCK OPTION PLAN

### (a) Expenses and accounts related to stock options

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Selling, general and administrative expenses	¥ 45	¥ 38	\$ 405

### (b) Contents, scale and changes in stock options

#### (i) Contents of stock options

##### first grant

Company name	Submitting Company
Resolution date	May 15, 2014
Person granted	15 directors of the Company
Number of shares granted	23,500 shares of common stock
Grant date	June 2, 2014
Vesting conditions	Within 10 days from the day following the day that a subscription holder loses their position as a director of the Company.
Service period	—
Exercise period	From June 3, 2014 to June 2, 2034

##### second grant

Company name	Submitting Company
Resolution date	May 15, 2015
Person granted	15 directors of the Company
Number of shares granted	20,500 shares of common stock
Grant date	June 1, 2015
Vesting conditions	Within 10 days from the day following the day that a subscription holder loses their position as a director of the Company.
Service period	—
Exercise period	From June 2, 2015 to June 1, 2035

##### third grant

Company name	Submitting Company
Resolution date	May 13, 2016
Person granted	14 directors of the Company
Number of shares granted	30,000 shares of common stock
Grant date	May 31, 2016
Vesting conditions	Within 10 days from the day following the day that a subscription holder loses their position as a director of the Company.
Service period	—
Exercise period	From June 1, 2016 to May 31, 2036

fourth grant	
Company name	Submitting Company
Resolution date	May 15, 2017
Person granted	14 directors of the Company
Number of shares granted	25,000 share of common stock
Grant date	May 30, 2017
Vesting conditions	With 10 days from the day following the day that a subscription holder loses their position as a director of the Company.
Service period	—
Exercise period	From May 1,2017 to May 30, 2037

fifth grant	
Company name	Submitting Company
Resolution date	May 15, 2018
Person granted	14 directors of the Company
Number of shares granted	27,000 shares of common stock
Grant date	May 31, 2018
Vesting conditions	Within 10 days from the day that a subscription holder loses their position as a director of the Company
Service period	—
Exercise period	From June 1 ,2018 to May 31, 2038

Converted into the number of shares. Since the Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017, the number of shares is shown on a post-consolidation basis.

(ii)Scale and changes in stock options

Movement in stock options during the fiscal year ended March 31, 2019 was as follows:

	Number of shares <b>As of March 31, 2019</b>	Number of shares As of March, 2018	Number of shares As of March, 2017	Number of shares As of March, 2016	Number of shares As of March, 2015
Before vested:					
Beginning balance (Stock options outstanding)	—	—	—	—	—
Granted	27,000	—	—	—	—
Forfeited	—	—	—	—	—
Vested	27,000	—	—	—	—
Ending balance(Stock options outstanding)	—	—	—	—	—
After vested:					
Beginning balance (Stock options outstanding)	—	21,500	21,000	13,500	4,500
Vested	27,000	—	—	—	—
Exercised	2,000	1000	1,500	1,500	1,000
Forfeited	—	—	—	—	—
Ending balance(Stock options outstanding)	25,000	20,500	19,500	12,000	3,500

	<b>As of March 31, 2019</b>	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016	As of March 31, 2015	<b>As of March 31, 2019</b>
	Yen	Yen	Yen	Yen	Yen	U.S. dollars(Note 1)
Exercise price	¥1	¥1	¥1	¥1	¥1	\$0.009
Weighted average market value per share at the exercise date	¥1,745	¥1,745	¥1,745	¥1,745	¥1,745	\$15.720
Fair value per share at the grant date	¥1,693	¥1,520	¥1,154	¥1,720	¥1,314	\$15.252

Since the Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017, the number of shares is shown on a post-consolidation basis.

(c) The evaluation of fair price of stock option

(i) The evaluation method used: Black-Sholes method

(ii) General information and the method of estimation

Expected volatility (Note 1)	27.6%
Expected residual Period (Note 2)	2.9 years
Expected dividends (Note 3)	¥46 per share
Risk-fee rate (Note 4)	Δ0.14%

Note:

1 Historical volatility during the week corresponding to the average expected life.

2 Based on the terms of office and retirement ages of the Company's former Directors, the retirement date of each Director is estimated. Subsequently, the estimated residual period is calculated via the weighted average method, using the numbers of grant given to each Director.

3 Since the Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017, the forecast figure is based on the actual cash dividends paid for the fiscal year ended March 31, 2018, which factors in the share consolidation. .

4 The mean value of the compound interest yield of government bonds corresponding to the average expected life.

(d) Method of estimating the number of vested stock options

Only the actual forfeitures are reflected because it is difficult to estimate future forfeitures reasonably.

## 19. INCOME TAXES

Deferred income taxes resulting from timing differences in the recognition of income and expenses for financial reporting and for tax purposes and the related tax effects for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Deferred tax assets</b>			
Net defined benefit liability	¥ 1,424	¥ 1,441	\$ 12,834
Excess employees' bonus allowances	368	362	3,316
Loss on valuation of inventories	187	208	1,690
Accrued enterprise tax	70	90	639
Excess allowance for doubtful accounts	51	49	467
Asset retirement obligations	44	43	405
Valuation loss of investment in golf club membership	43	53	389
Other	318	315	2,868
Subtotal	2,509	2,565	22,610
Valuation allowance	(127)	(131)	(1,144)
<b>Total</b>	<b>2,382</b>	<b>2,434</b>	<b>21,466</b>
<b>Deferred tax liabilities</b>			
Unrealized holding gains on securities	697	987	6,281
Retained earnings of foreign subsidiaries	401	312	3,618
Deferred capital gains on land	105	105	949
Reserve for special depreciation	61	87	558
Other	9	7	88
<b>Total</b>	<b>1,276</b>	<b>1,500</b>	<b>11,496</b>
<b>Net deferred tax assets</b>	<b>¥ 1,106</b>	<b>¥ 934</b>	<b>\$ 9,969</b>

The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, result in a statutory tax rate of 30.62 % in 2019 and 2018. Reconciliation between the effective tax rates reflected in the consolidated statements of income and the above statutory tax rate for the years ended March 31, 2019 and 2018, were as follows:

	2019	2018
Statutory tax rate	30.62%	—%
Items excluded from non taxable expenses permanently, such as entertainment expenses	0.65	—
Items not permanently included in income, such as dividends received	(0.11)	—
Inhabitant tax on per capita basis	0.86	—
Retained earnings of foreign subsidiaries	1.60	—
Difference in statutory tax rates of subsidiaries	(0.64)	—
Directors' bonus expenses not deductible for income tax purposes	0.36	—
Other, net	(0.08)	—
<b>Effective tax rates</b>	<b>33.26%</b>	<b>—%</b>

The breakdown of the difference for the fiscal year ended March 31, 2018 is omitted since the difference between the statutory tax rate and the effective tax rate was 5% or less of the statutory tax rate.

## 20. SEGMENT INFORMATION

### (1) General information about reportable segments

Reportable segments are components of the Company and its consolidated subsidiaries for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performance. The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and foreign countries in five segments: FA Systems; Cooling & Heating Systems; ICT & Facilities Systems; Electronics; Others.

General information about the segments is as follows.

- (a) FA Systems: Servo system, Inverter, Numerical control devices  
 (b) Cooling & Heating Systems: Package air conditioner, Chilling unit, Refrigerator  
 (c) ICT & Facilities Systems: Elevator, Information technology related products, Medical Facilities  
 (d) Electronics: Semiconductor memory, Microcomputer, Power devices, Material, Raw material

(2) The Company changed the allocation method of the group-wide new business development costs and it is not allocated to any reporting segments this fiscal year. Such change has been made to follow and align with the internal profit and loss management change. Following an organization change, "IT & Facilities Systems" reporting segment was also renamed to "ICT & Facilities Systems". The previous fiscal year segment information have been restated in accordance with this change.

(3) Basis of measurement for sales, profit or loss, assets, liabilities and other items of reportable segments

Accounting policies and methods used at operating segments are the same as those applied to the Company described on Note 1 and Note 2. Profit or loss of reportable segments is equal to operating profit on the consolidated statements of income. Intercompany sales and transfers are based on market current price.

(4) Sales, profit or loss, assets, liabilities and other items by reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2019 and 2018, is summarized as follows:

Year ended or as of March 31, 2019	Reportable segment					Total	Eliminations or corporate	Consolidated
	FA Systems	Cooling & Heating Systems	ICT & Facilities Systems	Electronics	Others			
I. Sales and operating profit:								
(1) Sales to third parties	¥ 46,594	¥ 27,414	¥ 8,863	¥ 157,440	¥ —	¥ 240,312	¥ —	¥ 240,312
(2) Intersegment sales and transfer	0	—	—	—	—	0	(0)	—
Total sales	46,594	27,414	8,863	157,440	—	240,313	(0)	240,312
Operating profit	2,000	1,139	163	2,464	—	5,767	(143)	5,624
II. Assets, depreciation expenses and capital expenditures:								
Total assets	22,965	14,840	5,558	74,137	653	118,154	14,574	132,729
Depreciation expenses	138	77	56	220	—	492	—	492
Capital expenditures	¥ 84	¥ 60	¥ 24	¥ 142	¥ —	¥ 310	¥ —	¥ 310

1. The classification of "Others" category is the business segment, which is not included in the reportable segments.

2. Adjustment details are as follows:

Segment income adjustments of ¥(143) million includes corporate expenses of ¥(143) million that are not allocated to individual reportable segments.

Corporate expenses are mainly new business development expenses that are not attributable to individual reportable segments.

Segment asset adjustments of ¥14,574 million represents corporate assets that are not allocated to individual reportable segments, and mainly consists of surplus operating funds and long-term investment funds.

Year ended or as of March 31, 2019	Reportable segment					Total	Eliminations or corporate	Consolidated
	FA Systems	Cooling & Heating Systems	ICT & Facilities Systems	Electronics	Others			
I. Sales and operating profit:								
(1) Sales to third parties	\$ 419,768	\$ 246,975	\$ 79,852	\$ 1,418,383	\$ —	\$ 2,164,979	\$ —	\$ 2,164,979
(2) Intersegment sales and transfer	3	—	—	—	—	3	(3)	—
Total sales	419,771	246,975	79,852	1,418,383	—	2,164,982	(3)	2,164,979
Operating profit	18,020	10,263	1,476	2,201	—	51,959	(1,289)	50,669
II. Assets, depreciation expenses and capital expenditures:								
Total assets	206,896	133,698	50,073	667,907	5,883	1,064,458	131,301	1,195,760
Depreciation expenses	1,246	694	509	1,983	—	4,432	—	4,432
Capital expenditures	\$ 757	\$ 542	\$ 217	\$ 1,281	\$ —	\$ 2,798	\$ —	\$ 2,798

Year ended or as of March 31, 2018	Millions of yen								
	Reportable segment						Total	Eliminations or corporate	Consolidated
	FA Systems	Cooling & Heating Systems	ICT & Facilities Systems	Electronics	Others				
I. Sales and operating profit:									
(1)Sales to third parties	¥ 45,843	¥ 25,696	¥ 6,318	¥ 158,635	¥ —	¥ 236,494	¥ —	¥ 236,494	
(2)Intersegment sales and transfer	0	—	—	0	—	0	(0)	—	
Total sales	45,843	25,696	6,318	158,635	—	236,494	(0)	236,494	
Operating profit	1,985	585	154	2,586	—	5,312	(234)	5,078	
II. Assets, depreciation expenses and capital expenditures:									
Total assets	24,763	14,514	3,695	78,729	639	122,342	11,368	133,710	
Depreciation expenses	148	89	44	231	—	513	—	513	
Capital expenditures	¥ 87	¥ 60	¥ 18	¥ 151	¥ —	¥ 317	¥ —	¥ 317	

1. The classification of "Others" category is the business segment, which is not included in the reportable segments.

2. Adjustment details are as follows:

Segment income adjustments of ¥(234)million includes corporate expenses of ¥(234)million that are not allocated to individual reportable segments.

Corporate expenses are mainly new business development expenses that are not attributable to individual reportable segments.

Segment asset adjustments of ¥11,368 million represents corporate assets that are not allocated to individual reportable segments, and mainly consists of surplus operating funds and long-term investment funds.

The Related Information of the Company and its consolidated subsidiaries for the year ended March 31, 2019 and 2018, is summarized as follows:

Year ended or as of March 31, 2019	Millions of yen						
	Japan	China	Asia-others	North America	Europe	Others	Total
Geographic Information:							
Net sales	¥ 194,486	¥ 23,173	¥ 15,311	¥ 4,661	¥ 2,679	¥ —	¥ 240,312

Year ended or as of March 31, 2019	Thousands of U.S. dollars (Note 1)						
	Japan	China	Asia-others	North America	Europe	Others	Total
Geographic Information:							
Net sales	\$ 1,752,129	\$ 208,770	\$ 137,945	\$ 41,994	\$ 24,138	\$ —	\$ 2,164,979

Year ended or as of March 31, 2018	Millions of yen						
	Japan	China	Asia-others	North America	Europe	Others	Total
Geographic Information:							
Net sales	¥ 186,382	¥ 24,464	¥ 16,214	¥ 6,066	¥ 3,365	¥ —	¥ 236,494

Year ended or as of March 31, 2019	Millions of yen	
	Net sales	Related segments
Major client Information:		
Name of clients		
Panasonic Corporation	¥ 35,146	Electronics

Year ended or as of March 31, 2019	Thousands of U.S. dollars (Note 1)	
	Net sales	Related segments
Major client Information:		
Name of clients		
Panasonic Corporation	\$316,639	Electronics

Year ended or as of March 31, 2018	Millions of yen	
	Net sales	Related segments
Major client Information:		
Name of clients		
Panasonic Corporation	¥ 33,432	Electronics

## 21. AMOUNTS PER SHARE

	Yen		U.S. dollar (Note 1)
	2019	2018	2019
Net income			
Basic	¥ 171.98	¥ 165.44	\$ 1.549
Diluted	171.34	164.98	1.543
Cash dividends	56	37	0.504
Net assets	3,022.78	2,948.86	27.232

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock

to be issued upon the conversion of convertible bonds and the exercise of warrants. Amounts per share of net assets were computed based on net assets available for distributions to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

## 22. SUBSEQUENT EVENT

The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2019, were approved at a directors' meeting held on May 15, 2019:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (¥26 = \$0.252 per share)	¥ 607	\$ 5,473



## Independent Auditor's Report

The Board of Directors  
Ryoden Corporation

We have audited the accompanying consolidated financial statements of Ryoden Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ryoden Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 27, 2019  
Tokyo, Japan

# STOCK INFORMATION

(As of March 31, 2019)

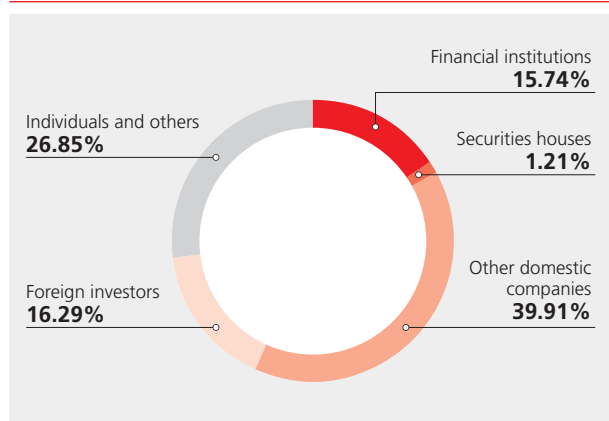
## SHARES

Total number of shares authorized: 56,550,000 shares

Total number of shares issued: 22,824,977 shares  
(Including 1,124,755 treasury stock)

Number of shareholders: 4,147

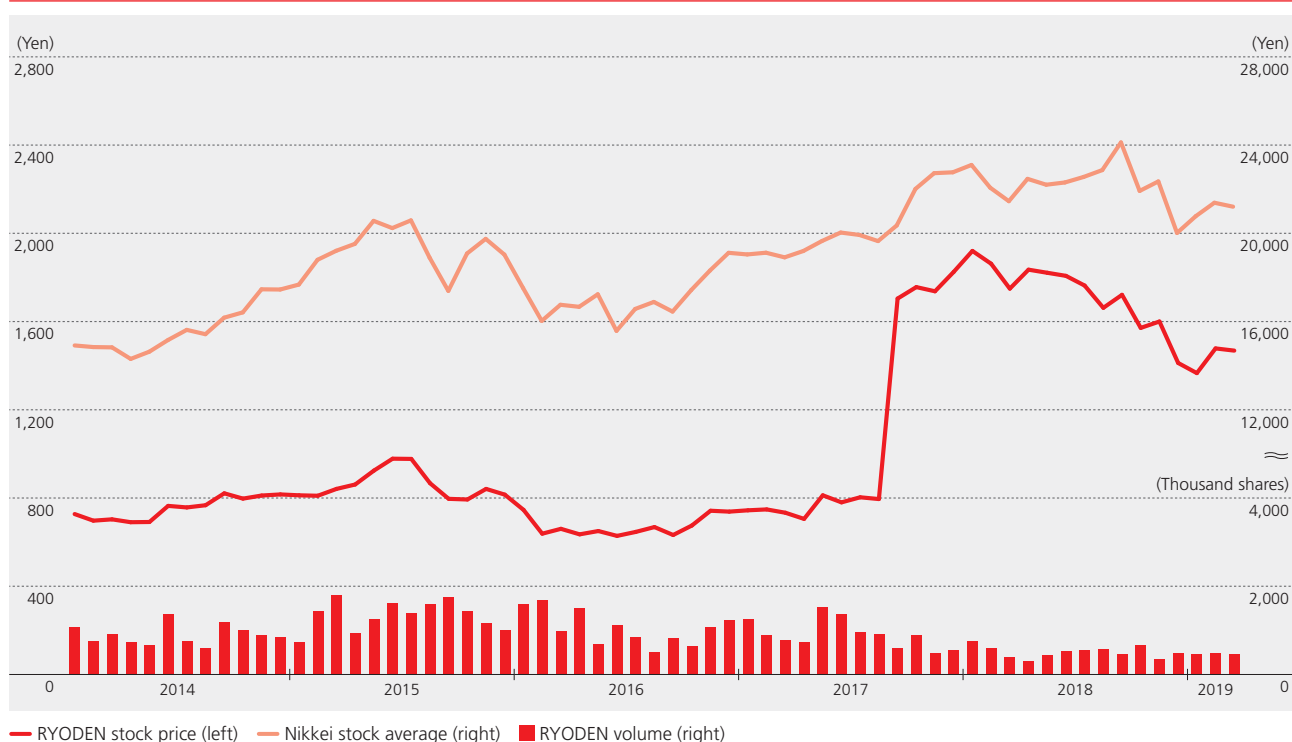
## SHARE OWNERSHIP BY SHAREHOLDER CATEGORY



## MAJOR SHAREHOLDERS

Name	Shares held (Thousand shares)
Mitsubishi Electric Corporation	7,755
BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	799
The Master Trust Bank of Japan, Ltd. trust account	709
Japan Trustee Services Bank, Ltd. trust account	456
DFA INTL SMALL CAP VALUE PORTFOLIO	393
Ryoden Employee Stock Ownership Plan	360
The Nomura Trust and Banking Co., Ltd. investment trust account	351
Tokio Marine & Nichido Fire Insurance Co., Ltd.	326
Japan Trustee Services Bank, Ltd. trust account 5	301
Citizen Watch Co., Ltd.	290
GOVERNMENT OF NORWAY	290

## STOCK PRICE AND TRADING VOLUME



Note: The Company conducted a share consolidation (consolidation of two shares of common stock into one share) with the effective date of October 1, 2017.

# CORPORATE INFORMATION

## CORPORATE DATA

### FIRM NAME:

Ryoden Corporation

### ESTABLISHMENT:

April 22, 1947

### NUMBER OF EMPLOYEES:

1,251 (consolidated)

1,032 (non-consolidated)

### CAPITAL:

¥10,334,298,875 (As of March 31, 2019)

### HEAD OFFICE:

15-15, Higashi Ikebukuro 3-chome, Toshima-ku, Tokyo

170-8448, Japan

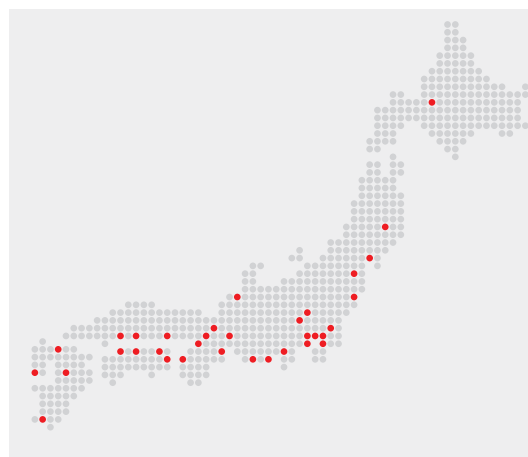
Telephone:+81-3-5396-6111 Fax:+81-3-5396-6448

### AFFILIATED COMPANIES:

RYOSHO TECHNO CO., LTD.

Mitsubishi Electric Insurance Service Co., Ltd.

## DOMESTIC NETWORK



## DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBER AND EXECUTIVE OFFICER

### Representative Director of Board President

Nobuo Shogaki

### Representative Director of Board Senior Executive Officer

Hideharu Yamazaki

### Director of Board

### Senior Executive Officer

Shoji Kitai

Osamu Tanaka

### Outside Director

Masamitsu Miyagishi

Yoshiko Shirata

Masahiro Muroi

### Audit & Supervisory Board Member

Akira Sano

Reiichiro Kito

\*Kentaro Tani

\*Hideyo Ishino

\* Outside Audit & Supervisory Member

### Senior Executive Officer

Yasuhiro Souda

Hitoshi Chihara

Masatoshi Nakamura

Shunichi Higashi

### Executive Officer

Yoshiaki Ogawa

Akira Noda

Takahiro Ozawa

Kazumoto Yogosawa

Ko Oniwa

Toshiaki Natsume

Yasumaru Tokiwa

## GLOBAL NETWORK

### SUBSIDIARIES:

RYOSHO ELECTRONICS (SHANGHAI) CO., LTD.

RYOSHO HONG KONG CO., LTD.

RYOSHO TAIWAN CO., LTD.

RYOSHO KOREA CO., LTD.

RYOSHO TECHNO SINGAPORE PTE LTD

RYOSHO (THAILAND) CO., LTD.

RYOSHO ENGINEERING (THAILAND) CO., LTD.

RYOSHO VIETNAM CO., LTD.

RYOSHO U.S.A. INC.

RYOSHO EUROPE GmbH

RYOSHO MEXICO, S.A. de C.V.





**RYODEN**