
KYOWA CritiCare Co., Ltd.

*Unaudited Financial Statements for the
Year Ended March 31, 2019*

KYOWA CritiCare Co., Ltd.

Balance Sheet
March 31, 2019

ASSETS	Thousands of Yen		LIABILITIES AND EQUITY	Thousands of Yen	
	March 31, 2019	March 31, 2018		March 31,2019	March 31, 2018
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Note 10)	¥ 511,565	¥ 309,682	Short-term bank loans (Note 5 and 10)	¥ 700,000	¥ 400,000
Receivables (Notes 9 and 10):			Current portion of long-term debt (Notes 5, 9 and 10)	309,988	226,662
Trade notes	302,593	321,423	Payables (Notes 9 and 10):		
Trade accounts	1,148,322	1,241,171	Trade notes	298,895	301,098
Electronically recorded monetary claims - operating	778,088	615,253	Trade accounts	552,604	651,285
Other	185,027	74,495	Electronically recorded monetary obligations - operating	312,821	552,343
Allowance for doubtful receivables	(2,395)	(2,458)	Notes and accounts payable - construction	8,014	44,523
Inventories (Note 4)	1,066,793	1,453,584	Other	87,967	99,765
Prepaid expenses and other current assets	47,148	54,541	Consumption tax payable	46,346	129,194
			Income tax payable	3,642	1,204
Total current assets	4,037,141	4,067,691	Accrued expenses	159,824	166,036
			Accrued bonus	82,812	59,012
PROPERTY, PLANT AND EQUIPMENT:			Other current liabilities	5,653	6,169
Land	464,638	464,638			
Buildings and structures	2,553,863	2,781,047	Total current liabilities	2,568,565	2,637,291
Machinery and equipment	2,960,643	2,987,455			
Furniture and fixtures	369,160	358,255	LONG-TERM LIABILITIES:		
Construction in progress	10,388	42,691	Long-term debt (Notes 5, 9 and 10)	845,017	1,155,005
Total	6,358,691	6,634,086	Liability for retirement benefits (Note 6)	584,725	592,816
Accumulated depreciation	(3,473,813)	(3,504,846)	Customer deposits (Note 10)	6,925	8,839
			Deferred tax liabilities (Note 8)	-	19,740
Net property, plant and equipment	2,884,878	3,129,240	Other long-term liabilities	2,478	2,453
INVESTMENTS AND OTHER ASSETS:			Total long-term liabilities	1,439,144	1,778,853
Lease deposits (Note 10)	66,680	66,815			
Software	36,576	60,706	EQUITY (NOTE 7):		
Trademark and licenses	12,765	14,884	Common stock; authorized, 100,000,000 shares; issued, 31,616,000 shares on March 31, 2019, and March 31, 2018	100,000	100,000
Deferred tax assets (Note 8)	92,745	-	Capital surplus:		
Other assets	783	300	Additional paid-in capital	1,777,200	1,777,200
			Other capital surplus	1,174,768	1,174,768
Total investments and other assets	209,550	142,705	Retained earnings – unappropriated(Accumulated deficits)	71,892	(128,476)
TOTAL	¥ 7,131,569	¥ 7,339,636	Total equity	3,123,860	2,923,492
			TOTAL	¥ 7,131,569	¥ 7,339,636

See notes to financial statements.

KYOWA CritiCare Co., Ltd.**Statement of Income**
Year Ended March 31, 2019

	Thousands of Yen	
	March 31, 2019	March 31, 2018
NET SALES (NOTE 9)	¥ 5,789,307	¥ 6,380,993
COST OF SALES (NOTE 9)	<u>4,542,382</u>	<u>5,274,279</u>
Gross profit	1,246,925	1,106,714
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (NOTE 9)	<u>1,231,520</u>	<u>1,276,191</u>
Operating income (loss)	<u>15,405</u>	<u>(169,477)</u>
OTHER INCOME (EXPENSES)		
Interest expense	(5,261)	(7,708)
Other – net(Note 9)	<u>81,381</u>	<u>44,446</u>
Other income (expenses) - net	<u>76,121</u>	<u>36,738</u>
INCOME (LOSS) BEFORE INCOME TAXES	91,526	(132,739)
INCOME TAXES		
Current	3,642	(3,485)
Deferred (Note 8)	<u>(112,485)</u>	<u>(5,988)</u>
Total income taxes	<u>108,842</u>	<u>(9,472)</u>
NET INCOME (LOSS)	<u>¥200,368</u>	<u>¥ (123,267)</u>
	<u>Yen</u>	<u>Yen</u>
PER SHARE OF COMMON STOCK (NOTE 2)		
Net Income (loss)	¥6.34	¥ (3.90)

See notes to financial statements.

KYOWA CritiCare Co., Ltd.

**Statement of Changes in Equity
Year Ended March 31, 2019**

	Thousands	Thousands of Yen				Total Equity
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings		
			Additional Paid-in Capital	Other Capital Surplus		
BALANCE, APRIL 1, 2017	31,616	¥ 100,000	¥ 1,777,200	¥ 1,174,768	¥ (5,209)	¥ 3,046,759
Net loss					(123,267)	(123,267)
BALANCE, MARCH 31, 2018	31,616	100,000	1,777,200	1,174,768	(128,476)	2,923,492
Net income					200,368	200,368
BALANCE, MARCH 31, 2019	<u>31,616</u>	<u>¥ 100,000</u>	<u>¥1,777,200</u>	<u>¥1,174,768</u>	<u>¥ 71,892</u>	<u>¥ 3,123,860</u>

See notes to financial statements.

KYOWA CritiCare Co., Ltd.

Statement of Cash Flows Year Ended March 31, 2019

	Thousands of Yen	
	March 31, 2019	March 31, 2018
OPERATING ACTIVITIES:		
Income (loss) before income taxes	¥ 91,526	¥ (132,739)
Adjustments for:		
Income taxes refunded	621	52,607
Income taxes paid	(1,825)	(2,434)
Depreciation and amortization	359,118	356,198
Changes in assets and liabilities:		
Decrease (increase) in trade accounts receivable, trade notes receivable and electronically recorded monetary claims - operating	(51,156)	(128,074)
Decrease (increase) in other receivables	(110,532)	(47,826)
Decrease (increase) in inventories	386,791	515,960
Decrease (increase) in prepaid expenses and other current assets	7,393	158,167
Increase (decrease) in trade accounts payable, trade notes payable and electronically recorded monetary obligations - operating	(340,406)	(110,730)
Increase (decrease) in other payables	(94,646)	133,848
Increase (decrease) in accrued expenses and accrued bonus	17,588	(29,948)
Other - net	39,526	41,192
Total adjustments	<u>212,472</u>	<u>938,960</u>
Net cash (used in) provided by operating activities	<u>303,998</u>	<u>806,221</u>
INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(174,327)	(214,368)
Purchases of software	(1,260)	-
Increase (decrease) in lease deposits	135	(844)
Net cash (used in) provided by investing activities	<u>(175,452)</u>	<u>(215,212)</u>
FINANCING ACTIVITIES:		
Net increase (decrease) in short-term bank loans	300,000	(600,000)
Repayments in long-term debt	(226,662)	(118,333)
Net cash (used in) provided by financing activities	<u>73,338</u>	<u>(718,333)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	201,884	(127,324)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>309,682</u>	<u>437,006</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>¥ 511,565</u>	<u>¥ 309,682</u>

See notes to financial statements

KYOWA CritiCare Co., Ltd.

Notes to Financial Statements Year Ended March 31, 2019

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

2. SUMMARY OF ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these financial statements as were applied in the preparation of the financial statements for the year ended March 31, 2019.

- a. Revenue Recognition* - Regarding goods sold to wholesalers, the significant risks and rewards of ownership of the goods are retained by the manufacturer until wholesalers sell them to their customers. Therefore, the sales of goods to certain wholesalers shall be recognized only after shipments from the wholesalers are confirmed. Other sales are recognized upon shipment of goods to customers.
- b. Cash and Cash Equivalents* - Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.
- c. Allowance for Doubtful Receivables* - The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- d. Inventories* - Inventories are stated at the lower of cost, determined by the moving average method, or market.
- e. Property, Plant, and Equipment* - Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 5 to 38 years for buildings and structures, from 3 to 10 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.
- f. Long-Lived Assets* - The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. Retirement and Pension Plans* - The Company has an unfunded retirement benefit plan covering substantially all of its employees who meet eligibility requirements under the retirement allowance plan. Under the plan, employees are entitled to benefits based on level of salary, length of service, and certain other factors at the time of retirement or termination.

The Company accounts for the liability for retirement benefits based on projected benefit obligations at the balance sheet date.

Prior service cost and actuarial gain/loss are recognized at the time of occurrence.

Retirement allowances for directors are recorded to state the liability at the amount that would be required if all directors retired at the balance sheet date.

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- h. Research and Development Costs** - Research and development costs are charged to income as incurred.
- i. Asset Retirement Obligations** - Asset retirement obligation is defined as a legal obligation imposed either by law or by contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- j. Income Taxes** - The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying current enacted tax laws to the temporary differences.

In terms of interim financial statements, income taxes are computed in each interim period based on the best estimate of the weighted-average annual income tax rate expected for the full financial year.

- k. Per Share Information** - Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.
- l. Reclassifications** - Certain prior year amounts have been reclassified to conform to the current year presentation.

3. ADDITIONAL INFORMATION

Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.

-“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 30, 2018)

-“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5; Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company are currently in the process of determining the effects of these new standards on the financial statements

Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No.28”)) became applicable for the Interim Nonconsolidated statements from the beginning of the current fiscal year. As a result, the Company adopted Statement No.28 and changed

the presentation, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘LONG-TERM LIABILITIES’, respectively.

According to this new accounting standard, “deferred tax liabilities” of ¥83 thousand classified in “current liabilities” were presented in “non-current liabilities” of ¥19,740 thousand.

4. INVENTORIES

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

	Thousands of Yen	
	March 31, 2019	March 31, 2018
Merchandise	¥ 92,552	¥ 214,118
Finished products	640,969	745,604
Work in process	29,832	44,610
Raw materials and supplies	<u>303,440</u>	<u>449,252</u>
Total	<u>¥ 1,066,793</u>	<u>¥ 1,453,584</u>

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2019 and March 31, 2018, consisted of the following:

	Thousands of Yen	
	March 31, 2019	March 31, 2018
Overdraft with annual interest rates 0.00% and 0.31% at March 31, 2019 and March 31, 2018, respectively	¥ 0	¥ 100,000
Overdraft with annual interest rates 0.28% and 0.28% at March 31, 2019 and March 31, 2018, respectively	700,000	300,000
Short-term bank loans	<u>¥ 700,000</u>	<u>¥ 400,000</u>

Long-term debt as of March 31, 2019 and March 31, 2018, consisted of the following:

	Thousands of Yen	
	March 31, 2019	March 31, 2018
Unsecured loans from banks, 0.35%, guaranteed by Lupin Limited (¥10,000 thousand maturing monthly beginning April 2017)	¥ 370,000	¥ 490,000
Unsecured loans from banks, 0.31%, guaranteed by Kyowa Pharmaceutical Industry Co., Ltd. (¥8,333 thousand maturing monthly beginning March 2018)	391,671	491,667
Unsecured loans from banks, 0.38%, guaranteed by Kyowa Pharmaceutical Industry Co., Ltd. (¥6,666 thousand maturing monthly beginning March 2019)	393,334	400,000
Total	¥ 1,155,005	¥ 1,381,667
Less current portion	<u>(309,988)</u>	<u>(226,662)</u>
Long-term debt, less current portion	<u>¥ 845,017</u>	<u>¥ 1,155,005</u>

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

<u>Years Ending March 31, 2019:</u>	<u>Thousands of Yen</u>
2020	¥ 309,988
2021	299,988
2022	299,988
2023	171,675
2024	<u>73,366</u>
Total	<u>¥ 1,155,005</u>

6. RETIREMENT AND PENSION PLANS

Reconciliations of beginning and ending balances of the projected benefit obligations are as follows:

	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
Projected benefit obligations at beginning of year	¥ 592,816	¥ 552,095
Service cost	49,215	48,479
Interest cost	1,186	1,104
Actuarial loss	1,098	3,918
Benefits paid	<u>(57,395)</u>	<u>(12,780)</u>
Projected benefit obligations at end of year	<u>¥ 584,725</u>	<u>¥ 592,816</u>

The components of net periodic benefit costs as of March 31, 2019 and 2018, were as follows:

	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
Service cost	¥ 49,215	¥ 48,479
Interest cost	1,186	1,104
Recognized actuarial loss	<u>(1,098)</u>	<u>3,918</u>
Net periodic benefit costs	<u>¥ 49,304</u>	<u>¥ 53,501</u>

Assumptions used for the years ended March 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	0.2%	0.2%

In addition, the Company is a member of "Tokyo Pharmaceutical Industry Employee Pension Fund." This multiemployer pension plan does not permit reasonable calculation of the value of the pension assets based on the Company's contributions. As a result, this multiemployer pension plan is excluded from the calculation of the projected benefit obligation. Required contributions to the plan are charged to income.

The contributions to such multiemployer plan, which are accounted for using the same method as a defined contribution plan, were ¥15,146 thousand and ¥19,143 thousand for the years ended March 31, 2019 and 2018, respectively.

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions of the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3,000 thousand.

(b) Increases/decreases and transfer of common stock, reserve and surplus

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

In January 2015, the Company issued 16,000 shares of common stock with payment of ¥1,600,000 thousand from Kyowa Pharmaceutical Industry Co., Ltd. The amount of increased common stock and paid-in capital was ¥800,000 thousand and ¥800,000 thousand, respectively. In February 2015, the Company reduced common stock without any refund. The amount of decreased common stock and increased other capital surplus was ¥1,199,000 thousand and ¥1,199,000 thousand, respectively. At the same time, the Company also reduced deficit of ¥512,432 thousand by offsetting it against other capital surplus.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 34.6% and 34.6% for the years ended March 31, 2019 and 2018, respectively.

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

	Thousands of Yen	
	2019	2018
Deferred tax assets:		
Inventories	¥ 23,758	¥ 30,648
Accrued expenses	54,743	58,574
Accrued bonus	28,606	20,382
Liability for retirement benefits	206,536	209,257
Property, plant and equipment	42,403	38,050
Others	563	22,042
Less valuation allowance	(245,845)	(378,953)
Total	¥ 110,765	¥ -
Deferred tax liabilities:		
Accrued enterprise tax	¥ -	¥ (83)
Reserve deductible for Japanese tax purposes	(18,020)	(19,657)
Net deferred tax assets (liabilities)	¥ 92,745	¥ (19,740)

9. RELATED-PARTY DISCLOSURES

Transactions and balances of the Company with the parent companies and sister company for the year ended March 31, 2019, were as follows:

	Thousands of Yen			
	March 31, 2019			
	Lupin Limited	Lupin Japan& Asia Pacific K.K.	Kyowa Pharmaceutic al Industry Co., Ltd.	Total
Transactions in the year ended March 31, 2019:				
Sales			¥ 146,099	¥ 46,099
Purchase of goods			9,718	9,718
Selling, general and administrative expenses	¥ 5,928	¥ 5,024	62,116	73,068
Other income	657		37,939	38,595
Balance as of March 31, 2019:				
Trade accounts receivable			¥ 18,512	¥ 18,512
Other receivables	¥ 657			657
Trade accounts payables	1,675			1,675
Other payables			2,758	2,758
Off-balance transactions as of March 31, 2019:				
Guarantee for long-term debt	¥ 370,000		¥ 785,005	¥ 1,155,005

10. FINANCIAL INSTRUMENTS

Policies for Financial Instruments

The Company uses financial instruments depending on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets.

Nature and Extent of Risks Arising from Financial Instruments and Risk Management

Trade notes receivable, trade accounts receivable, electronically recorded monetary claims-operating, and other receivables, which are part of operational assets, are exposed to credit risk of customers. The risk is managed through monitoring of due dates/outstanding receivable balances and regular tracking of credit status of customers, following the Company's standard credit management procedures.

Short-term bank loans, trade notes payable, trade accounts payable, electronically recorded monetary obligations - operating, notes and accounts payable - construction, and other payables, which are part of operational liabilities, are due within one year. Short-term bank loans are borrowed for operational activities, and long-term debt is used mainly for investment in fixed assets. Those operational liabilities and debt are exposed to liquidity risk, and the risk is managed through adequate financial planning by the accounting department.

Fair Value of Financial Instruments

The estimated fair values of financial instruments as of March 31, 2019 and March 31, 2018, are summarized as follows:

	Thousands of Yen		
	March 31, 2019		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 511,565	¥ 511,565	
Trade notes receivable	302,593	302,593	
Trade accounts receivable	1,148,322	1,148,322	
Electronically recorded monetary claims - operating	778,088	778,088	
Other receivables	185,027	185,027	
Short-term bank loans	700,000	700,000	
Trade notes payable	298,895	298,895	
Trade accounts payable	552,604	552,604	
Electronically recorded monetary obligations-operating	312,821	312,821	
Notes and accounts payable - construction	8,014	8,014	
Other payables	87,967	87,967	
Long-term debt (including current portion)	1,155,005	1,155,339	¥ 334

	Thousands of Yen		
	March 31, 2018		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 309,682	¥ 309,682	-
Trade notes receivable	321,423	321,423	-
Trade accounts receivable	1,241,171	1,241,171	-
Electronically recorded monetary claims - operating	615,253	615,253	-
Other receivables	74,495	74,495	-
Short-term bank loans	400,000	400,000	-
Trade notes payable	301,098	301,098	-
Trade accounts payable	651,285	651,285	-
Electronically recorded monetary obligations-operating	552,343	552,343	-
Notes and accounts payable - construction	44,523	44,523	-
Other payables	99,765	99,765	-
Long-term debt(including current portion)	1,381,667	1,381,948	¥ (281)

Method of Evaluating the Fair Value of Financial Instruments

Cash and cash equivalents, trade notes receivable, trade accounts receivable, electronically recorded monetary claims - operating and other receivables:

- The carrying amounts approximate fair value because of the short maturities of these instruments.

Short-term bank loans, trade notes payable, trade accounts payable, electronically recorded monetary obligations-operating, notes and accounts payable - construction and other payables:

- The carrying amounts approximate fair value because of the short maturities of these instruments.

Long-term debt:

- The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Company's assumed corporate borrowing rate.

Financial instruments whose fair values cannot be reliably determined were as follows:

	Thousands of Yen	
	March 31, 2019	March 31, 2018
Lease deposits	¥66,680	¥ 66,815
Customer deposits	6,925	8,839

Maturities of long-term debt:

Refer to Note 5 "SHORT-TERM BANK LOANS AND LONG-TERM DEBT."

(SUPPLEMENTARY INFORMATION)

1. PROPERTY, PLANT AND EQUIPMENT

The changes in acquisition cost and the related depreciation by asset type for the year ended March 31, 2019, were as follows:

Description	Useful Life (Years)	Thousands of Yen									
		Acquisition Cost			Accumulated Depreciation			Total Net			
		Balance, March 31, 2018	Increase	Decrease	Balance, March 31, 2019	Balance, March 31, 2018	Increase	Decrease	Balance, March 31, 2019	Balance, March 31, 2018	Balance, March 31, 2019
Land		¥ 464,638	¥ -	¥ -	¥ 464,638	¥ -	¥ -	¥ -	¥ -	¥ 464,638	¥ 464,638
Buildings and attached facilities	5 - 38	2,692,184	38,893	266,077	2,464,999	1,530,707	89,275	255,133	1,364,848	1,161,477	1,100,151
Structures	5 - 18	88,863	-	-	88,863	55,795	5,336	-	61,131	33,068	27,732
Subtotal		2,781,047	38,893	266,077	2,553,863	1,586,502	94,611	255,133	1,425,980	1,194,545	1,127,883
Machinery and equipment	8 - 10	2,949,816	76,078	66,540	2,959,354	1,637,886	205,773	61,029	1,782,630	1,311,930	1,176,724
Vehicles	3 - 7	37,639	-	36,350	1,289	36,858	333	35,903	1,289	781	-
Subtotal		2,987,455	76,078	102,890	2,960,643	1,674,744	206,106	96,932	1,783,919	1,312,711	1,176,724
Furniture and fixtures	2 - 20	358,255	21,484	10,579	369,160	243,600	30,892	10,577	263,914	114,655	105,246
Construction in progress		42,691	139,078	171,381	10,388	-	-	-	-	42,691	10,388
Total		¥ 6,634,086	¥ 275,532	¥ 550,927	¥ 6,358,691	¥ 3,504,846	¥ 331,610	¥ 362,642	¥ 3,473,813	¥ 3,129,240	¥ 2,884,878

2. DETAIL OF ACCRUALS

Description	Thousands of Yen			Balance, March 31, 2019
	Balance, March 31, 2018	Increase	Decrease	
Accrued bonus	¥ 59,012	82,812	59,012	¥ 82,812
Allowance for doubtful receivables	2,458	2,395	2,458	2,395

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The statement of selling, general and administrative expenses for the year ended March 31, 2019 was as follows:

	Thousands of Yen March 31, 2019
Salary/benefit	346,281
Legal benefit	62,836
Bonus	53,567
Retirement benefit expenses	16,028
Commuting transportation	6,785
Retirement pension contribution to multiemployer pension fund	5,942
Freight	193,848
Sales promotion	24,631
Utilities	14,633
Research and development costs	77,369
Depreciation	37,584
Communication	7,962
Travel	65,563
Lease	53,575
Rent	32,172
Commissions paid	52,961
Temporary staffing cost	19,063
Repairs and maintenance	18,205
Insurance premium	2,962
Taxes and duties	6,956
Tools	4,328
Consumable goods	4,027
Entertainment	674
Other	123,572
Total selling, general and administrative expenses for the period	¥ 1,231,520

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