CONSOLIDATED FINANCIAL STATEMENTS

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2019

CONTENTS

Consolidated Statement of Financial Position

FY2018 (As of March 31, 2019)

	Notes	Millions of yen FY2017 (As of March 31, 2018)	Millions of yen FY2018 (As of March 31, 2019)	Thousands of U.S. dollars FY2018 (As of March 31, 2019)
Assets				
Current assets				
Cash and cash equivalents	8, 41	121,384	131,152	1,181,550
Trade and other receivables	9, 41	104,624	101,498	914,396
Other financial assets	10, 41	9,272	7,970	71,802
Inventories	11	116,967	128,517	1,157,811
Other current assets	12	14,211	15,633	140,838
Subtotal		366,459	384,772	3,466,414
Non-current assets classified as held for sale	13	174	157	1,414
Total current assets		366,633	384,930	3,467,838
Non-current assets				
Property, plant and equipment	14, 17	120,320	115,997	1,045,018
Investment property	15	6,465	6,040	54,414
Goodwill and intangible assets	16, 17	153,913	146,203	1,317,144
Investments accounted for using the equity method	18	1,498	1,538	13,856
Other financial assets	10, 19, 41	38,681	32,799	295,486
Deferred tax assets	20	13,489	14,827	133,577
Other non-current assets	12, 25	7,275	6,265	56,441
Total non-current assets		341,644	323,673	2,915,973
Total assets		708,278	708,604	6,383,820

	Notes	Millions of yen FY2017 (As of March 31, 2018)	Millions of yen FY2018 (As of March 31, 2019)	Thousands of U.S. dollars FY2018 (As of March 31, 2019)
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade and other payables	23, 41	68,189	62,216	560,505
Bonds and borrowings	21, 41	21,894	19,560	176,216
Other financial liabilities	21, 22, 24, 41	3,328	2,382	21,459
Income tax payables		6,099	8,071	72,712
Provisions	26	4,823	3,806	34,288
Contract liabilities	30	–	4,299	38,730
Other current liabilities	27	52,676	49,507	446,009
Subtotal		157,012	149,844	1,349,946
Liabilities directly associated with assets classified as held for sale	13	27	–	–
Total current liabilities		157,039	149,844	1,349,946
Non-current liabilities				
Bonds and borrowings	21, 41	94,552	77,232	695,784
Other financial liabilities	21, 22, 24, 41	12,040	9,666	87,081
Retirement benefits liabilities	25	17,610	17,585	158,423
Provisions	26	3,141	3,160	28,468
Deferred tax liabilities	20	8,257	6,456	58,162
Contract liabilities	30	–	890	8,018
Other non-current liabilities	27	3,143	2,174	19,586
Total non-current liabilities		138,743	117,166	1,055,550
Total liabilities		295,783	267,010	2,405,495
Equity				
Capital stock	28	19,209	19,209	173,054
Capital surplus	28	17,517	17,577	158,351
Retained earnings		427,842	462,244	4,164,360
Treasury stock	28	(2,800)	(2,694)	(24,270)
Other components of equity		(66,255)	(71,577)	(644,838)
Equity attributable to owners of the parent company		395,514	424,759	3,826,658
Non-controlling interests		16,980	16,833	151,649
Total equity		412,494	441,593	3,978,315
Total equity and liabilities		708,278	708,604	6,383,820

Consolidated Statement of Income

FY2018 (Year Ended March 31, 2019)

	Notes	Millions of yen FY2017 (Year ended March 31, 2018)	Millions of yen FY2018 (Year ended March 31, 2019)	Thousands of U.S. dollars FY2018 (Year ended March 31, 2019)
Revenue	6, 15, 30	712,997	683,972	6,161,910
Cost of sales	11, 14, 15, 16, 25, 31,34	(412,211)	(391,893)	(3,530,568)
Gross profit		300,786	292,079	2,631,342
Selling, general and administrative expenses	14, 16, 25, 32, 40	(223,557)	(220,105)	(1,982,928)
Other income	33, 34, 41	1,832	4,875	43,919
Other expenses	17, 25,33, 41	(10,390)	(4,924)	(44,360)
Operating profit	6	68,672	71,925	647,973
Finance income	35	3,522	4,039	36,387
Finance expenses	35	(2,598)	(3,800)	(34,234)
Share of profit/(loss) of investments accounted for using the equity method	18	72	109	982
Profit before income taxes		69,669	72,274	651,117
Income tax expenses	20	(19,196)	(18,097)	(163,036)
Profit for the year		50,472	54,177	488,081
Profit for the year attributable to:				
Owners of the parent company		50,020	53,902	485,604
Non-controlling interests		451	274	2,468
Profit for the year		50,472	54,177	488,081

	Notes	Yen FY2017 (Year ended March 31, 2018)	Yen FY2018 (Year ended March 31, 2019)	U.S. dollars FY2018 (Year ended March 31, 2019)
Earnings per share				
Basic earnings per share	36	192.63	207.54	1.87
Diluted earnings per share	36	192.08	206.90	1.86

Consolidated Statement of Comprehensive Income

FY2018 (Year Ended March 31, 2019)

	Notes	Millions of yen		Thousands of U.S. dollars
		FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Profit for the year		50,472	54,177	488,081
Other comprehensive income, net of income tax				
Items that will not be reclassified subsequently to profit or loss				
Gains/(Losses) on investments in equity instruments designated as FVTOCI	37,41	2,591	(2,665)	(24,009)
Remeasurement of the net defined benefit liability	37	1,377	(953)	(8,586)
Share of other comprehensive income of investments accounted for using the equity method	18, 37	(2)	11	99
Total of items that will not be reclassified subsequently to profit or loss		3,966	(3,607)	(32,495)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	37	161	−	−
Exchange differences on translating foreign operations	37	8,808	(5,329)	(48,009)
Total of items that may be reclassified subsequently to profit or loss		8,969	(5,329)	(48,009)
Other comprehensive income for the year, net of income tax		12,936	(8,937)	(80,514)
Comprehensive income for the year		63,408	45,239	407,559
Comprehensive income for the year attributable to:				
Owners of the parent company		62,822	45,115	406,441
Non-controlling interests		586	124	1,117
Comprehensive income for the year		63,408	45,239	407,559

Consolidated Statement of Changes in Equity

FY2017 (Year Ended March 31, 2018)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Cash flow hedges
Balance as of April 1, 2017		19,209	17,455	407,843	(24,230)	(75,055)	(161)
Profit for the year		—	—	50,020	—	—	—
Other comprehensive income		—	—	—	—	8,799	161
Total comprehensive income for the year		—	—	50,020	—	8,799	161
Acquisition of treasury stock		—	—	—	(15)	—	—
Disposal of treasury stock		—	(36)	(11)	47	—	—
Cancellation of treasury stock		—	(21)	(21,369)	21,391	—	—
Dividends paid	29	—	—	(12,480)	—	—	—
Share-based payment transaction	40	—	122	—	—	—	—
Change due to stock swap		—	(2)	—	6	—	—
Reclassification to retained earnings		—	—	3,840	—	—	—
Total transactions with owners		—	62	(30,021)	21,429	—	—
Balance as of March 31, 2018		19,209	17,517	427,842	(2,800)	(66,255)	—

	Notes	Equity attributable to owners of the parent company					
		Other components of equity					
		Gains/(Losses) on investments in equity instruments designated as FVTOCI	Remeasurement of the net defined benefit liability (asset)	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2017		—	—	(75,216)	345,061	16,647	361,709
Profit for the year		—	—	—	50,020	451	50,472
Other comprehensive income		2,462	1,378	12,801	12,801	134	12,936
Total comprehensive income for the year		2,462	1,378	12,801	62,822	586	63,408
Acquisition of treasury stock		—	—	—	(15)	—	(15)
Disposal of treasury stock		—	—	—	0	—	0
Cancellation of treasury stock		—	—	—	—	—	—
Dividends paid	29	—	—	—	(12,480)	(249)	(12,729)
Share-based payment transaction	40	—	—	—	122	—	122
Change due to stock swap		—	—	—	3	(3)	—
Reclassification to retained earnings		(2,462)	(1,378)	(3,840)	—	—	—
Total transactions with owners		(2,462)	(1,378)	(3,840)	(12,370)	(252)	(12,622)
Balance as of March 31, 2018		—	—	(66,255)	395,514	16,980	412,494

FY2018 (Year Ended March 31, 2019)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains/(losses) on investments in equity instruments designated as FVTOCI
Balance as of March 31, 2018		19,209	17,517	427,842	(2,800)	(66,255)	—
Cumulative effect of adoption of the new accounting standards		—	—	(393)	—	—	—
Balance as of April 1, 2018		19,209	17,517	427,449	(2,800)	(66,255)	—
Profit for the year		—	—	53,902	—	—	—
Other comprehensive income/(loss)		—	—	—	—	(5,321)	(2,525)
Total comprehensive income/(loss) for the year		—	—	53,902	—	(5,321)	(2,525)
Acquisition of treasury stock		—	—	—	(11)	—	—
Disposal of treasury stock		—	(78)	(39)	117	—	—
Dividends paid	29	—	—	(15,603)	—	—	—
Share-based payment transaction	40	—	137	—	—	—	—
Reclassification to retained earnings		—	—	(3,464)	—	—	2,525
Total transactions with owners		—	59	(19,107)	106	—	2,525
Balance as of March 31, 2019		19,209	17,577	462,244	(2,694)	(71,577)	—

	Notes	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
		Other components of equity		Total		
		Remeasurement of the net defined benefit liability (asset)	Total			
Balance as of March 31, 2018		—	(66,255)	395,514	16,980	412,494
Cumulative effect of adoption of the new accounting standards		—	—	(393)	—	(393)
Balance as of April 1, 2018		—	(66,255)	395,120	16,980	412,101
Profit for the year		—	—	53,902	274	54,177
Other comprehensive income/(loss)		(939)	(8,786)	(8,786)	(150)	(8,937)
Total comprehensive income/(loss) for the year		(939)	(8,786)	45,115	124	45,239
Acquisition of treasury stock		—	—	(11)	—	(11)
Disposal of treasury stock		—	—	0	—	0
Dividends paid	29	—	—	(15,603)	(270)	(15,873)
Share-based payment transaction	40	—	—	137	—	137
Reclassification to retained earnings		939	3,464	—	—	—
Total transactions with owners		939	3,464	(15,476)	(270)	(15,747)
Balance as of March 31, 2019		—	(71,577)	424,759	16,833	441,593

(Thousands of U.S. dollars)

		Equity attributable to owners of the parent company					
						Other components of equity	
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains/(losses) on investments in equity instruments designated as FVTOCI
Balance as of March 31, 2018		173,054	157,811	3,854,432	(25,225)	(596,892)	—
Cumulative effect of adoption of the new accounting standards		—	—	(3,541)	—	—	—
Balance as of April 1, 2018		173,054	157,811	3,850,892	(25,225)	(596,892)	—
Profit for the year		—	—	485,604	—	—	—
Other comprehensive income/(loss)		—	—	—	—	(47,937)	(22,748)
Total comprehensive income/(loss) for the year		—	—	485,604	—	(47,937)	(22,748)
Acquisition of treasury stock		—	—	—	(99)	—	—
Disposal of treasury stock		—	(703)	(351)	1,054	—	—
Dividends paid	29	—	—	(140,568)	—	—	—
Share-based payment transaction	40	—	1,234	—	—	—	—
Reclassification to retained earnings		—	—	(31,207)	—	—	22,748
Total transactions with owners		—	532	(172,135)	955	—	22,748
Balance as of March 31, 2019		173,054	158,351	4,164,360	(24,270)	(644,838)	—

		Equity attributable to owners of the parent company				
		Other components of equity				
	Notes	Remeasurement of the net defined benefit liability (asset)	Total	Total	Non-controlling interests	Total equity
Balance as of March 31, 2018		—	(596,892)	3,563,189	152,973	3,716,162
Cumulative effect of adoption of the new accounting standards		—	—	(3,541)	—	(3,541)
Balance as of April 1, 2018		—	(596,892)	3,559,640	152,973	3,712,622
Profit for the year		—	—	485,604	2,468	488,081
Other comprehensive income/(loss)		(8,459)	(79,153)	(79,153)	(1,351)	(80,514)
Total comprehensive income/(loss) for the year		(8,459)	(79,153)	406,441	1,117	407,559
Acquisition of treasury stock		—	—	(99)	—	(99)
Disposal of treasury stock		—	—	0	—	0
Dividends paid	29	—	—	(140,568)	(2,432)	(143,000)
Share-based payment transaction	40	—	—	1,234	—	1,234
Reclassification to retained earnings		8,459	31,207	—	—	—
Total transactions with owners		8,459	31,207	(139,423)	(2,432)	(141,865)
Balance as of March 31, 2019		—	(644,838)	3,826,658	151,649	3,978,315

Consolidated Statement of Cash Flows

FY2018 (Year Ended March 31, 2019)

	Notes	Millions of yen FY2017 (Year ended March 31, 2018)	Millions of yen FY2018 (Year ended March 31, 2019)	Thousands of U.S. dollars FY2018 (Year ended March 31, 2019)
Cash flows from operating activities				
Profit before income taxes		69,669	72,274	651,117
Depreciation and amortization		34,141	33,674	303,369
Impairment losses		1,223	188	1,694
Finance expenses/(income)		(924)	(239)	(2,153)
Share of (profit)/loss of investments accounted for using the equity method		(72)	(109)	(982)
Losses/(gains) on sale or disposal of fixed assets		613	2,154	19,405
Decrease/(increase) in trade and other receivables		(8,756)	2,133	19,216
Decrease/(increase) in inventories		(4,129)	(12,179)	(109,721)
Increase/(decrease) in trade and other payables		2,756	(6,879)	(61,973)
Decrease/(increase) in retirement benefit assets		80	1,651	14,874
Increase/(decrease) in retirement benefit liabilities		(954)	361	3,252
Other		5,638	(3,148)	(28,360)
Subtotal		99,285	89,880	809,730
Interest received		1,030	984	8,865
Dividends received		332	378	3,405
Interest paid		(531)	(502)	(4,523)
Income taxes paid		(18,300)	(17,459)	(157,288)
Net cash provided by operating activities		81,817	73,280	660,180
Cash flows from investing activities				
Purchases of property, plant and equipment		(22,727)	(17,673)	(159,216)
Proceeds from sales of property, plant and equipment		565	387	3,486
Purchases of intangible assets		(9,144)	(7,794)	(70,216)
Purchases of investments in equity instruments		(535)	(1,022)	(9,207)
Proceeds from sales of investments in equity instruments		532	1,117	10,063
Purchases of investments in debt instruments		(10,689)	(4,782)	(43,081)
Proceeds from sales or redemption of investments in debt instruments		6,337	8,077	72,766
Payments for acquisition of business	7	(617)	—	—
Other		(810)	(934)	(8,414)
Net cash used in investing activities		(37,090)	(22,624)	(203,820)
Cash flows from financing activities				
Proceeds from short-term borrowings	38	671	—	—
Repayment of short-term borrowings	38	—	(1,042)	(9,387)
Repayment of long-term borrowings	38	(20,299)	(296)	(2,667)
Redemption of bonds	38	—	(20,231)	(182,261)
Repayment of lease obligations	38	(1,760)	(1,590)	(14,324)
Dividends paid	29	(12,480)	(15,603)	(140,568)
Dividends paid to non-controlling interests		(248)	(270)	(2,432)
Other	38	(433)	(7)	(63)
Net cash provided by (used in) financing activities		(34,551)	(39,040)	(351,712)
Effect of exchange rate changes on cash and cash equivalents		(823)	(1,847)	(16,640)
Net increase/(decrease) in cash and cash equivalents		9,351	9,767	87,991
Cash and cash equivalents at the beginning of the year	8	112,032	121,384	1,093,550
Cash and cash equivalents at the end of the year	8	121,384	131,152	1,181,550

Notes to the Consolidated Financial Statements

1. Reporting Entity

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the "Company") is a corporation located in Japan. The consolidated financial statements of the Company consist of the financial statements of the Company, its consolidated subsidiaries (collectively, the "Group") and its share of interests in associates.

The Group operates 6 businesses, consisting of the Printing & Solutions Business, Personal & Home Business, Machinery Business, Network & Contents Business, Domino Business and Others Business. The details of the principal businesses of the Group are described in Note 6 "Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS

The Group meets all of the requirements for a "Specified Company for the designated IFRS" to prepare its consolidated financial statements by applying the designated IFRSs as stipulated under Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance of Japan Regulation No. 28, 1976, hereafter "the Regulation"). Hence, in accordance with Article 93 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS.

The Group's consolidated financial statements for the year ended March 31, 2019, were approved on June 24, 2019 by Ichiro Sasaki, Representative Director & President of the Company.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments are measured at their fair values.
- Non-derivative financial assets to be measured at fair value are measured at their fair values.
- Defined benefit pension plan assets and liabilities are measured at the present value of defined benefit obligations less the fair value of the plan assets.
- When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, its right to reimbursement is recognized as a separate asset and is measured at fair value.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded down.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥111 to $1, the foreign exchange rate at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. Significant Accounting Policies

Unless otherwise indicated, the accounting policies stated below have been consistently applied to all the periods reported in the consolidated financial statements.

(Changes in accounting policies)

The Group has adopted the following standard and interpretation since the year ended March 31, 2019.

IFRS		Description of new standard and amendment
IFRS 15	Revenue from Contracts with Customers	Provides accounting treatment for recognizing revenue and the disclosure thereof

In accordance with the transition requirements, the Group retrospectively applied IFRS 15 to contracts that were not completed at the date of initial application, April 1, 2018, and recognized the cumulative effect of initially applying this standard at the date of initial application as an adjustment to the opening balance of “Retained earnings” for the year ended March 31, 2019.

Along with the adoption of IFRS 15, revenue which excludes interest and dividend income within the scope of IFRS 9, “Financial Instruments,” and leases within the scope of IAS 17, “Leases,” is recognized based on the following five-step model:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For sales of products of the Group, because the customer obtains control over the products upon delivery, the performance obligation is satisfied, and revenue is therefore recognized, upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

Based on the five-step model above, as a result of identification of performance obligations under contracts with customers, the portion of sales promotion and other expenses that is consideration paid by the Group to customers, which was previously accounted for as “Selling, general and administrative expenses,” is accounted for as reductions of “Revenue” from the year ended March 31, 2019. As a result, compared with the application of the former accounting standard, “Revenue” and “Selling, general and administrative expenses” decreased by ¥4,942 million ($44,523 thousand) in the consolidated statement of income for the year ended March 31, 2019.

Based on the five-step model above, as a result of reviewing identification and timing of satisfaction of performance obligations in certain transactions, compared with the application of the former accounting standard, the impact on “Revenue,” “Operating profit” and “Profit for the year” in the consolidated statement of income for the year ended March 31, 2019 was insignificant.

In addition, with the adoption of IFRS 15, advances received and part of deferred income, which were previously included in “Other current liabilities,” and long-term deferred income, which was previously included in “Other non-current liabilities,” are presented as “Contract liabilities” under “Current liabilities” and “Non-current liabilities,” respectively, from the year ended March 31, 2019.

In accordance with the transition requirements, the Group retrospectively adopted IFRS 15 and applied the method of recognizing the cumulative effect of initially applying this standard at the date of initial application. Based on the five-step model above, as a result of reviewing identification and timing of satisfaction of performance obligations in certain transactions, the opening balance of “Retained earnings” for the year ended March 31, 2019 decreased by ¥393 million ($3,541 thousand).

(1) Basis of consolidation

<1> Subsidiaries

A subsidiary is an entity that is controlled by the Group. As a result of such control, the Group has exposures and rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over such entity.

The subsidiary is consolidated from the date of acquisition of the control to the date of loss of the control by the

Group.

If accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intra-Group balances, transactions, unrealized gains and losses are eliminated on consolidation.

Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognized directly in equity and attributed to the owners of the parent company.

If loss in control of a subsidiary occurs, the Group recognizes in profit or loss the gains and losses arising from the transaction.

<2> Associates and joint ventures

An associate is an entity over which the Group does not have control or joint control but has significant influence over its financial and operating policies.

A joint venture is an entity based on contractual agreements in which two or more parties have been bounded to conduct significant economic activities through joint control.

Investments in associates are accounted for using the equity method. Under the equity method, the investments in an associate or a joint venture are initially recognized at acquisition cost and the carrying amount is increased or decreased to recognize the Group's share of the net assets of the associate or the joint venture after the date of acquisition. The amount of goodwill recognized at the date of acquisition has been included in the carrying amount of investments without any amortization.

The accounting policies for associates and joint ventures are adjusted as required in order to comply with the accounting policies adopted by the Group.

(2) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group in exchange for control of the acquiree. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs including finder's fees, legal, due-diligence and other professional fees are recognized in profit or loss as incurred.

Non-controlling interests measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted during the 'measurement period' (which cannot exceed one year from the acquisition date) or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at the date.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized. When a business combination is achieved in stages, the Group's previously-held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard ("IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and,
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

(3) Foreign currencies

<1> Foreign currency transaction

Foreign currency transactions are translated into the functional currency of each company in the Group at the rates of exchange prevailing at the date of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was originally determined.

Differences arising from the translation or settlement are recognized in profit or loss, as presented in "Other income" or "Other expenses" in the consolidated statement of income. However, differences relating to financial activities are presented in "Finance income" or "Finance expenses" in the consolidated statement of income. Also, differences arising from financial assets carried at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

<2> Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Foreign exchange differences arising from the translation are initially recognized as "Exchange differences on translating foreign operations" in other comprehensive income and accumulated in "Other components of equity", which are reclassified from equity to profit or loss on disposal.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period. The exchange differences are recognized in "Exchange differences on translating foreign operations" in other comprehensive income and accumulated in "Other components of equity".

(4) Financial instruments

<1> Financial assets

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at fair value through profit or loss or other comprehensive income and those measured at amortized cost. The classification is determined at the time of initial recognition.

All financial assets other than those measured at fair value through profit or loss are measured at fair value and transaction costs.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments are in principle irrevocably designated as measured at fair value through other comprehensive income (“FVTOCI”). Debt instruments measured at fair value are classified as financial assets measured at fair value through other comprehensive income if the objective of business model has been achieved by both collecting contractual cash flows and selling financial assets.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount. Interest income based on the effective interest method is recognized in profit or loss and included in “Finance income” in the consolidated statement of income. In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income.

(b) Financial assets measured at fair value

Changes in the fair value or gains or losses on disposal of financial assets measured at fair value other than derivatives are recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income. However, remeasurement of fair value and gains or losses on disposal of investments in equity instruments designated as at FVTOCI are recognized as other comprehensive income, and the accumulated amount is reclassified into retained earnings. Dividends from the financial assets are recognized in profit or loss as part of “Finance income” in the consolidated statement of income.

(iii) Impairment on financial assets

An allowance for doubtful accounts is recognized for expected credit losses for financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and lease receivables.

The Group assesses, at the end of each reporting period, whether the credit risk of financial instruments has increased significantly since initial recognition. If certain financial assets are deemed to have low credit risk as of the reporting date, the Group determines that the credit risk on the financial instruments has not significantly increased after the initial recognition.

If the credit risk on financial assets has significantly increased since the initial recognition, or with respect to the credit-impaired financial assets, a loss allowance is recognized for the lifetime expected credit losses. If such risk has not significantly increased, a loss allowance is recognized for the 12-month expected credit losses. Expected credit losses are measured based on the present value of the difference between the contractual cash flows to be received and the cash flows expected to be received.

The Group directly reduces the total carrying amount of financial assets if it does not reasonably expect to collect all or part of certain financial assets.

In regard to operating receivables and lease receivables, lifetime expected credit losses are recognized since the initial recognition.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance is recognized in profit or loss and included in “Other expenses” or “Other income” in the consolidated statement of income.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, the Group recognizes its retained interest on the financial asset and an associated liability for amounts it may have to pay to the extent of its continuing involvement in the financial asset.

<2> Financial liabilities

(i) Initial recognition and measurement

The Group classifies all financial liabilities other than derivatives into financial liabilities measured at amortized cost.

All financial liabilities are measured at fair value at initial recognition. However, those other than derivatives are measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

Financial liabilities other than derivatives are measured at amortized cost using the effective interest method after the initial recognition. Interest expenses using the effective interest method are included in “Finance expenses” in the consolidated statement of income, and gains or losses on derecognition are recognized in profit or loss and included in “Other income” or “Other expenses,” respectively.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

<3> Presentation of financial assets and liabilities

Financial assets are offset against financial liabilities and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

<4> Hedge accounting and derivatives

Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group utilizes derivatives such as foreign exchange contracts to fix cash flows regarding the recognized financial assets and liabilities or the future transactions. The Group does not hold any derivatives for speculative or dealing purposes in accordance with the Group's rule.

The Group has derivatives that are held for hedging purposes but do not qualify for hedge accounting. The fluctuation of the fair value of these derivatives is recognized in profit or loss immediately, and included in "Other income" or "Other expenses" in the consolidated statement of income. However, the fluctuation of the fair value of derivatives related to financial activities are included in "Finance income" or "Finance expenses" in the consolidated statement of income. The effective portion of cash flow hedges is recognized in other comprehensive income.

To assess whether the hedging relationship qualifies for hedge accounting, at the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategies for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in cash flows of hedged item attributable to the hedged risk.

Hedges are determined effective when all of the following requirements are met:

(i)There is an economic relationship between the hedged item and the hedging instrument;

(ii)The effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii)The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the Group actually hedges and the quantity of the hedging instruments that the Group actually uses to hedge that quantity of hedged items.

If a hedging relationship ceases to meet the hedge effectiveness requirements relating to the hedge ratio, but the risk management objective remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Cash flow hedge accounting is applied only for highly probable forecast transactions.

Hedging relationships that meet qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The Group uses only cash flow hedges.

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income, and any remaining gain or loss on the hedging instruments that is determined to be an ineffective hedge is recognized in profit or loss immediately in the consolidated statement of income.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group directly transfers the cash flow hedge reserve to the initial cost or other carrying amount of the asset or liability.

Cash flow hedge reserve on cash flow hedges other than those stated above is reclassified to profit or loss in the same period during which the hedged expected future cash flows affect profit or loss.

However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss.

When the Group discontinues hedge accounting, if the hedged future cash flows are still expected to occur, the unrealized gain or loss on the cash flow hedge remains as another component of equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur, the unrealized gain or loss on the hedge is immediately reclassified to profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposit and other short-term, highly-liquid investments with original maturities of approximately three months or less and insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined mainly using the weighted-average method.

(7) Property, plant and equipment

Property, plant and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the assets, any cost related to their dismantlement, removal or restoration of land and any borrowing costs eligible for capitalization.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful life of each component of the assets.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 3 to 60 years
- Machinery and equipment: 3 to 20 years
- Tools, equipment and fixtures: 2 to 20 years

The estimated useful lives, residual values and depreciation methods for property, plant and equipment are reviewed at each year end and changed as necessary.

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of property, plant and equipment is recognized in profit or loss when the item is derecognized and is included in "Other income" or "Other expenses" in the consolidated statement of income.

(8) Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation.

Investment properties are measured by using the cost model and are initially stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives:

Buildings and structures: 3 to 60 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end and changed as necessary.

(9) Goodwill and Intangible assets

<1> Goodwill

Goodwill is measured at the sum of the consideration transferred, the amount of non-controlling interest and the fair value of equity interests in the acquiree held previously by the Group, less the net amount of identifiable assets and liabilities at the acquisition date. Goodwill is recognized at acquisition cost less accumulated impairment losses.

Goodwill is not amortized, but instead tested for impairment annually or whenever there is any indication of impairment. An impairment loss on goodwill is included in “Other expenses” in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

<2> Capitalization of development cost

Expenditures on research activities to gain new scientific or technical knowledge are recognized as expenses as incurred. Expenditures on development activities are capitalized as internally-generated intangible assets only if the Group can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Initial recognition of the internally-generated intangible assets is the total expenditure incurred from the date when all the above conditions are satisfied to the date when the developments are finished. The internally-generated intangible assets are amortized using the straight-line method over a period in which the funds spent for the development are expected to be recovered (i.e., 2 to 5 years) and are presented in the consolidated statement of financial position at cost, net of accumulated amortization and accumulated impairment losses.

Expenditures on development activities that do not meet the conditions above and research activities are recognized as expenses as incurred.

<3> Other intangible assets

Separately acquired intangible assets are measured at the acquisition at the time of initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets other than goodwill are amortized using the straight-line method over the estimated useful life of each component of the assets and are stated at the acquisition cost less any accumulated amortization and accumulated impairment losses. The estimated useful lives of major intangible assets are as follows:

- Software: 2 to 5 years
- Patents: 8 to 10 years
- Customer related assets: 15 years

The estimated useful lives, residual values and amortization methods are reviewed at each year-end and changed as necessary.

Intangible assets with indefinite useful lives are recognized at acquisition cost less accumulated impairment losses and are not amortized, but instead tested for impairment annually or whenever there is any indication of impairment.

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their continued use or disposal. The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the item is derecognized and is included in “Other income” or “Other expenses” in the consolidated statement of income.

(10) Non-current assets held for sale

Non-current assets (or disposal groups) for which the carrying amount is expected to be recovered through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) held for sale when the following conditions are met: it is highly probable that the asset or disposal group will be sold within one year, the assets (or disposal groups) are available for immediate sale in their present condition, and the Group management commits to the sale plan. In such cases, they are not depreciated or amortized and are measured at the lower of their carrying amount and the fair value less costs to sell.

(11) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to lessee. All other leases are classified as operating leases.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with IFRIC 4 "Determining whether an Arrangement contains a Lease," even if the arrangement does not take the legal form of a lease.

In finance lease transactions as the lessee, lease assets and lease obligations are initially recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to the initial recognition, the assets are depreciated based on the applicable accounting policies applied to the assets.

Lease payments are allocated to finance expenses and repayment amounts of lease obligations based on the interest method, and finance expenses are included in the consolidated statement of income.

Lease receivables arising from finance lease transactions as lessor are recognized at the amounts of the net investment in the relevant lease transactions.

In operating lease transactions as lessee, lease payments are recognized as an expense over the lease terms using the straight-line method in the consolidated statement of income. Variable lease payments are recognized as an expense over the period in which they are incurred.

In operating lease transactions as lessor, income from operating leases are recognized in profit or loss using the straight-line method over the lease term, and the initial direct cost incurred within the Group at the conclusion of the operating lease agreement is added to the carrying amount of the lease asset and recognized in profit or loss over the lease term under the same criteria as lease income. Variable lease payments receivables are recognized in profit or loss over the period in which they are incurred.

(12) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its non-financial assets, except for inventories and deferred tax assets, and assesses whether there is any indication of impairment regarding each asset or cash-generating unit (or group) to which the asset belongs. Impairment tests are performed if indications of impairment exist. The cash-generating unit (or group) to which an impairment test is performed is the smallest unit (or group) that is identified to generate cash inflows independently of cash inflows from other assets or asset groups. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Goodwill and intangible assets with indefinite useful lives are allocated to appropriate cash-generating units and tested for impairment at least annually, irrespective of whether there is any indication of impairment or whenever there is an indication of impairment.

The recoverable amount of assets or cash-generating units is the higher of the value in use and the fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In measuring fair value less costs of disposal, appropriate valuation models evidenced by available fair value indicators are used.

When the carrying amount of the asset or the cash-generating unit exceeds its recoverable amount, the exceeding amount is recognized as impairment losses in “Other expenses” in the consolidated statement of income. The impairment loss recognized in relation to the cash-generating unit (or group) is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to allocate the impairment loss that exceeds the carrying amount of goodwill to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit (or group).

An impairment loss is reversed if the indication that an impairment loss previously recognized may no longer exist and the recoverable amount exceeds the carrying amount as a result of an estimation of the recoverable amount. The increased carrying amount by the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The impairment loss for goodwill is not reversed.

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale are added to the costs of those assets, until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Employee benefits

<1> Post-employment benefits

The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans as employees' post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the companies pay fixed contributions into separate entities and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Company and certain consolidated subsidiaries calculate the present value and the service cost of defined benefit obligations mainly using the projected unit credit method.

The discount period is determined based on the period until the expected date of future benefit payment in each reporting period, and the discount rate is determined by reference to market yields on high quality corporate bonds at the fiscal year-end corresponding to the discount period.

Net defined benefit liabilities or assets are the present value of defined benefit obligations less the fair value of plan assets and presented as “Retirement benefit liabilities” or included in “Other non-current assets” in the consolidated statement of financial position. When there is a funding surplus, net defined benefit asset is recognized up to the ceiling of the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If it is virtually certain that some or all of the expenditure required to settle defined benefit obligations is expected to be reimbursed by another party, the right of such reimbursement is recognized as an asset and included as part of “insurance reserve funds” in “Other non-current assets” in the consolidated statement of financial position.

The differences arising from the remeasurement of net defined benefit liabilities (assets) are collectively recognized as other comprehensive income in the period in which they occur and are immediately reclassified from other components of equity to retained earnings.

Past service cost, which is the change in the present value of defined benefit obligations resulting from the amendment or curtailment of the plan, is recognized in profit or loss in the period in which it is incurred.

Contributions to the defined contribution plan are recognized as an expense when employees provide related services.

<2> Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Accruals are recognized as a liability when the companies have present legal or constructive obligations to pay as a result of past employee service and when reliable estimates of the obligation can be made.

<3> Other employee benefits

Long-term employee benefit obligations other than retirement benefit obligations are determined by discounting the estimated amount of future benefits obtained as a result of past and current employee service to its present value.

(15) Share-based payments

The Group has adopted a stock option scheme as an equity-settled share-based payment scheme. The fair value determined at the grant date is expensed over the vesting period in the consolidated statement of income, taking into account the estimated number of stock options that will eventually vest, and the same amount is recognized as an increase in capital in the consolidated statement of financial position. The fair value of the option granted is calculated using the Black-Scholes Model or other methods considering the terms and conditions.

(16) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle such obligations and reliable estimates can be made of the amounts. The amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation, discounting to the present value using a pre-tax discount rate that reflects the effect of the time value of money and risks specific to the obligation. Interest expense associated with the passage of time are recognized as finance expenses.

<1> Asset retirement obligations

When legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, the amount calculated by discounting expected future expenditures required for the retirement to the present value is recognized as a liability in the consolidated statement of financial position, and the amount corresponding to the liability is accounted for as part of property, plant and equipment and investment property. Estimated future expenses and the applied discount rate are reviewed annually and added to or subtracted from the respective accounts if adjustments are deemed necessary.

<2> Provision for product warranty

Provision for product warranty is estimated and recognized based on past experience of the occurrence of detective goods and the expected after-sales service costs in the warranty period. The provision of allowance for product warranty is included in “Selling, general and administrative expenses” in the consolidated statement of income.

<3> Other provisions

Other provisions include a provision for environmental measures.

(17) Revenue

With the adoption of IFRS 15, the Group recognizes revenue based on the following five-step model.

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

The Group mainly sells printers, communication/printing equipment (such as multifunctional machines), domestic sewing machines, industrial sewing machines, machine tools, reducers, gears and commercial online karaoke systems, as well as industrial printing equipment. For sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is satisfied, and revenue is therefore recognized, upon delivery of the products. Rendering of Services, such as content distribution services, maintenance and operation, relating to these products may be provided to the customer. Revenue is recognized based on the contractual period because the performance obligations relating to these services are generally satisfied with the passage of time.

Also, revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returns and other items.

(18) Government grants

Government grants are recognized at fair value until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grant associated with an expense are recognized as revenue in the same accounting period when the expense is incurred. Government grant related to assets are recognized as deferred revenue and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(19) Income taxes

Income taxes represents the sum of the current taxes and deferred taxes. These income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current taxes are measured at the amount expected to be paid to or refunded from local taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group’s operating activity in each country.

Deferred taxes are recognized over the temporary differences between the carrying amounts of assets and liabilities and their tax basis, unused tax losses and unused tax credits at the end of each reporting period. The deferred tax assets or liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in transactions that do not affect either accounting profit or taxable profit, except business combination;
- taxable temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable that the temporary difference will reverse in the foreseeable future; and
- deductible temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are only recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

The Group recognizes an asset or liability for the effect of uncertainty in income taxes measured at the reasonable estimate for uncertain tax positions when it is probable, based on the Group's interpretation of tax laws in which the tax positions will be sustained.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury stock. Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

(21) Equity

(Common stock)

The amount of common stock issued by the Company is recognized as “Capital stock” and “Capital surplus” in the consolidated statement of financial position. Direct costs related to the issuance of common stock and stock options are deducted from "Capital surplus."

(Treasury stock)

Treasury stock is measured at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury stock. Any difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(22) Dividends

Dividends to the shareholders of the Company are recognized as liabilities in the period in which the Board of Directors’ meeting approves the distribution.

(23) Fair value measurements

Certain assets and liabilities are measured at fair value. The fair values of these assets and liabilities have been determined using valuation methodologies such as the market approach, the income approach and the cost approach.

There are three levels of inputs that may be used to measure fair value.

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

The fair value of financial instruments categorized as Level 3 is measured in accordance with the Group's accounting policies. In measuring the fair value, the valuation methodologies and inputs which reflect the nature, characteristics and risks of each financial instrument most appropriately are used. The results of the fair value measurement of financial instruments at the end of each reporting period are reviewed and approved by management.

4. Significant Accounting Estimates and Judgments involving estimations

In preparing the consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that have an effect on the application of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these estimates.

The estimates and the underlying assumptions are continuously reviewed. The effects of revisions to the accounting estimates are recognized in the period in which such estimates are revised as well as in the future periods.

Significant estimates and assumptions that have material effects on the consolidated financial statements of the Group are as follows:

- Scope of consolidation: Note 3 “Significant Accounting Policies” (1) Basis of consolidation
- Revenue recognition and measurement: Note 3 “Significant Accounting Policies” (17) Revenue
- Collectability of trade and other receivables: Note 3 “Significant Accounting Policies” (4) Financial instruments, Note 9 “Trade and Other Receivables” and Note 41 “Financial Instruments”
- Valuation of inventories: Note 3 “Significant Accounting Policies” (6) Inventories and Note 11 “Inventories”
- Estimates of useful lives and residual values of non-current assets: Note 3 “Significant Accounting Policies” (7) Property, plant and equipment to (11) Leases, Note 14 “Property, Plant and Equipment,” Note 15 “Investment Property” and Note 16 “Goodwill and Intangible Assets”
- Impairment losses of property, plant and equipment, intangible assets, including goodwill, and investment property: Note 3 “Significant Accounting Policies” (12) Impairment of non-financial assets and Note 17 "Impairment of Non-Financial Assets”
- Fair value of financial instruments: Note 3 “Significant Accounting Policies” (4) Financial instruments and (23) Fair value measurements and Note 41 “Financial Instruments”
- Recoverability of deferred tax assets: Note 3 “Significant Accounting Policies” (19) Income taxes and Note 20 “Income Taxes”
- Recognition and measurement of provisions: Note 3 “Significant Accounting Policies” (16) Provisions and Note 26 “Provisions”
- Measurement of defined benefit obligation: Note 3 “Significant Accounting Policies” (14) Employee benefits and Note 25 “Employee Benefits”

5. New Standards Not Yet Adopted

By the date of approval of the consolidated financial statements, the following new or revised accounting standards and interpretations were issued. However, such standards and interpretations have not yet been adopted by the Group.

IFRS		Date of mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Description of new standard and amendment
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Provides accounting treatment for leases and the disclosure thereof

In relation to adoption of IFRS 16, "Leases," right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments are required to be recognized for all leases, in principle, on the consolidated statement of financial position. After recognition of right-of-use assets and lease liabilities, depreciation of the right-of-use assets and interest on the lease liabilities are recognized on the consolidated statement of income. The Group estimates that the main impact on the consolidated financial statements for the year ending March 31, 2019 will be to increase "Right-of-use assets" and "Lease liabilities," by approximately ¥30,000 million ($270,270 thousand) at the opening balance of the consolidated statement of financial position. There will be immaterial impact on the opening balance of "Retained earnings."

6. Segment Information

(1) Outline of reportable segments

Reportable segments of the Group are the components of the Group for which discrete financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group's reportable segments are consistent with its businesses. The Group formulates comprehensive strategies for its products and services in Japan and overseas to develop business activities in six segments: "Printing & Solutions", "Personal & Home", "Machinery", "Network & Contents", "Domino", and "Others".

"Printing & Solutions" consists of sale and production of communications and printing equipment such as printers and All-in-Ones, and of sale and production of electronic stationery products. "Personal & Home" consists of sale and production of home sewing machines. "Machinery" consists of sale and production of industrial sewing machines, garment printers, machine tools, reducers and gears. "Network & Contents" consists of sale and production of online karaoke systems, and of content distribution services. "Domino" consists of sale and production of industrial printing equipment.

Reportable segment profit or loss is measured on the basis of operating profit in the consolidated statement of income. Business segment profit or loss is calculated by subtracting the cost of sales and selling, general and administrative expenses from Revenue for each reportable segment.

(2) Segment revenue and results

The Group's revenue and results by reportable segment are as follows.

Intersegment revenues are based on prevailing market prices.

FY2017 (Year Ended March 31, 2018)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	412,165	44,466	127,299	49,052	68,390	11,623	712,997	—	712,997
Intersegment	—	—	—	—	—	12,033	12,033	(12,033)	—
Total	412,165	44,466	127,299	49,052	68,390	23,656	725,031	(12,033)	712,997
Segment profit	52,890	1,981	14,426	2,663	4,640	736	77,337	(107)	77,229
Other income and expenses	(5,536)	(929)	(295)	(1,319)	(641)	165	(8,557)	—	(8,557)
Operating profit	47,353	1,051	14,131	1,343	3,998	901	68,780	(107)	68,672
Finance income and expenses									924
Share of profit/(loss) of investments accounted for using the equity method									72
Profit before income taxes									69,669

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	17,709	1,185	3,938	5,667	4,730	908	34,141	—	34,141
Impairment losses	—	—	30	1,192	—	—	1,223	—	1,223
Capital expenditure (Note 3)	15,151	923	3,559	6,456	4,622	359	31,073	2,920	33,993

(Note)
1) “Others” consists of real estate and other areas of business.
2) Reconciliation amount of ¥(107) million for segment profit (operating profit) is for the elimination of intersegment transactions.
3) Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.
4) Reconciliation amount of ¥2,920 million for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

FY2018 (Year Ended March 31, 2019)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	403,036	45,445	104,130	47,926	71,234	12,198	683,972	—	683,972
Intersegment	—	—	—	—	—	12,503	12,503	(12,503)	—
Total	403,036	45,445	104,130	47,926	71,234	24,701	696,476	(12,503)	683,972
Segment profit	52,181	4,037	9,753	1,778	3,948	436	72,135	(161)	71,973
Other income and expenses	721	(9)	157	(184)	(1,083)	349	(48)	—	(48)
Operating profit	52,903	4,028	9,910	1,593	2,864	786	72,086	(161)	71,925
Finance income and expenses									239
Share of profit/(loss) of investments accounted for using the equity method									109
Profit before income taxes									72,274

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	16,871	1,119	4,026	5,718	4,766	1,170	33,674	—	33,674
Impairment losses	—	—	22	145	21	—	188	—	188
Capital expenditure (Note 3)	9,563	949	3,992	5,205	3,053	504	23,269	3,761	27,030

(Note)

1) “Others” consists of real estate and other areas of business.

2) Reconciliation amount of ¥(161) million for segment profit (operating profit) is for the elimination of intersegment transactions.

3) Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

4) Reconciliation amount of ¥3,761 million for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

FY2018 (Year Ended March 31, 2019)

(Thousands of U.S. dollars)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	3,630,955	409,414	938,108	431,766	641,748	109,892	6,161,910	—	6,161,910
Intersegment	—	—	—	—	—	112,640	112,640	(112,640)	—
Total	3,630,955	409,414	938,108	431,766	641,748	222,532	6,274,559	(112,640)	6,161,910
Segment profit	470,099	36,369	87,865	16,018	35,568	3,928	649,865	(1,450)	648,405
Other income and expenses	6,495	(81)	1,414	(1,658)	(9,757)	3,144	(432)	—	(432)
Operating profit	476,604	36,288	89,279	14,351	25,802	7,081	649,423	(1,450)	647,973
Finance income and expenses									2,153
Share of profit/(loss) of investments accounted for using the equity method									982
Profit before income taxes									651,117

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	151,991	10,081	36,270	51,514	42,937	10,541	303,369	—	303,369
Impairment losses	—	—	198	1,306	189	—	1,694	—	1,694
Capital expenditure (Note 3)	86,153	8,550	35,964	46,892	27,505	4,541	209,631	33,883	243,514

(Note)
1) “Others” consists of real estate and other areas of business.
2) Reconciliation amount of $(1,450) thousand for segment profit (operating profit) is for the elimination of intersegment transactions.
3) Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.
4) Reconciliation amount of $33,883 thousand for an increase in property, plant and equipment and intangible assets is mainly for corporate assets which are not allocated to reportable segments.

(3) Information about products and services

Revenue from customers by product and service is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Printing & Solutions			
Communications and printing equipment	364,903	353,120	3,181,261
Electronic stationery	47,262	49,916	449,694
Printing & Solutions total	412,165	403,036	3,630,955
Personal & Home	44,466	45,445	409,414
Machinery			
Industrial sewing machines	31,094	32,626	293,928
Machine tools	76,018	51,768	466,378
Industrial parts	20,186	19,735	177,793
Machinery total	127,299	104,130	938,108
Network & Contents	49,052	47,926	431,766
Domino	68,390	71,234	641,748
Others	11,623	12,198	109,892
Total	712,997	683,972	6,161,910

(4) Information about geographical areas

Revenue and non-current assets by geographical area are as follows.

Revenue from customers

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Japan	121,008	124,421	1,120,910
U.S.A.	160,349	162,657	1,465,378
China	108,349	76,013	684,802
Others	323,291	320,880	2,890,811
Total	712,997	683,972	6,161,910

(Note) Revenue is classified into countries and regions based on the location of customers.

Non-current assets

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Japan	84,570	83,534	752,559
Overseas			
The Americas			
U.S.A.	7,621	7,563	68,135
Others	1,538	1,443	13,000
The Americas total	9,160	9,007	81,144
Europe			
U.K.	142,779	136,157	1,226,640
Others	5,536	5,212	46,955
Europe total	148,316	141,370	1,273,604
Asia and others			
China	13,145	11,827	106,550
Vietnam	14,050	12,418	111,874
Philippines	11,955	11,380	102,523
Others	2,320	2,054	18,505
Asia and others total	41,473	37,681	339,468
Overseas total	198,949	188,059	1,694,225
Total	283,520	271,594	2,446,793

(Note) Non-current assets are presented based on the physical location of assets. Financial instruments, deferred tax assets and retirement benefit assets are not included.

(5) Information about major customers

The description is omitted because there is no external customer whose revenue exceeds 10% or more of the Group's revenue.

(Adoption of IFRS 15, “Revenue from Contracts with Customers”)

The Group has adopted IFRS 15 from the year ended March 31, 2019, as stated in “Changes in accounting policies.” In accordance with the transition requirements, the cumulative effect of initially applying this standard is recognized as an adjustment to the opening balance of “Retained earnings” for the year ended March 31, 2019, and segment information for the year ended March 31, 2018 is not restated.

7. Business Combinations

FY2017 (Year ended March 31, 2018)

Disclosure is omitted due to the immateriality.

FY2018 (Year ended March 31, 2019)

Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Cash and cash equivalents			
Cash and deposits	121,384	131,152	1,181,550
Total	121,384	131,152	1,181,550

The balance of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2018 and March 31, 2019, respectively, reconciles the balance of "Cash and cash equivalents" stated in the consolidated statement of cash flows.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Notes receivable	6,914	7,862	70,829
Accounts receivable	98,468	94,376	850,234
Other	1,669	1,356	12,216
Allowance for doubtful accounts	(2,428)	(2,097)	(18,892)
Total	104,624	101,498	914,396

The receivables expected to be collected more than one year after March 31, 2018 and March 31, 2019 are ¥470 million and ¥810 million ($7,297 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

	FY2017 (As of March 31, 2018) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Current assets			
Financial assets measured at amortized cost	7,862	7,196	64,829
Financial assets measured at FVTPL			
Derivatives	1,359	774	6,973
Items other than derivatives	50	0	0
Allowance for doubtful accounts	(0)	(0)	(0)
Total	9,272	7,970	71,802
Non-current assets			
Financial assets measured at amortized cost	15,518	13,535	121,937
Financial assets measured at FVTPL			
Items other than derivatives	3,201	3,125	28,153
Financial assets measured at FVTOCI			
Equity instruments	20,406	16,276	146,631
Allowance for doubtful accounts	(445)	(137)	(1,234)
Total	38,681	32,799	295,486

Refer to Note 41 “Financial Instruments” for the names and fair values of major securities held as financial assets measured at fair value through other comprehensive income.

11. Inventories

The breakdown of inventories is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Merchandise and finished goods	76,723	84,615	762,297
Work in process	10,843	10,413	93,811
Raw materials and supplies	29,400	33,488	301,694
Total	116,967	128,517	1,157,811

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2018 and 2019 are ¥408,531 million and ¥388,402 million ($3,499,117 thousand), respectively.

Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Write-down	3,685	4,490	40,450

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Other current assets			
Prepaid expenses	5,640	6,282	56,595
Advance payments	677	823	7,414
Consumption taxes receivable	4,743	5,245	47,252
Income taxes receivable	75	180	1,622
Other	3,074	3,101	27,937
Total	14,211	15,633	140,838
Other non-current assets			
Long-term prepaid expenses	2,082	2,586	23,297
Retirement benefit assets	1,999	348	3,135
Insurance funds	2,455	2,565	23,108
Other	737	765	6,892
Total	7,275	6,265	56,441

13. Non-current Assets or Disposal Groups classified as Held for Sale and Directly Related Liabilities

The breakdown of non-current assets or disposal groups that are classified as held for sale and directly related liabilities is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Non-current assets held for sale			
Property, plant and equipment	174	157	1,414
Total	174	157	1,414
Liabilities directly associated with assets classified as held for sale			
Other current liabilities	27	—	—

Non-current assets held for sale and liabilities directly associated with assets classified as held for sale as of March 31, 2019 are mainly related to property, plant and equipment of Brother Industries Technology (Malaysia), which ceased operations as of March 31, 2017, that meet the criteria for assets classified as held for sale. The sale will be completed during the year ending March 31, 2020.

14. Property, Plant and Equipment

(1) Movement

The movement of the carrying amount of property, plant and equipment is as follows:

(Millions of yen)

Cost	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2017	15,233	115,153	83,160	121,689	1,656	336,893
Acquisitions	2	2,449	4,272	13,400	4,709	24,834
Acquisitions through business combinations	73	104	1	169	—	348
Sales or disposals	(29)	(425)	(2,980)	(6,561)	(44)	(10,041)
Foreign exchange differences	68	(690)	(312)	589	20	(324)
Other	117	2,503	1,276	514	(4,378)	33
Balance as of March 31, 2018	15,466	119,094	85,419	129,800	1,962	351,743
Acquisitions	—	3,185	3,928	8,909	3,147	19,170
Sales or disposals	—	(2,755)	(2,687)	(8,927)	(76)	(14,447)
Foreign exchange differences	(21)	662	280	(403)	(55)	463
Other	24	2,028	2,352	365	(4,504)	267
Balance as of March 31, 2019	15,470	122,216	89,293	129,744	472	357,197

(Note) Transfers from construction in progress to each item are included in “Other.”

(Thousands of U.S. dollars)

Cost	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2018	139,333	1,072,919	769,541	1,169,369	17,676	3,168,856
Acquisitions	—	28,694	35,387	80,261	28,351	172,703
Sales or disposals	—	(24,820)	(24,207)	(80,423)	(685)	(130,153)
Foreign exchange Differences	(189)	5,964	2,523	(3,631)	(495)	4,171
Other	216	18,270	21,189	3,288	(40,577)	2,405
Balance as of March 31, 2019	139,369	1,101,045	804,441	1,168,865	4,252	3,217,991

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2017	(767)	(56,750)	(59,644)	(98,963)	(0)	(216,126)
Depreciation	—	(4,662)	(6,290)	(12,556)	—	(23,509)
Impairment losses	—	(263)	(54)	(78)	(1)	(398)
Sales or disposals	—	221	2,492	6,188	—	8,901
Foreign exchange differences	2	116	229	(432)	0	(84)
Other	(71)	(161)	35	(5)	(2)	(205)
Balance as of March 31, 2018	(837)	(61,500)	(63,233)	(105,847)	(3)	(231,422)
Depreciation	—	(4,803)	(5,886)	(12,169)	—	(22,859)
Impairment losses	—	(120)	(41)	(21)	—	(183)
Sales or disposals	—	2,452	2,410	8,519	—	13,382
Foreign exchange differences	—	(163)	(193)	329	0	(26)
Other	—	(90)	2	(6)	3	(90)
Balance as of March 31, 2019	(837)	(64,225)	(66,940)	(109,196)	—	(241,199)

(Note) Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(Thousands of U.S. dollars)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2018	(7,541)	(554,054)	(569,667)	(953,577)	(27)	(2,084,883)
Depreciation	—	(43,270)	(53,027)	(109,631)	—	(205,937)
Impairment losses	—	(1,081)	(369)	(189)	—	(1,649)
Sales or disposals	—	22,090	21,712	76,748	—	120,559
Foreign exchange differences	—	(1,468)	(1,739)	2,964	0	(234)
Other	—	(811)	18	(54)	27	(811)
Balance as of March 31, 2019	(7,541)	(578,604)	(603,063)	(983,748)	—	(2,172,964)

(Millions of yen)

Carrying amount	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2017	14,465	58,402	23,515	22,726	1,656	120,767
Balance as of March 31, 2018	14,629	57,594	22,185	23,952	1,958	120,320
Balance as of March 31, 2019	14,632	57,991	22,352	20,548	472	115,997

(Thousands of U.S. dollars)

Carrying amount	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2018	131,793	518,865	199,865	215,784	17,640	1,083,964
Balance as of March 31, 2019	131,820	522,441	201,369	185,117	4,252	1,045,018

(2) Lease assets

The carrying amount of capitalized finance leases included in property, plant and equipment is as follows:

(Millions of yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance as of April 1, 2017	2,488	2	1,491	3,983
Balance as of March 31, 2018	2,378	11	1,674	4,064
Balance as of March 31, 2019	2,444	7	1,185	3,637

(Thousands of U.S. dollars)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance as of March 31, 2018	21,423	99	15,081	36,613
Balance as of March 31, 2019	22,018	63	10,676	32,766

15. Investment Property

(1) Movement

The movement of the carrying amount of investment property and the fair value are as follows:

Cost	FY2017 (Year ended March 31, 2018) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Balance at the beginning of the year	11,212	11,254	101,387
Acquisitions	14	64	577
Sales or disposals	(5)	(25)	(225)
Reclassifications	(0)	(350)	(3,153)
Foreign exchange differences	33	(15)	(135)
Balance at the end of the year	11,254	10,928	98,450

Accumulated depreciation and accumulated impairment losses	FY2017 (Year ended March 31, 2018) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Balance at the beginning of the year	(4,566)	(4,788)	(43,135)
Depreciation	(238)	(206)	(1,856)
Sales or disposals	4	24	216
Reclassifications	17	78	703
Foreign exchange differences	(5)	3	27
Balance at the end of the year	(4,788)	(4,888)	(44,036)

Carrying amount and fair value	FY2017 (As of March 31, 2018) (Millions of yen)		FY2018 (As of March 31, 2019) (Millions of yen)		FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	6,465	18,675	6,040	20,533	54,414	184,982

The fair value of investment property is calculated based mainly on the external appraiser's valuation techniques using market prices of comparable assets. The measurement is categorized within Level 3 of the fair value hierarchy.

(2) Income from and expenses for investment property

	FY2017 (Year ended March 31, 2018) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Rental income	1,576	1,552	13,982
Direct operating expenses arising from investment property that generated rental income	(669)	(667)	(6,009)
Direct operating expenses arising from investment property that did not generate rental income	(18)	(5)	(45)

The amount of income from investment property and related direct operating expenses are included in “Revenue” and “Cost of sales” in the consolidated statement of income.

16. Goodwill and Intangible Assets

The movement of the carrying amount of goodwill and intangible assets is as follows:

(Millions of yen)

Cost	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2017	102,947	68,712	12,739	2,034	24,164	22,259	232,857
Acquisitions	—	4,063	10	—	—	4,056	8,130
Internal generation	—	—	—	1,014	—	—	1,014
Acquisitions through business combinations	210	3	—	—	500	—	715
Sales or disposals	—	(562)	(0)	—	—	(13)	(576)
Foreign exchange differences	6,369	411	—	127	1,511	810	9,230
Other	—	2,379	—	—	—	(2,159)	220
Balance as of March 31, 2018	109,527	75,008	12,749	3,176	26,175	24,953	251,591
Acquisitions	—	3,023	33	—	—	3,920	6,976
Internal generation	—	—	—	818	—	—	818
Sales or disposals	—	(1,842)	(1,208)	(1,336)	—	(20)	(4,407)
Foreign exchange differences	(2,618)	(247)	—	(98)	(665)	(350)	(3,980)
Other	—	2,768	—	—	—	(2,681)	86
Balance as of March 31, 2019	106,909	78,710	11,573	2,559	25,510	25,820	251,084

(Thousands of U.S. dollars)

Cost	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of March 31, 2018	986,730	675,748	114,856	28,613	235,811	224,802	2,266,586
Acquisitions	—	27,234	297	—	—	35,315	62,847
Internal generation	—	—	—	7,369	—	—	7,369
Sales or disposals	—	(16,595)	(10,883)	(12,036)	—	(180)	(39,703)
Foreign exchange differences	(23,586)	(2,225)	—	(883)	(5,991)	(3,153)	(35,856)
Other	—	24,937	—	—	—	(24,153)	775
Balance as of March 31, 2019	963,144	709,099	104,261	23,054	229,820	232,613	2,262,018

(Millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2017	(7,353)	(55,697)	(12,078)	(26)	(2,819)	(7,870)	(85,844)
Amortization	—	(5,753)	(184)	(254)	(1,740)	(2,461)	(10,394)
Impairment losses	(696)	(64)	(0)	—	—	(25)	(786)
Sales or disposals	—	531	0	—	—	6	538
Foreign exchange differences	(469)	(355)	—	(2)	(189)	(193)	(1,209)
Other	—	(1)	0	—	—	20	19
Balance as of March 31, 2018	(8,519)	(61,340)	(12,263)	(283)	(4,748)	(10,522)	(97,677)
Amortization	—	(5,774)	(175)	(251)	(1,714)	(2,693)	(10,608)
Impairment losses	(2)	(2)	—	—	—	(0)	(5)
Sales or disposals	—	1,718	1,207	11	—	0	2,937
Foreign exchange differences	3	221	—	7	127	115	475
Other	—	(0)	—	—	—	(1)	(2)
Balance as of March 31, 2019	(8,517)	(65,177)	(11,230)	(515)	(6,335)	(13,102)	(104,880)

(Note) Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Thousands of U.S. dollars)

Accumulated amortization and accumulated Impairment losses	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of March 31, 2018	(76,748)	(552,613)	(110,477)	(2,550)	(42,775)	(94,793)	(879,973)
Amortization	—	(52,018)	(1,577)	(2,261)	(15,441)	(24,261)	(95,568)
Impairment losses	(18)	(18)	—	—	—	(0)	(45)
Sales or disposals	—	15,477	10,874	99	—	0	26,459
Foreign exchange differences	27	1,991	—	63	1,144	1,036	4,279
Other	—	(0)	—	—	—	(9)	(18)
Balance as of March 31, 2019	(76,730)	(587,180)	(101,171)	(4,640)	(57,072)	(118,036)	(944,865)

(Millions of yen)

Carrying amount	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2017	95,594	13,015	660	2,008	21,344	14,389	147,012
Balance as of March 31, 2018	101,008	13,667	486	2,892	21,427	14,430	153,913
Balance as of March 31, 2019	98,391	13,532	342	2,043	19,174	12,718	146,203

(Thousands of U.S. dollars)

Carrying amount	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of March 31, 2018	909,982	123,126	4,378	26,054	193,036	130,000	1,386,604
Balance as of March 31, 2019	886,405	121,910	3,081	18,405	172,739	114,577	1,317,144

(Note) Significant intangible assets as of March 31, 2019 are customer related assets. The carrying amount is ¥19,174 million ($172,739 thousand) and the remaining amortization period is 11.25 years.

The research and development expenses are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Research and development expenses	45,649	43,259	389,721

17. Impairment of Non-Financial Assets

The details of assets recognized impairment losses are as follows:
The impairment losses are included in "Other expenses" in the consolidated statement of income.

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
		(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment			
Buildings and structures	263	120	1,081
Machinery, equipment and vehicles	54	41	369
Tools, furniture and fixtures	78	21	189
Construction in progress	1	—	—
Intangible assets			
Goodwill	696	2	18
Software	64	2	18
Patent	0	—	—
Other intangible assets	25	0	0
Other	38	0	0
Total of impairment losses	1,223	188	1,694

(1) Cash-generating units

Non-financial assets are grouped into each minimum unit which can be identified as generating relatively independent cash inflows. Each unit has been set based on the operating business segment.

For any assets held for sale or investment property, the individual assets are tested for impairment.

(2) Impairment loss

For the year ended March 31, 2018, an impairment loss of ¥1,192 million was recognized for the cash-generating unit of the music & video software production and sales business, the karaoke shops and others that had a lower estimated amount of discounted future cash flows than the carrying amount of assets in the Network & Contents business segment (buildings and structures: ¥263 million, machinery, equipment and vehicles: ¥23 million, tools, furniture and fixtures: ¥78 million, construction in progress: ¥1 million, goodwill: ¥696 million, software: ¥64 million, patents: ¥0 million, other intangible assets: ¥25 million and other non-current assets: ¥38 million), due to a decrease in expected revenue.

The recoverable amount of the assets is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan for the next five years approved by management to the present value by the weighted-average cost of capital (WACC) of 8.6% of the cash-generating unit. Cash flows during the business plan period are estimated on the basis of the growth rate, etc., projected in each product market.

For the year ended March 31, 2019, there was no significant impairment loss.

(3) Impairment test for goodwill

At the Group level, goodwill is tested for impairment annually or whenever there is any indication of impairment.

The recoverable amount of goodwill is measured at the value in use.

Goodwill is allocated to cash-generating units or groups of cash-generating units on acquisition dates based on the allocation of expected benefits from business combinations for the purpose of impairment testing.

The carrying amounts of goodwill allocated to each cash-generating unit are as follows.

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Domino	100,518	97,903	882,009
Other	489	487	4,387
Total	101,008	98,391	886,405

The value in use of goodwill in the Domino business is calculated by discounting the estimated cash flows based on the business plan for the next five years approved by management to the present value by the weighted-average cost of capital (WACC) of the cash-generating unit. The pre-tax discount rate used for the calculation of the value in use is 11.08% for the year ended March 31, 2018 and 10.78% for the year ended March 31, 2019.

Future cash flows are estimated on the basis of the long-term average growth rate, etc., projected in each product market. The growth rate range used to measure going-concern value is 3.33 to 8.60% for the year ended March 31, 2018 and 3.31 to 7.26% for the year ended March 31, 2019.

The recoverable amount of goodwill exceeds the carrying amount by ¥16,881 million and ¥5,735 million ($51,667 thousand) as of March 31, 2018 and 2019, respectively. However, impairment loss may arise if changes are made to the key assumptions which are the basis of value in use. Such loss may be incurred if the discount rate had increased by 0.67% or the growth rate had decreased by 1.39% for the year ended March 31, 2018, or the discount rate had increased by 0.25% or the growth rate had decreased by 0.48% for the year ended March 31, 2019.

There is no significant goodwill other than that presented above.

18. Investments Accounted for Using the Equity Method

For associates in which the Group holds less than 20% of the voting rights, the Group has judged that it has significant influence over them by its involvement with their Boards of Directors and/or management.

The carrying amount of investments in associates is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Carrying amount total	1,498	1,538	13,856

The share amount of comprehensive income for the year from associates is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
The share amount of earnings of associates from continuing operations	72	109	982
The share amount of other comprehensive income from associates	(2)	11	99
The share amount of comprehensive income from associates	69	121	1,090

19. Interests in Unconsolidated Structured Entities

The Group has investment funds as unconsolidated structured entities. The Company invests in investment funds in the United States, Japan and other Asian countries mainly for the purpose of new business development and information collection.

Those funds are formed as a limited partnership venture fund, or investment limited partnership, and the Company invests in the fund as a limited liability partner.

The size of the unconsolidated structured entities, the carrying amount of the Company’s investment in the entities and the potential maximum loss exposure to the Company are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Total assets of unconsolidated structured entities	46,101	61,259	551,883
The Company’s maximum exposure to loss			
The carrying amount of the investments recognized by the Company	2,581	2,817	25,378
Commitments related to additional investments	347	543	4,892
Total	2,928	3,360	30,270

The Company recognizes investments in “Other financial assets (non-current assets)” in the consolidated statement of financial position. The Company recognizes no liabilities for the unconsolidated structured entities.

The potential maximum exposure to loss resulting from the interests in the structured entities is limited to the sum of the carrying amount of the Company’s investments and commitments related to additional investments.

The Company’s maximum exposure to loss indicates a possible maximum loss amount and does not represent the amount of loss expected from the interests in the structured entities.

The Company neither has provided nor intends to provide financial support or other significant support to the unconsolidated structured entities without a contractual obligation.

20. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of changes in deferred tax assets and deferred tax liabilities is as follows:

FY2017 (Year ended March 31, 2018)

(Millions of yen)

	Balance as of April 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	Other	Balance as of March 31, 2018
Deferred tax assets						
Inventories	9,865	(1,437)	—	—	3	8,431
Retirement benefit liabilities	6,082	(107)	(402)	47	174	5,794
Property, plant and equipment	3,960	(474)	—	51	11	3,549
Accrued bonuses	2,485	112	—	1	9	2,608
Accrued unused paid absences	2,052	(9)	—	—	(3)	2,038
Accrued expenses	1,028	(59)	—	8	(56)	921
Provisions	1,203	(303)	—	6	5	911
Other	3,387	105	148	3	(72)	3,572
Subtotal	30,066	(2,173)	(254)	119	70	27,828
Deferred tax liabilities						
Assets identified by business combination	(6,225)	670	—	(197)	(398)	(6,151)
Property, plant and equipment	(3,870)	72	—	(2)	38	(3,762)
Equity instruments designated as FVTOCI	(2,562)	—	(1,169)	—	(6)	(3,738)
Retirement benefit Assets	(2,671)	76	7	—	(2)	(2,590)
Securities withdrawn from retirement benefit trust	(2,453)	—	—	—	—	(2,453)
Reserve for deferred gains on fixed assets	(2,078)	126	—	—	—	(1,952)
Other	(1,356)	(537)	—	—	(53)	(1,947)
Subtotal	(21,219)	407	(1,161)	(200)	(423)	(22,596)
Total	8,847	(1,765)	(1,415)	(80)	(352)	5,232

FY2018 (Year ended March 31, 2019)

(Millions of yen)

	Balance as of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2019
Deferred tax assets					
Inventories	8,431	1,469	—	(10)	9,891
Retirement benefit liabilities	5,794	128	429	(2,486)	3,865
Property, plant and equipment	3,549	(473)	—	(14)	3,060
Accrued bonuses	2,608	(121)	—	(6)	2,480
Accrued unused paid absences	2,038	(32)	—	(1)	2,005
Accrued expenses	921	604	—	21	1,547
Provisions	911	(85)	—	(10)	816
Other	3,572	543	(5)	147	4,258
Subtotal	27,828	2,034	423	(2,361)	27,924
Deferred tax liabilities					
Assets identified by business combination	(6,151)	539	—	158	(5,454)
Property, plant and equipment	(3,762)	(555)	—	(17)	(4,335)
Equity instruments designated as FVTOCI	(3,738)	—	826	—	(2,911)
Securities withdrawn from retirement benefit trust	(2,453)	(10)	—	—	(2,464)
Reserve for deferred gains on fixed assets	(1,952)	155	—	—	(1,797)
Retirement benefit Assets	(2,590)	103	11	2,401	(72)
Other	(1,947)	(578)	—	6	(2,518)
Subtotal	(22,596)	(345)	838	2,549	(19,553)
Total	5,232	1,688	1,261	187	8,370

(Thousands of U.S. dollars)

	Balance as of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2019
Deferred tax assets					
Inventories	75,955	13,234	―	(90)	89,108
Retirement benefit liabilities	52,198	1,153	3,865	(22,396)	34,820
Property, plant and equipment	31,973	(4,261)	―	(126)	27,568
Accrued bonuses	23,495	(1,090)	―	(54)	22,342
Accrued unused paid absences	18,360	(288)	―	(9)	18,063
Accrued expenses	8,297	5,441	―	189	13,937
Provisions	8,207	(766)	―	(90)	7,351
Other	32,180	4,892	(45)	1,324	38,360
Subtotal	250,703	18,324	3,811	(21,270)	251,568
Deferred tax liabilities					
Assets identified by business combination	(55,414)	4,856	―	1,423	(49,135)
Property, plant and equipment	(33,892)	(5,000)	―	(153)	(39,054)
Equity instruments designated as FVTOCI	(33,676)	―	7,441	―	(26,225)
Securities withdrawn from retirement benefit trust	(22,099)	(90)	―	―	(22,198)
Reserve for deferred gains on fixed assets	(17,586)	1,396	―	―	(16,189)
Retirement benefit Assets	(23,333)	928	99	21,631	(649)
Other	(17,541)	(5,207)	―	54	(22,685)
Subtotal	(203,568)	(3,108)	7,550	22,964	(176,153)
Total	47,135	15,207	11,360	1,685	75,405

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Deferred tax assets	13,489	14,827	133,577
Deferred tax liabilities	(8,257)	(6,456)	(58,162)
Net amount	5,232	8,370	75,405

Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Deductible temporary differences	62,565	61,503	554,081
Unused tax losses	26,182	14,396	129,694
Total	88,747	75,900	683,784

Expiration of unused tax losses for which no deferred tax assets are recognized are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
1st year	12,943	7,583	68,315
2nd year	7,659	1,316	11,856
3rd year	1,269	934	8,414
4th year	127	106	955
5th year and thereafter	4,183	4,455	40,135
Total	26,182	14,396	129,694

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2018 and March 31, 2019 are ¥148,464 million and ¥147,847 million ($1,331,955 thousand), respectively. Deferred tax liabilities are not recognized for the above temporary differences as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

	FY2017 (Year ended March 31, 2018) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Current tax expenses			
Current year	17,562	19,923	179,486
Prior years	(131)	(137)	(1,234)
Subtotal	17,431	19,786	178,252
Deferred tax expenses			
Origination and reversal of temporary differences	335	(1,497)	(13,486)
Changes in tax rates	1,582	(210)	(1,892)
Recognition of previously unrecognized deferred tax assets	(365)	(281)	(2,532)
Reversal of deferred tax assets recognized in the prior years	213	300	2,703
Subtotal	1,765	(1,688)	(15,207)
Total	19,196	18,097	163,036

Current tax expenses include previously unrecognized tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. Current tax expenses decreased by those tax benefits by ¥1,389 million and ¥922 million ($8,306 thousand) for the years ended March 31, 2018 and 2019, respectively.

The reconciliation between the statutory tax rates and the average effective tax rates is as follows:

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)
Statutory tax rate	30.70%	30.47%
Lower income tax rates applicable to income in certain foreign subsidiaries	(4.34)%	(4.22)%
Tax credit for R&D expenses	(3.65)%	(4.20)%
Expenses not deductible for tax purposes	1.36%	2.73%
Withholding taxes on distributions	1.08%	0.49%
Changes in tax rates	2.27%	(0.29)%
Other	0.13%	0.07%
Average effective tax rate	27.55%	25.04%

The Company and its domestic subsidiaries are subject mainly to corporate tax, residential tax and enterprise tax, and the effective tax rate calculated based on these for the years ended March 31, 2018 and 2019 is 30.70% and 30.47%, respectively. Overseas subsidiaries are subject to income tax at their respective locations.

21. Bonds and borrowings

(1) Breakdown of financial liabilities

The breakdown of bonds and borrowings is as follows:

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	Average interest rate (%)	Maturity date
Short-term bank borrowings	1,176	122	1,099	3.85	—
Current portion of long-term borrowings	271	19,189	172,874	1.68	—
Current portion of bonds	20,446	248	2,234	—	—
Long-term borrowings	74,530	57,243	515,703	1.69	2020 to 2023
Bonds	20,021	19,989	180,081	0.28	2020
Short-term lease obligations	1,475	1,275	11,486	1.76	—
Long-term lease obligations	3,104	2,729	24,586	1.82	2021 to 2024
Other	10,789	8,044	72,468	—	—
Total	131,815	108,842	980,559	—	—
Bonds and borrowings					
Current liabilities	21,894	19,560	176,216	—	—
Non-current liabilities	94,552	77,232	695,784	—	—
Other financial liabilities					
Current liabilities	3,328	2,382	21,459	—	—
Non-current liabilities	12,040	9,666	87,081	—	—
Total	131,815	108,842	980,559	—	—

(Note)

1) The average interest rate represents the weighted-average interest rate to the ending balance of bonds, borrowings and lease obligations.

2) The Group uses interest rate swaps, etc. to manage interest rate risk. The average interest rate of long-term borrowings after conversion to a fixed rate is 0.33%.

3) Of the Group’s long-term borrowings, ¥75,832 million ($683,171 thousand) is subject to financial covenants. The Group complies with major financial covenants as follows:

- The total equity in the Group’s consolidated statement of financial position at the end of the fiscal year should not be below 75% of the total equity in the consolidated statement of financial position for the most recent fiscal year, or should not be below 75% of the total equity in the consolidated balance sheet as of March 31, 2015 under Japanese GAAP.
- Loss before income taxes in the consolidated statement of income for each reporting period should not be recognized for two consecutive fiscal years.

A summary of terms and conditions for the issuance of corporate bonds is as follows:

Name	Type	Issue date	FY2017 (As of March 31, 2018) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity date
BROTHER INDUSTRIES, LTD.	The 5th unsecured straight bond	November 26, 2015	19,992 (19,992)	—	—	—	—	—
BROTHER INDUSTRIES, LTD.	The 6th unsecured straight bond	November 26, 2015	19,971	19,989	180,081	0.285	None	November 26, 2020
BROTHER INDUSTRIES, LTD.	Loan Notes 2020 (unsecured bonds)	June 18, 2015	433 (433) [2,912 thousand Pound Sterling]	248 (248) [1,712 thousand Pound Sterling]	2,234 (2,234)	—	None	June 18, 2020
GRANDPRIX LEISURE SYSTEM CO., LTD.	The 3rd unsecured straight bond	August 25, 2016	70 (20)	—	—	—	—	—
Total			40,468 (20,446)	20,237 (248)	182,315 (2,234)	—	—	—

(Note) Figures in parentheses represent current portion of bonds.

(2) Assets pledged as collateral

There are no assets pledged as collateral for bonds and borrowings.

22. Leases

(1) Finance lease obligations
As lessee
The details of finance lease obligations are as follows:

	Minimum lease payments (Millions of yen)		(Thousands of U.S. dollars)	Present value of minimum lease payments (Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Within 1 year	1,542	1,335	12,027	1,475	1,275	11,486
1 to 5 years	3,201	2,827	25,468	3,104	2,729	24,586
Over 5 years	—	—	—	—	—	—
Total	4,743	4,162	37,495	4,579	4,004	36,072
Prospective finance expenses	(164)	(158)	(1,423)	—	—	—
Present value of lease obligations	4,579	4,004	36,072	4,579	4,004	36,072

The Group leases assets such as buildings and structures as lessee.

Some lease contracts include renewal options or purchase options. There are no sublease contracts, unpaid variable lease payments, escalation clauses (clauses that prescribe increases in the lease contract amount) or restrictions on dividends, additional loans, additional leases, etc., imposed by lease contracts.

Lease obligations are included in “Other financial liabilities” in the consolidated statement of financial position.

(2) Operating lease contracts
<1> As lessee
Future minimum lease payments under non-cancellable operating leases are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Within 1 year	4,150	4,424	39,856
1 to 5 years	9,626	9,401	84,694
Over 5 years	2,137	1,647	14,838
Total	15,913	15,473	139,396

Minimum lease payments and contingent rents for operating lease contracts recognized as expenses are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Minimum lease payments	6,105	6,443	58,045
Sublease payments	504	514	4,631
Contingent lease payments	44	67	604
Total	6,654	7,025	63,288

The Group leases assets such as buildings and structures as lessee.

Some lease contracts include renewal options or purchase options. There are no unpaid variable lease payments, escalation clauses (clauses that prescribe increases in the lease contract amount) or restrictions on dividends, additional loans, additional leases, etc., imposed by lease contracts.

<2> As lessor

Income relating to future minimum lease payments under non-cancellable operating leases is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Within 1 year	1,684	1,765	15,901
1 to 5 years	2,789	3,684	33,189
Over 5 years	339	121	1,090
Total	4,813	5,572	50,198

The Group mainly rents industrial printing equipment as lessor.

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Notes payable - trade	1,441	1,121	10,099
Accounts payable - trade	42,384	38,948	350,883
Accounts payable - other	24,363	22,146	199,514
Total	68,189	62,216	560,505

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen) (Thousands of U.S. dollars)

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Current liabilities			
Lease obligations	1,475	1,275	11,486
Financial liabilities measured at amortized cost	309	414	3,730
Financial liabilities measured at FVTPL			
Derivatives	1,543	692	6,234
Total	3,328	2,382	21,459
Non-current liabilities			
Lease obligations	3,104	2,729	24,586
Financial liabilities measured at amortized cost	2,220	1,997	17,991
Financial liabilities measured at FVTPL			
Derivatives	6,715	4,940	44,505
Total	12,040	9,666	87,081

25. Employee Benefits

The Company, and certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans and defined contribution plans.

Other certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans or defined contribution plans.

(1) Defined benefit plans

The Company has adopted a cash balance plan as a defined benefit plan. Benefits are calculated based on pay credit and interest credit provided according to employees' length of service, job category and grade.

A specified percentage of pay credit and interest credit is accumulated and contributed to the defined benefit plan for future pension payments.

Certain domestic and foreign subsidiaries also provide defined benefit plans.

The Company and certain domestic subsidiaries have a fund-type pension plan based on a pension agreement, and enter into an agreement with an insurance company for the payment of premiums and benefits and with a trust bank for the management of the fund.

The Company, certain domestic subsidiaries, the pension fund board and the pension investment fund are required by law to act giving the highest priority to benefits of plan participants and assume a responsibility of managing plan assets in accordance with prescribed policies.

<1> Reconciliations of defined benefit obligations and plan assets

The relationship between defined benefit obligations and plan assets and the net balance of liabilities and assets recognized in the consolidated statement of financial position is as follows:

Domestic plan

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Present value of defined benefit obligations	48,778	50,688	456,649
Fair value of plan assets	(50,664)	(50,660)	(456,396)
Subtotal	(1,885)	27	243
Present value of the unfunded defined benefit obligation	5,374	5,368	48,360
Net defined benefit liabilities	3,489	5,395	48,604
Balance in the consolidated statement of financial position			
Retirement benefit liabilities	5,484	5,741	51,721
Retirement benefit assets	(1,995)	(345)	(3,108)
Net balance	3,489	5,395	48,604

Overseas plan

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Present value of defined benefit obligations	25,089	25,127	226,369
Fair value of plan assets	(15,308)	(15,251)	(137,396)
Subtotal	9,781	9,876	88,973
Present value of the unfunded defined benefit obligation	2,340	1,964	17,694
Net defined benefit liabilities	12,121	11,840	106,667
Balance in the consolidated statement of financial position			
Retirement benefit liabilities	12,125	11,843	106,694
Retirement benefit assets	(4)	(2)	(18)
Net balance	12,121	11,840	106,667

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of Mach 31, 2019) (Thousands of U.S. dollars)
Retirement benefit liabilities	17,610	17,585	158,423
Retirement benefit assets	(1,999)	(348)	(3,135)
Net defined benefit liabilities recognized in the consolidated statement of financial position	15,610	17,236	155,279

Net defined benefit liabilities are presented as "Retirement benefit liabilities" in the consolidated statement of financial position. Net defined benefit assets are included in "Other non-current assets" in the consolidated statement of financial position.

<2> Reconciliations of the present value of defined benefit obligations

The movement of the present value of defined benefit obligations is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Millions of yen)		(Thousands of U.S. dollars)
	Domestic plan			Overseas plan		
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Balance at the beginning of the year	51,395	54,153	487,865	27,340	27,429	247,108
Current service cost	2,490	2,589	23,324	524	552	4,973
Interest expense	388	365	3,288	602	575	5,180
Remeasurement	1,534	794	7,153	(1,315)	493	4,441
Actuarial gains or losses arising from changes in demographical assumptions	551	(640)	(5,766)	(10)	144	1,297
Actuarial gains or losses arising from changes in financial assumptions	736	1,059	9,541	(1,393)	501	4,514
Actuarial gains or losses arising from experience adjustments	246	375	3,378	88	(151)	(1,360)
Past service cost	1	—	—	11	126	1,135
Benefits paid	(1,545)	(1,866)	(16,811)	(1,398)	(1,292)	(11,640)
Foreign exchange differences	—	—	—	1,636	(794)	(7,153)
Business combination	3	—	—	—	—	—
Effect by transfer of plans	(49)	—	—	—	—	—
Other	(65)	20	180	29	2	18
Balance at the end of the year	54,153	56,056	505,009	27,429	27,092	244,072

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2018 were 14.6 years for domestic and 18.3 years for overseas plans. For the year ended March 31, 2019, the durations were 14.4 years for domestic and 18.3 years for overseas plans.

<3> Reconciliations of the fair value of plan assets

The movement of the fair value of plan assets is as follows:

	Domestic plan (Millions of yen)		(Thousands of U.S. dollars)	Overseas plan (Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Balance at the beginning of the year	48,238	50,664	456,432	14,965	15,308	137,910
Interest income	387	363	3,270	330	328	2,955
Remeasurement	2,060	(568)	(5,117)	(74)	454	4,090
Return on plan assets excluding interest income	2,060	(568)	(5,117)	(74)	454	4,090
Employer contributions	1,263	1,629	14,676	437	670	6,036
Benefits paid	(1,318)	(1,508)	(13,586)	(1,296)	(1,155)	(10,405)
Foreign exchange differences	—	—	—	854	(418)	(3,766)
Effect by transfer of plans	—	—	—	—	—	—
Other	33	81	730	91	62	559
Balance at the end of the year	50,664	50,660	456,396	15,308	15,251	137,396

The Group expects to make a contribution of ¥2,022 million ($18,216 thousand) to the defined benefit plans during the year ending March 31, 2020.

The Company and certain domestic subsidiaries are planning to pay the necessary amount of contributions based on regulatory requirements if the amount of funds is less than the minimum amount of funds required at the time of fund calculation for each reporting period.

<4> Reconciliation of the effect of the asset ceiling

Not applicable.

<5> Reconciliations of reimbursement rights related to defined benefit plans

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Balance at the beginning of the year	1,786	1,879	16,928
Interest income	8	7	63
Remeasurement	6	7	63
Return on reimbursement rights excluding interest income	6	7	63
Employer contributions	82	71	640
Benefits paid	(38)	(112)	(1,009)
Foreign exchange differences	35	(19)	(171)
Balance at the end of the year	1,879	1,833	16,514

Reimbursement rights are insurance policies required for settlement of defined benefit obligations.

<6> The breakdown of fair value of plan assets

The breakdown of fair value of plan assets is as follows:

Domestic plan

FY2017 (As of March 31, 2018) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	1,566	1,566
Equity instruments	17,104	—	17,104
Domestic stocks	9,956	—	9,956
Foreign stocks	7,148	—	7,148
Debt instruments	12,507	—	12,507
Domestic bonds	9,654	—	9,654
Foreign bonds	2,852	—	2,852
Investments in life insurance company general accounts (Note 1)	—	11,016	11,016
Alternatives (Note 2)	—	8,469	8,469
Other	—	—	—
Total	29,612	21,052	50,664

(Note)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.
2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2018 (As of March 31, 2019) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	2,557	2,557
Equity instruments	12,342	—	12,342
Domestic stocks	6,778	—	6,778
Foreign stocks	5,563	—	5,563
Debt instruments	15,432	—	15,432
Domestic bonds	9,251	—	9,251
Foreign bonds	6,181	—	6,181
Investments in life insurance company general accounts (Note 1)	—	11,323	11,323
Alternatives (Note 2)	—	9,004	9,004
Other	—	—	—
Total	27,775	22,885	50,660

(Note)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.

2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	23,036	23,036
Equity instruments	111,189	—	111,189
Domestic stocks	61,063	—	61,063
Foreign stocks	50,117	—	50,117
Debt instruments	139,027	—	139,027
Domestic bonds	83,342	—	83,342
Foreign bonds	55,685	—	55,685
Investments in life insurance company general accounts (Note 1)	—	102,009	102,009
Alternatives (Note 2)	—	81,117	81,117
Other	—	—	—
Total	250,225	206,171	456,396

Overseas plan

FY2017 (As of March 31, 2018) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	903	903
Equity instruments	4,119	—	4,119
Domestic stocks	—	—	—
Foreign stocks	4,119	—	4,119
Debt instruments	1,775	—	1,775
Domestic bonds	—	—	—
Foreign bonds	1,775	—	1,775
Insurance	—	3,417	3,417
Alternatives (Note)	—	4,628	4,628
Other	—	464	464
Total	5,894	9,413	15,308

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2018 (As of March 31, 2019) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	1,333	1,333
Equity instruments	3,746	—	3,746
Domestic stocks	—	—	—
Foreign stocks	3,746	—	3,746
Debt instruments	1,815	—	1,815
Domestic bonds	—	—	—
Foreign bonds	1,815	—	1,815
Insurance	—	2,955	2,955
Alternatives (Note)	—	4,900	4,900
Other	—	499	499
Total	5,561	9,689	15,251

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	12,009	12,009
Equity instruments	33,748	—	33,748
Domestic stocks	—	—	—
Foreign stocks	33,748	—	33,748
Debt instruments	16,351	—	16,351
Domestic bonds	—	—	—
Foreign bonds	16,351	—	16,351
Insurance	—	26,622	26,622
Alternatives (Note)	—	44,144	44,144
Other	—	4,495	4,495
Total	50,099	87,288	137,396

Plan assets are managed for the purpose of securing a total return required within acceptable risks for a long period of time in order to ensure future payments of pension benefits and lump-sum retirement payments.

Based on this purpose, the Company strives to maintain an appropriate asset mix, taking the expected rate of return and risks of investment assets into consideration.

<7> Assumptions used for actuarial valuation

The principal assumption used for the purpose of the actuarial valuation is as follows:

Domestic plan

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Weighted-average discount rate	0.2 to 0.8%	0.2 to 0.9%

Overseas plan

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Weighted-average discount rate	0.8 to 4.0%	0.7 to 3.7%

<8> Sensitivity analysis

If the discount rate used for actuarial valuation changes by 0.5%, the present value of defined benefit obligations would increase or decrease, as shown below. The sensitivity analysis below have been determined based on reasonably possible change of the assumption occurring at the end of the reporting period, while holding all other assumptions constant. In practice, the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Domestic plan

	(Millions of yen)		(Thousands of U.S. dollars)
If the discount rate:	The defined benefit obligation would:		
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
increases by 0.5%	decrease by 3,580	decrease by 3,637	decrease by 32,766
decreases by 0.5%	increase by 4,015	increase by 4,108	increase by 37,009

Overseas plan

	(Millions of yen)		(Thousands of U.S. dollars)
If the discount rate:	The defined benefit obligation would:		
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
increases by 0.5%	decrease of 2,012	decrease of 2,159	decrease of 19,450
decreases by 0.5%	Increase of 2,062	Increase of 2,000	increase of 18,018

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥12,763 million and ¥12,466 million ($112,306 thousand) for the years ended March 31, 2018 and 2019, respectively.

The amounts above included the expense recognized in profit or loss in relation to state pension plans.

(3) Employee benefit expenses

The amounts of employee benefit expenses included in "Cost of sales", "Selling, general and administrative expenses" and “Other expenses” in the consolidated statement of income were ¥155,161 million and ¥154,212 million ($1,389,297 thousand) for the years ended March 31, 2018 and 2019, respectively.

26. Provisions

The breakdown and movement in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for product warranties	Other	Total
Balance as of April 1, 2017	1,540	5,078	2,449	9,068
Increase due to business combination	37	—	—	37
Increase	179	2,377	1,394	3,952
Decrease (used)	(144)	(3,296)	(1,645)	(5,086)
Decrease (reversal)	—	(56)	(59)	(115)
Increase due to passage of time	15	—	—	15
Foreign exchange differences	3	119	(29)	93
Balance as of March 31, 2018	1,631	4,223	2,109	7,964
Increase	316	3,288	1,061	4,666
Decrease (used)	(50)	(3,610)	(1,387)	(5,048)
Decrease (reversal)	—	(79)	(440)	(520)
Increase due to passage of time	10	—	—	10
Foreign exchange differences	(2)	(95)	(7)	(105)
Balance as of March 31, 2019	1,904	3,726	1,335	6,966

(Thousands of U.S. dollars)

Balance as of March 31, 2018	14,694	38,045	19,000	71,748
Increase	2,847	29,622	9,559	42,036
Decrease (used)	(450)	(32,523)	(12,495)	(45,477)
Decrease (reversal)	—	(712)	(3,964)	(4,685)
Increase due to passage of time	90	—	—	90
Foreign exchange differences	(18)	(856)	(63)	(946)
Balance as of March 31, 2019	17,153	33,568	12,027	62,757

(Note)

1) Asset retirement obligations

If legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, future expenses necessary for such retirement are recognized.

The outflow of economic benefits in the future is expected to occur after one year from the end of each reporting period, and it will be affected by future business plans.

2) Provision for product warranty

To provide for costs of after-sales services of products, estimated costs of after-sales services are recognized based on historical records.

The decrease (reversal) during the year is the reversal amount of the unused portion of the provision during the year as the estimate is less than the actual amount.

3) Other provisions

Other provisions include a provision for environmental measures. The decrease (reversal) during the year is the reversal amount of the unused portion of the provision during the year as the estimate was less than the actual amount, and also includes ¥325 million ($2,928 thousand), which was reclassified from provision for adjustment of returned unsold good to “Other current liabilities” due to the adoption of IFRS 15.

The breakdown of provisions in the consolidated statement of financial position is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Current liabilities	4,823	3,806	34,288
Non-current liabilities	3,141	3,160	28,468
Total	7,964	6,966	62,757

27. Other Liabilities

The breakdown of other liabilities is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Other current liabilities			
Accrued bonuses	13,289	12,804	115,351
Accrued unused paid absences	7,977	7,995	72,027
Accrued expenses	23,426	23,379	210,622
Other	7,982	5,328	48,000
Total	52,676	49,507	446,009
Other non-current liabilities			
Other long-term employee benefits	360	525	4,730
Deferred income	2,097	768	6,919
Long-term accrued expenses	650	604	5,441
Other	34	275	2,477
Total	3,143	2,174	19,586

28. Equity and Other Equity Items

(1) Capital stock and capital surplus

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the proceeds of certain issues of common shares shall be credited to “Capital stock”. The remainder of the proceeds may be credited to “Capital surplus”. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from “Capital surplus” to “Capital stock”.

The number of authorized shares, the number of outstanding shares and the amount of capital stock, etc., are as follows:

	Number of authorized shares (Shares)	Number of outstanding shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)	Capital stock (Thousands of U.S. dollars)	Capital surplus (Thousands of U.S. dollars)
Balance as of April 1, 2017	600,000,000	277,535,866	19,209	17,455		
Increase	—	(15,315,336)	—	62		
Balance as of March 31, 2018	600,000,000	262,220,530	19,209	17,517	173,054	157,811
Increase	—	—	—	59	—	532
Balance as of March 31, 2019	600,000,000	262,220,530	19,209	17,577	173,054	158,351

(Note) The shares issued by the Company are common shares with no par value and no restriction on the content of rights. Outstanding shares are fully paid.

(2) Retained earnings

The Companies Act of Japan provides that a 10% dividend of retained earnings should be accumulated as "Capital surplus" or a legal reserve until the sum of "Capital surplus" or a legal reserve equal to 25% of "Capital stock". Accumulated legal reserve can be applied to capital deficit and can be reversed upon resolution of the shareholders' meeting.

Retained earnings include the transferred amount of the accumulated gains and losses recognized through other comprehensive income when selling financial assets measured at fair value through other comprehensive income.

(3) Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act also allows Japanese companies to purchase treasury stock through market transactions or tender offers by resolution of the board of directors, as long as it is allowed under the articles of incorporation, subject to limitations imposed by the Companies Act.

The movement of the number and the amount of treasury stock is as follows:

	Number of shares (Shares)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Balance as of April 1, 2017	17,889,795	(24,230)	
Increase	8,014	(15)	
Decrease	(15,356,100)	21,445	
Balance as of March 31, 2018	2,541,709	(2,800)	(25,225)
Increase	6,295	(11)	(99)
Decrease	(84,120)	117	1,054
Balance as of March 31, 2019	2,463,884	(2,694)	(24,270)

The increase in treasury stock by 8,014 shares for the year ended March 31, 2018 represents the portion of treasury stock acquired by associates of 4,057 shares and the Company's purchase of odd lots of 3,957 shares. The decrease in treasury stock by 15,356,100 shares was due to the cancellation of treasury stock of 15,315,336 shares, the exercise of stock options of 34,300 shares, stock swap of 6,440 shares, and the transfer of odd lots in response to purchase requests of 24 shares.

The increase in treasury stock by 6,295 shares for the year ended March 31, 2019 represents the Company's purchase of odd lots of 3,821 shares and the portion of treasury stock acquired by associates of 2,474 shares. The decrease in treasury stock by 84,120 shares was due to the exercise of stock options of 84,000 shares and the transfer of odd lots in response to purchase requests of 120 shares.

(4) Other capital surplus

Stock acquisition rights

The Company adopts stock option plans and issues stock acquisition rights based on the Company Act. The contractual terms and the amounts, etc., are provided in Note 40 "Shared-Based Payments."

(5) Other components of equity

Cumulative translation differences for foreign operations

Cumulative translation differences for foreign operations are the foreign exchange differences which are recognized when consolidating the financial statements of foreign operations to the Group.

Effective portion of net changes in the fair value of cash flow hedges

This is the effective portion of changes in the fair value of derivative transactions designated as cash flow hedges.

Gains/(Losses) on investments in equity instruments designated as FVTOCI

This is the valuation difference of Gains/(Losses) on investments in equity instruments designated as FVTOCI.

Remeasurements of the net defined benefit liabilities (assets)

Remeasurements of the net defined benefit liabilities (assets) comprise actuarial gains and losses on defined benefit obligations, the return on plan assets excluding the interest income and changes in the effect of the asset ceiling.

29. Dividends

The Company distributes dividends paid within the limit provided by the Companies Act. The dividend limit is calculated based on the amount of retained earnings in the Company's accounting books prepared in accordance with Japanese GAAP.

Dividends paid were as follows:

FY2017 (Year ended March 31, 2018)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 19, 2017	6,239	24.00	March 31, 2017	June 2, 2017
The Board of Directors Meeting held on November 7, 2017	6,240	24.00	September 30, 2017	November 30, 2017

FY2018 (Year ended March 31, 2019)

Resolution	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors Meeting held on May 17, 2018	7,800	70,270	30.00	0.27	March 31, 2018	June 5, 2018
The Board of Directors Meeting held on November 6, 2018	7,802	70,288	30.00	0.27	September 30, 2018	November 30, 2018

Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

FY2017 (Year ended March 31, 2018)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May17, 2018	7,800	30.00	March 31, 2018	June 5, 2018

FY2018 (Year ended March 31, 2019)

Resolution	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors Meeting held on May 31, 2019	7,803	70,297	30.00	0.27	March 31, 2019	June 4, 2019

30. Revenue

(1) Disaggregation of revenue

The relationship between disaggregated revenue by geographic region and revenue by segment is as follows:

FY2018 (Year Ended March 31, 2019)

(Millions of yen)

	Reportable segment						Total
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others	
Japan	34,055	3,554	26,965	46,893	809	12,143	124,421
The Americas	152,815	25,800	12,920	64	17,314	0	208,916
Europe	130,840	11,116	8,236	—	30,147	—	180,341
Asia and others	48,249	4,029	26,029	338	15,628	4	94,279
China	37,074	944	29,979	630	7,335	49	76,013
Consolidated	403,036	45,445	104,130	47,926	71,234	12,198	683,972
Leases	50	—	132	15,264	2,300	1,575	19,323
Revenue from IFRS 15	402,985	45,445	103,998	32,662	68,934	10,623	664,648

(Note) Revenue is geographically disaggregated by customer location.

(Thousands of U.S dollars)

	Reportable segment						Total
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others	
Japan	306,802	32,018	242,928	422,459	7,288	109,396	1,120,910
The Americas	1,376,712	232,432	116,396	577	155,982	0	1,882,126
Europe	1,178,739	100,144	74,198	—	271,595	—	1,624,694
Asia and others	434,676	36,297	234,495	3,045	140,793	36	849,360
China	334,000	8,505	270,081	5,676	66,081	441	684,802
Consolidated	3,630,955	409,414	938,108	431,766	641,748	109,892	6,161,910
Leases	450	—	1,189	137,514	20,721	14,189	174,081
Revenue from IFRS 15	3,630,495	409,414	936,919	294,252	621,027	95,703	5,987,820

For sales of products of the Group, the performance obligation in a contract is satisfied when the customer obtains control over the products based on contract terms. Thus, revenue is recognized upon delivery to the customer, at the time of customer acceptance, or based on contract terms. Services, such as maintenance and operation, relating to these products may be provided to the customer. Revenue is recognized based on the contractual period because the performance obligation relating to these services is generally satisfied with the passage of time. Also, rebates that are subject to achievement of a certain target, such as sales quantity and sales amount, may be added when products are sold. In that case, transaction price is determined at the consideration promised in a contract with a customer, less rebates and other estimated items. Rebates and other estimated items are calculated based on the past actual, etc., and revenue is recognized only when it is highly probable that a significant reversal in the amount will not occur.

(2) Contract balances

The balances of receivables and contract liabilities from contracts with customers are as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	Date of initial application (As of April 1, 2018)	FY 2018 (As of March 31, 2019)	FY 2018 (As of March 31, 2019)
Receivables from contracts with customers	105,382	102,239	921,072
Contract liabilities	5,186	5,189	46,748

Revenue recognized in the year ended March 31, 2019 that was included in the contract liability balance at the beginning of the period is ¥4,066 million ($36,631 thousand.)

Revenue recognized in the year ended March 31, 2019 from performance obligations satisfied in previous periods was not material.

(Note)

1) “Contract liabilities” are mainly related to advances received from customers.
2) There are no significant changes in “Contract liabilities.”

(3) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations is not material.

Also, the Group applies Paragraph 121 of IFRS 15 and omits the disclosure of transactions with contractual periods of one year or less or transactions applying the practical expedient in Paragraph B16 of IFRS 15. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

The Group applies the practical expedient in Paragraph B63 of IFRS 15. When the period between when a good or service is transferred to a customer and when the consideration is paid is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

31. Cost of Sales

The breakdown of cost of sales is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Raw materials costs	306,737	290,444	2,616,613
Employee benefit expenses	58,923	57,196	515,279
Depreciation and amortization	22,071	21,499	193,685
Other	24,478	22,752	204,973
Total	412,211	391,893	3,530,568

32. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Employee benefit expenses	95,805	95,944	864,360
Depreciation and amortization	12,070	12,174	109,676
Freight expenses	14,689	19,903	179,306
Advertising expenses	16,618	14,064	126,703
Rental expenses	4,628	4,801	43,252
Traveling expenses	6,713	6,869	61,883
Other	73,031	66,347	597,721
Total	223,557	220,105	1,982,928

33. Other Income and Other Expenses

The breakdown of other income is as follows:

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Gain on sales of fixed assets	170	103	928
Net gain in the fair value of financial instruments measured at FVTPL			
Derivatives	—	1,953	17,595
Other	546	853	7,685
Insurance revenue	234	447	4,027
Foreign exchange gains	—	329	2,964
Income from government grants	327	412	3,712
Other	553	774	6,973
Total	1,832	4,875	43,919

The breakdown of other expenses is as follows:

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Loss on sales and disposal of fixed assets	784	2,258	20,342
Impairment losses	1,223	188	1,694
Net loss in the fair value of financial instruments measured at FVTPL			
Derivatives	5,665	—	—
Foreign exchange losses	1,249	—	—
Disaster losses	17	188	1,694
Credit losses	283	612	5,514
Structural reform expenses (Note)	517	1,071	9,649
Other	649	605	5,450
Total	10,390	4,924	44,360

(Note) Structural reform expenses for the year ended March 31, 2018 are mainly special retirement payments of a certain consolidated subsidiary in the Personal & Home business.
Structural reform expenses for the year ended March 31, 2019 are mainly special retirement payments of a certain consolidated subsidiary in the Printing & Solutions business.

34. Government Grants

The Company received government grants to acquire property, plant and equipment in association with the transfer of a factory in China. The government grants received, which are accounted for as deferred income and proportionally recognized as a reduction of “Cost of sales” in profit or loss over the useful lives of the facilities subject to such grants in the consolidated statement of income, are ¥47 million for the year ended March 31, 2018 and ¥46 million ($414 thousand) for the year ended March 31, 2019. Otherwise, “Other income” includes the government grants of ¥327 million for the year ended March 31, 2018 and ¥412 million ($3,712 thousand) for the year ended March 31, 2019 as profit or loss.

There are no unsatisfied conditions and contingencies incidental to the government grants.

35. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Interest income			
Financial assets measured at amortized cost	961	936	8,432
Net gain in the fair value of financial instruments measured at FVTPL			
Derivatives (Note)	—	2,786	25,099
Dividend income	263	304	2,739
Foreign exchange gains (Note)	2,274	—	—
Other	22	12	108
Total	3,522	4,039	36,387

The breakdown of finance expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Interest expense	1,161	1,679	15,126
Net interest expense on net defined benefit liability	263	240	2,162
Net loss in the fair value of financial instruments measured at FVTPL			
Derivatives (Note)	1,111	—	—
Foreign exchange losses (Note)	—	1,790	16,126
Other	61	89	802
Total	2,598	3,800	34,234

(Note) Foreign exchange gains or losses resulted primarily from corporate bonds and borrowings denominated in foreign currencies. The Company has entered into currency interest rate swap contracts to avoid the effect of fluctuations in the exchange rates of foreign currency-denominated borrowings on profit or loss, and the differences in valuation are recognized as finance income or expenses.

36. Earnings per Share

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Profit attributable to ordinary shareholders of the parent company	50,020	53,902	485,604
Net income used in the calculation of diluted earnings per share	50,020	53,902	485,604
Average number of shares – basic	259,674,870	259,719,758	
Increase of shares – basic			
Stock acquisition rights (shares)	739,311	798,634	
Average number of shares – diluted	260,414,181	260,518,392	

		(Yen)	(U.S dollars)
Basic earnings per share	192.63	207.54	1.87
Diluted earnings per share	192.08	206.90	1.86

37. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and the income tax effect for each item in other comprehensive income, including non-controlling interests, are as follows:

FY2017 (Year ended March 31, 2018)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	3,583	—	3,583	(991)	2,591
Remeasurements of the net defined benefit liability (asset)	1,772	—	1,772	(394)	1,377
Share of other comprehensive income of investments accounted for using the equity method	(2)	—	(2)	—	(2)
Subtotal	5,353	—	5,353	(1,386)	3,966
Items that may be reclassified to profit or loss					
Cash flow hedges	27	163	190	(29)	161
Exchange differences on translating foreign operations	8,808	—	8,808	—	8,808
Subtotal	8,835	163	8,998	(29)	8,969
Total	14,188	163	14,352	(1,415)	12,936

FY2018 (Year ended March 31, 2019)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	(3,593)	—	(3,593)	927	(2,665)
Remeasurements of the net defined benefit liability (asset)	(1,394)	—	(1,394)	441	(953)
Share of other comprehensive income of investments accounted for using the equity method	11	—	11	—	11
Subtotal	(4,976)	—	(4,976)	1,368	(3,607)
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	(5,222)	—	(5,222)	(106)	(5,329)
Subtotal	(5,222)	—	(5,222)	(106)	(5,329)
Total	(10,199)	—	(10,199)	1,261	(8,937)

(Thousands of U.S. dollars)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	(32,369)	—	(32,369)	8,351	(24,009)
Remeasurements of the net defined benefit liability (asset)	(12,559)	—	(12,559)	3,973	(8,586)
Share of other comprehensive income of investments accounted for using the equity method	99	—	99	—	99
Subtotal	(44,829)	—	(44,829)	12,324	(32,495)
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	(47,045)	—	(47,045)	(955)	(48,009)
Subtotal	(47,045)	—	(47,045)	(955)	(48,009)
Total	(91,883)	—	(91,883)	11,360	(80,514)

Of the above items, the amounts attributable to non-controlling interests (after income tax effect) are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Gains on investments in equity instruments designated as FVTOCI	128	(140)	(1,261)
Remeasurements of the net defined benefit liability (asset)	(3)	(2)	(18)
Exchange differences on translating foreign operations	8	(7)	(63)
Total	134	(150)	(1,351)

38. Liabilities Arising from Financing Activities

The changes in liabilities arising from financing activities are as follows:

FY2017 (Year ended March 31, 2018)

(Millions of yen)

	FY2016 (As of March 31, 2017)	Cash flow	Non-cash changes					FY2017 (As of March 31, 2018)
			Foreign exchange differences	Fair value	New leases	Amortized cost	Business combination	
Short-term borrowings	402	671	2	—	—	—	100	1,176
Long-term borrowings (Note 1)								
Long-term borrowings	96,535	(19,479)	(2,304)	—	—	(47)	98	74,801
Derivatives	5,246	(819)	—	1,813	—	—	—	6,240
Subtotal	101,782	(20,299)	(2,304)	1,813	—	(47)	98	81,042
Bonds (Note 2)	40,654	(422)	52	—	—	43	140	40,468
Lease obligations	4,273	(1,760)	(0)	—	1,892	—	174	4,579
Total	147,113	(21,811)	(2,249)	1,813	1,892	(4)	513	127,266

(Note)
1) “Repayment of long-term borrowings” in the consolidated statement of cash flows includes derivatives paid or received.
2) Changes from cash flows associated with bonds for the year ended March 31, 2018 are included in “Other” in “Cash flows from financing activities” in the consolidated statement of cash flows.

FY2018 (Year ended March 31, 2019)

(Millions of yen)

	FY2017 (As of March 31, 2018)	Cash flow	Non-cash changes					FY2018 (As of March 31, 2019)
			Foreign exchange differences	Fair value	New leases	Amortized cost	Business combination	
Short-term borrowings	1,176	(1,042)	(12)	—	—	—	—	122
Long-term borrowings								
Long-term borrowings	74,801	(296)	1,881	—	—	45	—	76,432
Derivatives	6,240	—	—	(1,828)	—	—	—	4,411
Subtotal	81,042	(296)	1,881	(1,828)	—	45	—	80,844
Bonds	40,468	(20,231)	(16)	—	—	17	—	20,237
Lease obligations	4,579	(1,590)	(0)	—	1,015	—	—	4,004
Total	127,266	(23,159)	1,852	(1,828)	1,015	62	—	105,209

(Thousands of U.S. dollars)

	FY2017 (As of March 31, 2018)	Cash flow	Non-cash changes					FY2018 (As of March 31, 2019)
			Foreign exchange differences	Fair value	New leases	Amortized cost	Business combination	
Short-term borrowings	10,595	(9,387)	(108)	—	—	—	—	1,099
Long-term borrowings								
Long-term borrowings	673,883	(2,667)	16,946	—	—	405	—	688,577
Derivatives	56,216	—	—	(16,468)	—	—	—	39,739
Subtotal	730,108	(2,667)	16,946	(16,468)	—	405	—	728,324
Bonds	364,577	(182,261)	(144)	—	—	153	—	182,315
Lease obligations	41,252	(14,324)	(0)	—	9,144	—	—	36,072
Total	1,146,541	(208,640)	16,685	(16,468)	9,144	559	—	947,829

39. Non-Financial Transactions

The purchases of property, plant and equipment related to finance leases are as follows:

	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
	(Millions of yen)		(Thousands of U.S. dollars)
Property, plant and equipment related to finance leases	1,062	572	5,153

40. Shared-Based Payments

(1) Description of the share-based payment system

The Company has adopted a stock option scheme for directors (excluding external directors) and executive officers (excluding executive officers concurrently working as director) with an aim to increase incentives for the improvement of long-term performance.

Stock options of the Company are all equity-settled, share-based payment and granted on the basis of matters approved at the board of directors' meeting. The exercise period is prescribed in the allocation agreement, and stock options not exercised during such period expire. No vesting conditions are set in the scheme, and stock options are vested on the grant date.

Stock acquisition rights holders may, during the exercise period, exercise their stock acquisition rights until the day on which five years have elapsed from the day on which one year has elapsed from the following day after the date on which they resign as director, corporate auditor, executive officer or administration officer of the Company, its subsidiaries or companies of which the Company or its subsidiaries hold more than 40% of the voting rights of all shareholders. However, in cases in which the first day of the exercise period does not arrive by 30 years after the following day of the allocation date of stock acquisition rights, on which the subscription requirements for stock acquisition rights are determined, the holders may exercise such rights within one year from the following day.

Details of the Company’s stock options are as follows:

Date of grant	Number of options granted (Shares)		Exercise period	Exercise price		Fair value price at grant date		
				(Yen)	(U.S. dollars)		(Yen)	(U.S. dollars)
March 19, 2007	The Company directors	46,000	30 years starting on the day following the stock option grant date	1	0.01	The Company directors	1,350	12.16
March 24, 2008	The Company directors	65,100	Same as above	1	0.01	The Company directors	915	8.24
March 23, 2009	The Company directors	114,500	Same as above	1	0.01	The Company directors	642	5.78
March 23, 2010	The Company directors	51,900	Same as above	1	0.01	The Company directors	899	8.10
	The Company executive officers	49,600				The Company executive officers	912	8.22
March 23, 2011	The Company directors	43,200	Same as above	1	0.01	The Company directors	1,018	9.17
	The Company executive officers	40,300				The Company executive officers	1,034	9.32
March 23, 2012	The Company directors	44,600	Same as above	1	0.01	The Company directors	929	8.37
	The Company executive officers	61,800				The Company executive officers	957	8.62
March 21, 2013	The Company directors	36,600	Same as above	1	0.01	The Company directors	850	7.66
	The Company executive officers	69,500				The Company executive officers	880	7.93
March 27, 2014	The Company directors	30,800	Same as above	1	0.01	The Company directors	1,169	10.53
	The Company executive officers	49,600				The Company executive officers	1,157	10.42

Date of grant	Number of options granted (Shares)		Exercise period	Exercise price		Fair value price at grant date		
				(Yen)	(U.S. dollars)		(Yen)	(U.S. dollars)
March 18, 2015	The Company directors	37,300	Same as above	1	0.01	The Company directors	1,615	14.55
	The Company executive officers	28,800				The Company executive officers	1,655	14.91
March 24, 2016	The Company directors	52,200	Same as above	1	0.01	The Company directors	1,089	9.81
	The Company executive officers	66,000				The Company executive officers	1,089	9.81
March 24, 2017	The Company directors	29,700	Same as above	1	0.01	The Company directors	1,981	17.85
	The Company executive officers	43,500				The Company executive officers	1,944	17.51
March 26, 2018	The Company directors	28,300	Same as above	1	0.01	The Company directors	2,014	18.14
	The Company executive officers	33,200				The Company executive officers	1,967	17.72
July 19, 2018	The Company directors	37,900	Same as above	1	0.01	The Company directors	1,892	17.05
	The Company executive officers	35,600				The Company executive officers	1,855	16.71

(2) Number of stock options and weighted-average exercise price

	FY2017 (Year ended March 31, 2018)		FY2018 (Year ended March 31, 2019)		
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)	Weighted-average exercise price (U.S. dollars)
Unexercised balance at beginning of year	765,900	1	793,100	1	0.01
Granted	61,500	1	73,500	1	0.01
Forfeited	—	—	—	—	—
Exercised	34,300	1	84,000	1	0.01
Matured	—	—	—	—	—
Unexercised balance at end of year	793,100	1	782,600	1	0.01
Exercised balance at end of year	9,600	1	123,100	1	0.01

The weighted-average stock price on the exercise date is ¥2,554 for the stock options exercised during the year ended March 31, 2018 and ¥2,158 ($19.44) for those exercised during the year ended March 31, 2019.

The exercise price of unexercised stock options is ¥1 as of March 31, 2018, and ¥1($0.01) as of March 31, 2019. The weighted-average remaining contractual term was 19 years for the years ended March 31, 2018 and 2019.

(3) Fair value of stock options granted during the period and valuation method used

The weighted-average fair value of the stock options granted is ¥1,989 for the year ended March 31, 2018 and ¥1,874 ($16.88) for the year ended March 31, 2019.

The fair value of the stock options granted during the period is assessed using the Black-Scholes Model based on the following:

(Yen) (U.S. dollars)

	FY 2017 (Year ended March 31, 2018)		FY 2018 (Year ended March 31, 2019)		FY 2018 (Year ended March 31, 2019)	
	The Company directors	The Company executive officers	The Company directors	The Company executive officers	The Company directors	The Company executive officers
Stock price at the date of grant	2,389	2,389	2,247	2,247	20.24	20.24
Exercise price	1	1	1	1	0.01	0.01
Expected volatility	34.34%	34.82%	34.08%	34.20%		
Expected life	8 years	9 years	8 years	9 years		
Expected dividend	2.12%	2.15%	2.14%	2.12%		
Risk-free interest rate	(0.06)%	(0.01)%	(0.04)%	0.00%		

(Note) Expected volatility is calculated based on daily stock prices during the period corresponding to the expected life. The expected life is estimated based on the average length of tenure of the Company's directors and executive officers and the exercise conditions. Expected dividends are computed on the basis of actual dividends paid during the period corresponding to the expected life. The risk-free rate is based on the yield of government bonds during the period corresponding to the expected life.

(4) Share-based compensation expenses

The amount of share-based compensation expenses included in “Selling, general and administrative expenses” in the consolidated statement of income is ¥122 million for the year ended March 31, 2018 and ¥137 million ($1,234 thousand) for the year ended March 31, 2019.

41. Financial Instruments

(1) Capital management

The Group manages capital for the purpose of maximizing corporate value through sustainable growth.

The comparison between net interest-bearing debt (interest-bearing debt less cash and cash equivalents) and capital (equity attributable to owners of the parent company) is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Interest-bearing debt	116,446	96,792	872,000
Cash and cash equivalents	(121,384)	(131,152)	(1,181,550)
Net interest-bearing debt	(4,937)	(34,359)	(309,541)
Capital (equity attributable to owners of the parent company)	395,514	424,759	3,826,658

(Note)
1) The Group is not subject to any externally imposed capital requirements.
2) Interest-bearing debt is calculated as the sum of “Bonds and borrowings” in the consolidated statement of financial position.

(2) Financial risk management

The Group is exposed to a variety of financial risks such as market risk (including currency exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk in the course of its business activities and conducts risk management to mitigate such financial risks.

The Group enters into derivative financial instruments in order to reduce foreign currency exchange rate risk and interest rate risk and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

<1> Credit risk management

a. Risk management activities

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group manages such risk by setting credit limits for counterparties based on its credit management policy.

Trade receivables are due from a large number of customers, spread across diverse industries and geographical areas. The Group does not have significant credit risk exposure or concentration of credit risk to any single counterparty or groups of counterparties.

The Group’s maximum exposure to credit risk before considering the estimated value of the collateral obtained is the carrying amount of financial assets after deducting impairment losses, which is reported in the consolidated financial statements.

The Company enters into derivative financial instruments only with creditworthy financial institutions to reduce counterparty risk.

b. Credit risk management practice

The assessment of whether there has been a significant increase in credit risk is based on internal and external credit ratings and other information. If a contractual payment is more than 30 days past due, it is generally deemed that there has been a significant increase in credit risk.

The Group determines that a debtor is in default if its credit has been impaired, which is judged based on any events occurring that may have an adverse impact on expected future cash flows of financial assets.

Expected credit losses are assessed individually or by group, in which case debtors are categorized into groups based on common risk characteristics indicating their capabilities. In assessing 12-month and lifetime expected credit losses, the current situation and projection for future losses are considered on the basis of credit impairment history.

c. Changes in allowance for doubtful accounts and subject financial assets

The Group provides an allowance for doubtful accounts taking into consideration the recoverability of operating receivables, etc., according to the credit status of counterparties.

Changes in the allowance for doubtful accounts in relation to trade receivables and other assets are as described below. Assets whose recoverability is likely to be low are classified into credit-impaired financial assets (e.g., when only partial payment is made and interest has occurred or payment for assets 30 days past due is made irregularly).

Changes in allowance for doubtful accounts are as follows:

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2017	438	2,337	2,776
Reclassification to non-credit-impaired financial assets	55	(55)	—
Reclassification to credit-impaired financial assets	(4)	4	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	(49)	16	(32)
Write-offs	(2)	(225)	(227)
Changes due to terms	(14)	—	(14)
Foreign exchange differences	22	(13)	8
Other	—	1	1
Balance as of March 31, 2018	445	2,066	2,512
Reclassification to non-credit-impaired financial assets	608	(608)	—
Reclassification to credit-impaired financial assets	(3)	3	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	(743)	909	165
Write-offs	(4)	(440)	(444)
Foreign exchange differences	(14)	(35)	(49)
Balance as of March 31, 2019	289	1,894	2,184

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2018	4,009	18,613	22,631
Reclassification to non-credit-impaired financial assets	5,477	(5,477)	—
Reclassification to credit-impaired financial assets	(27)	27	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	(6,694)	8,189	1,486
Write-offs	(36)	(3,964)	(4,000)
Foreign exchange differences	(126)	(315)	(441)
Balance as of March 31, 2019	2,604	17,063	19,676

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance as of April 1, 2017	3	374	377
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	0	0
Write-offs	(0)	—	(0)
Foreign exchange differences	0	(17)	(17)
Balance as of March 31, 2018	3	357	360
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	(3)	(3)
Write-offs	(0)	(302)	(302)
Foreign exchange differences	(0)	(4)	(4)
Balance as of March 31, 2019	3	47	50

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance as of March 31, 2018	27	3,216	3,243
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	(27)	(27)
Write-offs	(0)	(2,721)	(2,721)
Foreign exchange differences	(0)	(36)	(36)
Balance as of March 31, 2019	27	423	450

Changes in receivables for which an allowance for doubtful accounts is provided are as follows:

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2017	96,153	2,742	98,895
Reclassification to non-credit-impaired financial assets	756	(756)	—
Reclassification to credit-impaired financial assets	(466)	466	—
New financial assets and derecognized financial assets	9,725	(489)	9,236
Write-offs	(36)	(154)	(191)
Foreign exchange differences	(835)	5	(829)
Other	(835)	869	33
Balance as of March 31, 2018	104,461	2,683	107,144
Reclassification to non-credit-impaired financial assets	1,041	(1,041)	—
Reclassification to credit-impaired financial assets	(320)	320	—
New financial assets and derecognized financial assets	(2,532)	255	(2,277)
Write-offs	(35)	(444)	(479)
Foreign exchange differences	(652)	(47)	(700)
Other	(820)	820	—
Balance as of March 31, 2019	101,141	2,546	103,687

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2018	941,090	24,171	965,261
Reclassification to non-credit-impaired financial assets	9,378	(9,378)	—
Reclassification to credit-impaired financial assets	(2,883)	2,883	—
New financial assets and derecognized financial assets	(22,811)	2,297	(20,514)
Write-offs	(315)	(4,000)	(4,315)
Foreign exchange differences	(5,874)	(423)	(6,306)
Other	(7,387)	7,387	—
Balance as of March 31, 2019	911,180	22,937	934,117

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2017	4,964	0	400	5,366
New financial assets and derecognized financial assets	125	―	5	131
Write-offs	(4)	―	―	(4)
Foreign exchange differences	83	0	(17)	66
Other	94	―	9	103
Balance as of March 31, 2018	5,263	0	397	5,662
New financial assets and derecognized financial assets	766	(0)	(8)	756
Write-offs	(0)	―	(306)	(306)
Foreign exchange differences	(59)	(0)	(4)	(64)
Balance as of March 31, 2019	5,970	―	77	6,047

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of March 31, 2018	47,414	0	3,577	51,009
New financial assets and derecognized financial assets	6,901	(0)	(72)	6,811
Write-offs	(0)	―	(2,757)	(2,757)
Foreign exchange differences	(532)	(0)	(36)	(577)
Balance as of March 31, 2019	53,784	―	694	54,477

Of financial assets that are written off, there are no financial assets for which collecting activities continue in the year ended March 31, 2019.

d. Risk profile

The description of credit risk profiles by external credit ratings, etc., is as follows:

FY2017 (As of March 31, 2018)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	94,593	90	94,684
Within 30 days past due	7,099	14	7,113
31 to 60 days past due	1,278	5	1,284
61 to 90 days past due	763	5	768
Over 90 days past due	725	2,567	3,293
Total	104,461	2,683	107,144

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	5,263	0	43	5,307
Over 90 days past due	—	0	354	355
Total	5,263	0	397	5,662

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	5,531
Rating A	6,972
Total	12,504

FY2018 (As of March 31, 2019)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	89,171	266	89,438
Within 30 days past due	8,119	24	8,143
31 to 60 days past due	1,591	20	1,611
61 to 90 days past due	887	13	901
Over 90 days past due	1,371	2,220	3,591
Total	101,141	2,546	103,687

(Thousands of U.S. dollars)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	803,342	2,396	805,748
Within 30 days past due	73,144	216	73,360
31 to 60 days past due	14,333	180	14,514
61 to 90 days past due	7,991	117	8,117
Over 90 days past due	12,351	20,000	32,351
Total	911,180	22,937	934,117

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	5,970	37	6,008
Over 90 days past due	—	39	39
Total	5,970	77	6,047

(Thousands of U.S. dollars)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	53,784	333	54,126
Over 90 days past due	—	351	351
Total	53,784	694	54,477

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	6,314
Rating A	6,813
Total	13,127

(Thousands of U.S. dollars)

	12-month expected credit losses
Rating AAA-AA	56,883
Rating A	61,378
Total	118,261

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2019 is the carrying amount of financial assets. No credit enhancement is provided by taking collateral, etc., as a guarantee.

<2> Liquidity risk management

a. Risk management activities

Liquidity risk is the risk that the Group may be unable to meet its repayment obligations on financial liabilities which are due for settlement.

The Group's policy in financial activities is to keep liquidity at an appropriate level for present and future business activities and to ensure flexible and efficient funding. In accordance with this policy, the Group, mainly its financial subsidiaries, establishes and manages a cash management system to efficiently utilize the Group's funding. The Group also manages liquidity risk by regularly preparing and updating funding plans and entering into commitment line agreements with several financial institutions to ensure various means of funding.

b. Maturity analysis

The following table details the Group's expected maturity for its financial liabilities:

FY2017 (As of March 31, 2018)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	68,189	68,189	68,189	—	—	—	—	—
Borrowings	75,978	76,026	1,448	18,702	210	18,688	18,488	18,488
Bonds	40,468	40,496	20,446	20	20,020	10	—	—
Lease obligations	4,579	4,743	1,542	1,299	651	496	754	—
Other	2,530	2,530	682	205	63	13	15	1,550
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	1,543	1,543	1,543	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	6,715	6,715	—	1,514	—	1,620	1,725	1,854
Total	200,004	200,245	93,852	21,741	20,945	20,828	20,984	21,893

FY2018 (As of March 31, 2019)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	62,216	62,216	62,216	—	—	—	—	—
Borrowings	76,555	76,740	19,326	200	19,204	19,004	19,004	—
Bonds	20,237	20,248	248	20,000	—	—	—	—
Lease obligations	4,004	4,162	1,335	837	589	852	548	—
Other	2,411	2,411	414	263	75	11	16	1,630
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	668	668	668	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	4,964	4,964	23	1,010	1,161	1,298	1,470	—
Total	171,058	171,412	84,233	22,311	21,030	21,166	21,040	1,630

FY2018 (As of March 31, 2019)

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	560,505	560,505	560,505	—	—	—	—	—
Borrowings	689,685	691,351	174,108	1,802	173,009	171,207	171,207	—
Bonds	182,315	182,414	2,234	180,180	—	—	—	—
Lease obligations	36,072	37,495	12,027	7,541	5,306	7,676	4,937	—
Other	20,721	21,721	3,730	2,369	676	99	144	14,685
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	6,018	6,018	6,018	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps /Currency swaps	44,721	44,721	207	9,099	10,459	11,694	13,243	—
Total	1,541,063	1,544,252	758,856	201,000	189,459	190,685	189,550	14,685

c. Commitment lines

Total amounts of commitment lines and their usage are as follows:

(Millions of yen) (Thousands of U.S. dollars)

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Total commitment lines	10,000	10,000	90,090
Drawn	—	—	—
Undrawn	10,000	10,000	90,090

<3> Foreign currency exchange rate risk management

a. Risk management activities

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilizing derivative financial instruments such as foreign exchange forward contracts and currency options.

b. Exchange sensitivity analysis

The following table details the Group's sensitivity of profit before income taxes in the consolidated statement of income and comprehensive income for the year in the consolidated statement of comprehensive income from financial assets and financial liabilities to a 1% increase in the Japanese yen against the relevant foreign currencies (i.e., the US dollar, Euro, British pound and Chinese yuan for each reporting period). Note that this analysis holds all other variables such as balance and interest rate constant.

	(Millions of yen)				(Thousands of U.S. dollars)	
	FY2017 (Year ended March 31, 2018)		FY2018 (Year ended March 31, 2019)		FY2018 (Year ended March 31, 2019)	
	Profit before income taxes	Comprehensive income for the year (before tax effects)	Profit before income taxes	Comprehensive income for the year (before tax effects)	Profit before income taxes	Comprehensive income for the year (before tax effects)
USD	177	174	200	199	1,802	1,793
EUR	681	681	112	112	1,009	1,009
GBP	(34)	(34)	(99)	(99)	(892)	(892)
CNY	55	55	30	30	270	270

<4> Interest risk management

a. Risk management activities

The Group is exposed to interest rate risk, which influences borrowing costs and the fair value of bonds. This risk is managed by the use of derivative financial instruments such as interest rate swaps in accordance with predetermined policies to minimize the risk.

b. Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. If interest rates had been 1% higher and all other variables such as balance and exchange rate were held constant, the Group's profit before income taxes in the consolidated statement of income and comprehensive income for the year in the consolidated statement of comprehensive income would be as follows.

Note that this analysis holds all other variables such as balance and interest rate constant.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Profit before income taxes	1,196	1,299	11,703
Comprehensive income for the year (before tax effects)	1,196	1,299	11,703

<5> Market risk management

a. Risk management activities

The Group is exposed to equity price risks arising from equity instruments. The Group holds the equity instruments for strategic rather than trading purposes and regularly checks the market value of the equity instruments and financial situation of issuers.

b. Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of each reporting period. If equity prices had been 1% higher and all other variables were held constant, comprehensive income for the year before tax effect accounting would be as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Comprehensive income for the year (before tax effects)	204	162	1,459

(3) Hedge accounting

Exchange rate risk with receivables and payables denominated in foreign currencies

a. Hedge management strategy

The Group holds assets and liabilities that are exposed to the risk of movements in foreign exchange rates and enters into foreign exchange forward contracts to hedge the risk. Some subsidiaries are also exposed to the risk of movements in foreign exchange differences due to sales and purchases denominated in currencies other than the functional currencies.

The maximum exposure to the risk of movements in foreign exchange differences as of March 31, 2019 is the carrying amount of receivables and payables denominated in foreign currencies. The net amount is the negative amount of ¥15,748 million ($141,874 thousand).

At the inception of a hedge, the Group formally designates and documents hedging relationships to which hedge accounting is applied as well as hedging risk management purposes and strategies. The Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The Group has established an appropriate hedge ratio based on the quantity of hedged items and hedging instruments at the beginning of the hedging relationship, which in principle is set to be one to one.

b. Amount, timing and uncertainty of future cash flows

The Group uses foreign exchange forward contracts as hedging instruments. The amounts for each settlement timing are as follows:

FY2017 (As of March 31, 2018)

Not applicable.

FY2018 (As of March 31, 2019)

Not applicable.

c. Impact of hedge accounting on consolidated financial statements

The following tables detail the forward foreign currency contracts outstanding at the end of each reporting period, as well as information regarding their related hedged items:

Hedging instruments designated as cash flow hedges are as follows:

FY2017 (As of March 31, 2018)

Not applicable.

FY2018 (As of March 31, 2019)

Not applicable.

Hedged items designated as cash flow hedges are as follows:

FY2017 (As of March 31, 2018)

Not applicable.

FY2018 (As of March 31, 2019)

Not applicable.

The impact of hedge accounting on the consolidated statement of income is as follows:

FY2017 (Year ended March 31, 2018)

(Millions of yen)

	Changes in value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Accounts that reclassification had an impact on
Foreign exchange forward contracts	27	(163)	Other expenses

FY2018 (Year ended March 31, 2019)

Not applicable.

(4) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Assets:			
Financial assets measured at amortized cost			
Cash and cash equivalents	121,384	131,152	1,181,550
Trade and other receivables	104,624	101,498	914,396
Other financial assets	22,935	20,594	185,532
Financial assets measured at FVTPL			
Other financial assets	4,611	3,900	35,135
Equity instruments measured at FVTOCI			
Other financial assets	20,406	16,276	146,631
Total	273,962	273,421	2,463,252
Liabilities:			
Lease obligations			
Other financial liabilities	4,579	4,004	36,072
Financial liabilities measured at amortized cost			
Trade and other payables	68,189	62,216	560,505
Bonds and borrowings	116,446	96,792	872,000
Other financial liabilities	2,530	2,411	21,721
Financial liabilities measured at FVTPL			
Other financial liabilities	8,258	5,633	50,748
Total	200,004	171,058	1,541,063

(5) Fair value of financial instruments

<1> Fair value at the end of the period

a. Fair values and carrying amounts by class at the end of the period

The carrying amounts and fair values of financial instruments are as shown below.

Financial instruments measured at fair value and financial instruments of which the carrying amount approximates the fair value are not included.

	(Millions of yen)				(Thousands of U.S. dollars)	
	FY2017 (As of March 31, 2018)		FY2018 (As of March 31, 2019)		FY2018 (As of March 31, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Other financial assets	22,935	22,924	20,594	20,592	185,532	185,514
Liabilities:						
Bonds and borrowings	116,446	115,983	96,792	96,821	872,000	872,261
Other financial liabilities	7,109	7,109	6,416	6,416	57,802	57,802

b. Fair value measurement method

The method of measuring the fair value of a financial instrument is as follows.

(Cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities)

For the items that are settled in a short period of time, the carrying amounts are deemed to be the fair value because the fair values approximate the carrying amounts. The other items are measured at the present value of the future cash flow that is discounted by using a rate reflecting the period up to the due date and credit risk. They are classified in Level 2 of the fair value hierarchy.

(Other financial assets and other financial liabilities)

The fair value of listed shares and corporate bonds is the market price at the end of the period and is categorized as Level 1 or Level 2 of the fair value hierarchy depending on whether or not an active market is available. The fair value of non-listed shares, etc., is measured mainly by the multiple method or the net asset value method using unobservable inputs such as valuation multiples and is classified in Level 3 of the fair value hierarchy. The fair value of financial instruments categorized as Level 3 is measured in accordance with related internal regulations by using valuation techniques and inputs that can reflect the nature, characteristics and risks of the relevant financial instruments in the most appropriate manner. The results of fair value measurement are reviewed by senior managers. The EBIT multiple and the net asset multiple are the major unobservable inputs that are used to measure the fair value of financial instruments in Level 3. The EBIT multiple and the net asset multiple used for fair value measurement in the current fiscal year are between 3.2x and 16.8x and between 0.5x and 2.2x, respectively. The fair value increases (decreases) by an increase (decrease) in the EBIT multiple or the net asset multiple.

With respect to financial instruments categorized in Level 3, there are no significant changes in the fair value when changing unobservable inputs to reasonably possible alternative assumptions.

The fair value of derivatives, etc., is measured based on observable market data such as interest rates and exchange rates offered by counterparty financial institutions, etc. and is classified in Level 2 of the fair value hierarchy.

(Bonds and borrowings)

The fair value of bonds and borrowings is the present value calculated by discounting future cash flows at a rate assumed when executing a new similar contract. This is classified in Level 2 as observable market data is used.

<2> Financial instruments measured at fair value on a recurring basis

a. Fair value hierarchy

FY2017 (As of March 31, 2018)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	1,980	2,631	4,611
Financial assets measured at FVTOCI				
Other financial assets	18,144	—	2,262	20,406
Total	18,144	1,980	4,893	25,018
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	8,258	—	8,258
Total	—	8,258	—	8,258

FY2018 (As of March 31, 2019)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	1,083	2,817	3,900
Financial assets measured at FVTOCI				
Other financial assets	14,816	—	1,459	16,276
Total	14,816	1,083	4,276	20,176
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	5,633	—	5,633
Total	—	5,633	—	5,633

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	9,757	25,378	35,135
Financial assets measured at FVTOCI				
Other financial assets	133,477	—	13,144	146,631
Total	133,477	9,757	38,523	181,766
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	50,748	—	50,748
Total	—	50,748	—	50,748

b. Changes in financial assets of Level 3

The following are changes in financial instruments measured at fair value that are categorized as Level 3.

FY2017 (Year ended March 31, 2018)

(Millions of yen)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2017	1,998	2,200	4,199
Total gains and losses	560	56	616
Profit or loss (Note 1)	560	—	560
Other comprehensive income (Note 2)	—	56	56
Purchase	631	5	636
Sale, etc.	(317)	(5)	(322)
Foreign exchange differences	(44)	0	(44)
Other	(196)	4	(192)
Balance as of March 31, 2018	2,631	2,262	4,893

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Of these gains and losses, the amount associated with financial assets held as of March 31, 2018 is ¥413 million.

(Note 2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

FY2018 (Year ended March 31, 2019)

(Millions of yen)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2018	2,631	2,262	4,893
Total gains and losses	374	(827)	(452)
Profit or loss (Note 1)	374	—	374
Other comprehensive income (Note 2)	—	(827)	(827)
Purchase	316	41	357
Sale, etc.	—	(6)	(6)
Foreign exchange differences	40	(0)	40
Other	(546)	(10)	(556)
Balance as of March 31, 2019	2,817	1,459	4,276

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit

or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Of these gains and losses, the amount associated with financial assets held as of March 31, 2019 is ¥374 million.
(Note 2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

FY2018 (Year ended March 31, 2019)

(Thousands of U.S. dollars)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2018	23,703	20,378	44,081
Total gains and losses	3,369	(7,450)	(4,072)
Profit or loss (Note 1)	3,369	—	3,369
Other comprehensive income (Note 2)	—	(7,450)	(7,450)
Purchase	2,847	369	3,216
Sale, etc.	—	(54)	(54)
Foreign exchange differences	360	(0)	360
Other	(4,919)	(90)	(5,009)
Balance as of March 31, 2019	25,378	13,144	38,523

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Of these gains and losses, the amount associated with financial assets held as of March 31, 2019 is $3,369 thousand.
(Note 2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

<3> Financial instruments not measured at fair value

With regard to financial instruments not measured at fair value, fair value measurements are classified in Level 1, 2 and 3 based on the observability and significance of inputs used for the measurement.

FY2017 (As of March 31, 2018)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	—	22,924	—	22,924
Total	—	22,924	—	22,924
Liabilities:				
Bonds and borrowings	—	115,983	—	115,983
Other financial liabilities	—	7,109	—	7,109
Total	—	123,093	—	123,093

FY2018 (As of March 31, 2019)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	—	20,592	—	20,592
Total	—	20,592	—	20,592
Liabilities:				
Bonds and borrowings	—	96,821	—	96,821
Other financial liabilities	—	6,416	—	6,416
Total	—	103,237	—	103,237

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	—	185,514	—	185,514
Total	—	185,514	—	185,514
Liabilities:				
Bonds and borrowings	—	872,261	—	872,261
Other financial liabilities	—	57,802	—	57,802
Total	—	930,063	—	930,063

(6) Investments in equity instruments designated as at FVTOCI

The investments in equity instruments are held not for trading. Instead, they are held for strategic purposes in order to ensure smooth business operations. Accordingly, the Company has elected to designate these investments in equity instruments as at FVTOCI. Major investments in equity instruments and their fair values are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
Nidec Corporation	5,359	4,586	41,315
Zeon Corporation	3,637	2,648	23,856
Makita Corporation	1,528	1,150	10,360
Toho Gas Co., Ltd.	654	994	8,955
Citizen Watch Co., Ltd.	2,333	942	8,486
Other	6,894	5,954	53,640
Total	20,406	16,276	146,631

The breakdown of dividends received that are recognized from equity instruments is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Financial assets held at the end of the period	259	268	2,414
Financial assets derecognized during the period	4	35	315

Equity instruments are sold taking into consideration the fair value status and operational needs. The fair value of the items sold during the period at the date of derecognition and the cumulative gain or loss recognized in other comprehensive income are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Fair value	532	1,117	10,063
Cumulative gain or loss	247	(50)	(450)

Changes in the fair value of equity instruments recognized in other comprehensive income are reclassified in retained earnings immediately when they occur. The cumulative amount of gain or loss on such reclassification is ¥2,462 million and the negative amount of ¥2,525 million ($22,748 thousand) for the years ended March 31, 2018 and 2019, respectively.

(7) Offsetting financial assets and financial liabilities

The following tables show the amounts of financial assets and liabilities offset in the consolidated statement of financial position and those that are subject to enforceable master netting agreements or similar agreements with counterparties as of March 31, 2018 and 2019:

FY2017 (As of March 31, 2018)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	112,497	(7,872)	104,624	—	104,624
Derivatives	1,359	(0)	1,359	—	1,359
Total	113,856	(7,872)	105,984	—	105,984

The aforementioned “Derivatives” are included in “Other financial assets” in the consolidated statement of financial position.

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	76,061	(7,872)	68,189	—	68,189
Derivatives	8,259	(0)	8,258	—	8,258
Total	84,320	(7,872)	76,448	—	76,448

The aforementioned “Derivatives” are included in “Other financial liabilities” in the consolidated statement of financial position.

FY2018 (As of March 31, 2019)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	110,139	(8,640)	101,498	—	101,498
Derivatives	774	—	774	274	500
Total	110,913	(8,640)	102,273	274	101,998

The aforementioned “Derivatives” are included in “Other financial assets” in the consolidated statement of financial position.

(Thousands of U.S. dollars)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	992,243	(77,838)	914,396	—	914,396
Derivatives	6,973	—	6,973	2,468	4,505
Total	999,216	(77,838)	921,378	2,468	918,901

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	70,856	(8,640)	62,216	—	62,216
Derivatives	5,633	—	5,633	274	5,359
Total	76,489	(8,640)	67,849	274	67,575

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

(Thousands of U.S. dollars)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	638,342	(77,838)	560,505	—	560,505
Derivatives	50,748	—	50,748	2,468	48,279
Total	689,090	(77,838)	611,252	2,468	608,784

Financial assets and collateral pledged subject to enforceable master netting arrangements and similar agreements are to be set off at the net amounts, if a certain condition, such as a default or cancellation in the arrangement, is met.

(8) Gains and losses arising on financial instruments

The total amounts of gains and losses arising on financial instruments are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Financial instruments measured at FVTPL (derivatives)	(6,931)	4,740	42,703
Financial instruments measured at FVTPL (other than derivatives) (Note)	568	865	7,793
Equity instruments measured at FVTOCI	263	304	2,739
Financial assets measured at amortized cost	678	324	2,919
Financial liabilities measured at amortized cost	(1,213)	(1,726)	(15,550)
Total	(6,635)	4,508	40,613

(Note) Net gains and losses arising on financial instruments other than derivatives measured at FVTOCI include interest income.

42. Significant Subsidiaries

Details of significant consolidated subsidiaries as of March 31, 2019, are as follows:

	Capital in thousands of local currency		Principal business	Equity ownership percentage As of March 31, 2019	
				Directly	Indirectly
Brother International Corporation (U.S.A.)	US$	7,034	P&S, P&H, Machinery	100.0 %	―
Brother International Corporation (Canada) Ltd.	C$	11,592	P&S, P&H	―	100.0 %
Brother International De Mexico, S.A. De C.V.	MEX$	125,926	P&S, P&H	―	100.0
Brother Industries (U.S.A.) Inc.	US$	14,000	P&S, Macinery	―	100.0
Brother International Corporation Do Brazil, Ltda.	R$	49,645	P&S, P&H	―	100.0
Brother Sewing Machines Europe Gmbh	EURO	25	P&H	―	100.0
Brother Nordic A/S	DKr.	42,000	P&S	―	100.0
Brother International Europe Ltd.	Stg.£	145,198	P&S	100.0	―
Brother U.K. Ltd.	Stg.£	17,400	P&S	―	100.0
Brother Internationale Industriemachinen GmbH	EURO	9,000	Machinery	―	100.0
Brother France SAS	EURO	12,000	P&S	―	100.0
Brother International GmbH	EURO	25,000	P&S	―	100.0
Brother Italia S.p.A.	EURO	3,700	P&S	―	100.0
Domino Printing Sciences plc	Stg.£	5,733	Domino	100.0	―
Domino UK Ltd.	Stg.£	0.1	Domino	―	100.0
Domino Amjet, Inc.	US$	1	Domino	―	100.0
Brother Industries (U.K.) Ltd.	Stg.£	9,700	P&S	100.0	―
Brother Finance (U.K.) Plc	Stg.£	2,500	Other (Finance)	100.0	―
Brother Industries (Slovakia) s.r.o.	EURO	5,817	P&S	―	100.0
Taiwan Brother Industries, Ltd.	NT$	242,000	P&H	100.0	―
Zhuhai Brother Industries, Co., Ltd.	US$	7,000	P&S, Domino	100.0	―
Brother International (HK) Ltd.	US$	11,630	P&S	100.0	―
Brother International (Aust.) Pty. Ltd.	A$	2,500	P&S, P&H	100.0	―
Brother International Singapore Pte. Ltd.	S$	15,100	P&S, P&H	―	100.0
Brother Machinery (Asia) Ltd.	US$	37,000	Machinery	100.0	―
Brother Machinery Xian Co., Ltd.	US$	47,000	Machinery	100.0	―
Brother (China) Ltd.	US$	20,500	P&S, P&H	100.0	―
Brother Industries (Vietnam) Ltd.	US$	80,000	P&S	100.0	―
Brother Technology (Shenzhen) Ltd.	US$	42,000	P&S	―	100.0
Brother Machinery Shanghai Ltd.	CNY	50,000	Machinery	―	100.0
Brother Industries Saigon, Ltd.	US$	28,000	P&H	100.0	―
Brother Industries (Philippines), Inc.	PHP	5,626,250	P&S	100.0	―
Nissei Gear Motor Mfg (Changzhou) Co., Ltd.	US$	17,200	Machinery	―	100.0
Brother Machinery Vietnam Co., Ltd.	US$	41,000	Machinery	100.0	―

	Capital in thousands of local currency		Principal business	Equity ownership percentage As of March 31, 2019	
				Directly	Indirectly
Brother International Corporation (Japan)	JPY	630 million	P&S, P&H	100.0	—
Brother Real Estate, Ltd.	JPY	300 million	Other (Real estate)	100.0	—
Xing Inc.	JPY	7,122 million	N&C	100.0	—
Brother Sales, Ltd.	JPY	3,500 million	P&S, P&H	100.0	—
Teichiku Entertainment, Inc.	JPY	124 million	N&C	—	96.1
Nissei Corporation	JPY	3,475 million	Machinery	60.2	—
Standard Corp.	JPY	90 million	N&C	—	100.0

(Note) "P&S" represents Printing & Solutions Business, "P&H" Personal & Home Business, and "N&C" Network & Contents Business.

The Company recognizes a significant non-controlling interest in Nissei Corporation.
Details of the non-controlling interest in Nissei Corporation are as follows:

Ownership ratio and voting rights ratio of the non-controlling interest

FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
39.8%	39.8%

Profit allocated to the non-controlling interest

(Millions of yen)		(Thousands of U.S. dollars)
FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
370	219	1,973

Accumulated amount attributable to the non-controlling interest

(Millions of yen)		(Thousands of U.S. dollars)
FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	FY2018 (As of March 31, 2019)
17,190	17,001	153,162

The summarized financial statements of Nissei Corporation are as follows. Amounts in the summarized financial statements are before the elimination of intra-group transactions.

	FY2017 (As of March 31, 2018) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Current assets	16,864	18,963	170,838
Non-current assets	30,042	27,128	244,396
Current liabilities	3,581	3,256	29,333
Non-current liabilities	418	400	3,604

	FY2017 (Year ended March 31, 2018) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Millions of yen)	FY2018 (Year ended March 31, 2019) (Thousands of U.S. dollars)
Revenue	19,053	18,392	165,694
Profit for the year	900	551	4,964
Comprehensive income for the year	1,215	193	1,739
Cash dividends paid to non-controlling interests	243	265	2,387
Net cash provided by operating activities	1,561	1,841	16,586
Net cash used in investing activities	(3,827)	(1,118)	(10,072)
Net cash used in financing activities	(632)	(688)	(6,198)
Net cash flow	(2,899)	34	306

43. Related Parties

(1) Related party transactions

FY2017 (Year ended March 31, 2018)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Showa Seiki Co., Ltd.	Outsourcing of manufacturing of the Company's products	7,692	992
	Abeam Systems Corporation	Outsourcing of software developments	4,880	1,204
Close relative of director	Close relative of Tadashi Ishiguro (Note 3)	Contract work of housing	17 (Note 4)	—

(Note)
1) Related party transactions are negotiated and decided separately.
2) No collateral is set for balance at the end of the period. All settlement is done in cash.
3) The close relative is the spouse of Tadashi Ishiguro, Representative Director & Senior Managing Executive Officer of the Company.
4) The amount is an advance received, which is a part of the ¥51 million contract.

FY2018 (Year ended March 31, 2019)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Showa Seiki Co., Ltd.	Outsourcing of manufacturing of the Company's products	2,813	113
	Abeam Systems Corporation	Outsourcing of software developments	5,121	1,331
Close relative of director	Close relative of Tadashi Ishiguro (Note 3)	Contract work of housing	52	—

(Thousands of U.S. dollars)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Showa Seiki Co., Ltd.	Outsourcing of manufacturing of the Company's products	25,342	1,018
	Abeam Systems Corporation	Outsourcing of software developments	46,135	11,991
Close relative of director	Close relative of Tadashi Ishiguro (Note 3)	Contract work of housing	468	—

(Note)
1) Related party transactions are negotiated and decided separately.
2) No collateral is set for balance at the end of the period. All settlement is done in cash.
3) The close relative is the spouse of Tadashi Ishiguro, Representative Director & Senior Managing Executive Officer of the Company.

(2) Compensation for key management personnel

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (Year ended March 31, 2018)	FY2018 (Year ended March 31, 2019)	FY2018 (Year ended March 31, 2019)
Short-term employee benefits	358	336	3,027
Share-based payments	57	71	640
Total	415	408	3,676

44. Commitments

Commitments related to expenditures after the end of the reporting period are as follows:

	FY2017 (As of March 31, 2018) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)
Acquisition of property, plant and equipment	3,017	2,082	18,757
Acquisition of intangible assets	98	220	1,982
Total	3,116	2,303	20,748

45. Contingent Liabilities

Not applicable.

46. Subsequent Events

No material subsequent events were identified for the period up to June 24, 2019.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BROTHER INDUSTRIES, LTD.:

We have audited the accompanying consolidated balance sheet of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 (3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 24, 2019

Deloitte Touche Tohmatsu LLC

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Brother Earth

Working with you for a better environment
www.brotherearth.com