

Consolidated Balance Sheet

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2018 and 2019

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)
	2018	2019
ASSETS		
Current Assets:		
Cash and bank deposits (Notes 3, 4)	¥113,066	¥110,369 \$1,007,386
Trade notes and accounts receivable (Note 4)	23,909	21,913 200,009
Less – Allowance for doubtful accounts	(104)	(53) (491)
Short-term investments (Note 4)	2,500	2,301 21,002
Merchandise and finished goods	25,014	24,353 222,284
Work in process	998	954 8,710
Raw materials and supplies	9,696	8,572 78,241
Other current assets	4,823	5,101 46,562
Total current assets	179,902	173,510 1,583,706
Property, Plant and Equipment:		
Land	6,633	6,640 60,607
Buildings and structures	48,936	50,580 461,671
Machinery and equipment	78,134	83,623 763,268
Construction in progress	11,099	16,288 148,672
	144,804	157,133 1,434,220
Less – Accumulated depreciation	(70,778)	(76,628) (699,422)
Property, plant and equipment, net	74,025	80,504 734,797
Investments and Other Assets:		
Investment securities (Note 4)	9,208	10,980 100,227
Long-term loans receivable	453	— —
Deferred tax assets – non-current (Note 8)	825	704 6,429
Other investments and other assets	2,633	2,543 23,218
Total investments and other assets	13,121	14,229 129,876
Total Assets	¥267,050	¥268,244 \$2,448,380

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥6,376	¥6,003	\$54,797
Accrued income taxes	1,812	1,966	17,947
Accrued bonuses due to employees	265	249	2,273
Accrued bonuses due to directors	161	172	1,575
Other current liabilities	9,832	8,730	79,682
Total current liabilities	18,448	17,121	156,275
Long-term Liabilities:			
Long-term loans payable	—	635	5,795
Accrued benefits for stock payment	117	142	1,301
Liability for retirement benefits (Note 7)	2,259	2,139	19,530
Asset retirement obligations	17	17	159
Deferred tax liabilities – non-current (Note 8)	1,393	2,716	24,790
Other long-term liabilities – non-current	359	299	2,734
Total long-term liabilities	4,147	5,950	54,311
Total liabilities	22,595	23,071	210,587
Net Assets (Note 2):			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 200,000,000 shares			
Issued: 68,562,462 shares in 2018			
68,562,462 shares in 2019	20,704	20,704	188,981
Additional paid-in capital	20,419	20,419	186,380
Retained earnings	212,594	216,974	1,980,415
Treasury stock, at cost: 1,323,854 shares in 2018 and 1,826,945 shares in 2019	(7,400)	(10,014)	(91,410)
Total shareholders' equity	246,318	248,084	2,264,367
Accumulated other comprehensive income			
Net unrealized holding gains on securities	2,020	3,456	31,548
Deferred gains or losses on hedges	(37)	(2)	(19)
Foreign currency translation adjustments	(3,074)	(5,777)	(52,735)
Retirement benefits liability adjustments (Note 7)	(897)	(712)	(6,502)
Total accumulated other comprehensive income	(1,988)	(3,035)	(27,708)
Subscription rights to shares	124	124	1,134
Total net assets	244,454	245,172	2,237,792
Total Liabilities and Net Assets	¥267,050	¥268,244	\$2,448,380

See notes to consolidated financial statements.

Consolidated Statement of Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2018 and 2019

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
Net Sales (Note 17)	¥143,116	¥131,807	\$1,203,061
Cost of Sales	98,788	90,776	828,554
Gross profit	44,327	41,031	374,507
Selling, General and Administrative Expenses (Notes 12, 14)	23,084	23,486	214,368
Operating income	21,243	17,544	160,138
Other Income (Expenses):			
Interest and dividend income	889	1,121	10,240
Exchange gain, net	1,474	990	9,044
Gain on sale of raw material scrap	1,520	1,378	12,586
Gain (loss) on disposal of fixed assets, net (Note 15)	4,790	(586)	(5,354)
Soil restoration related expenses	(292)	—	—
Special severance payment	(274)	(90)	(822)
Other, net	(27)	(180)	(1,646)
	8,080	2,634	24,048
Profit before Income Taxes	29,323	20,179	184,187
Income Taxes (Note 8):			
Current	6,433	5,091	46,471
Deferred	(35)	853	7,790
	6,398	5,944	54,261
Profit	22,925	14,234	129,925
Profit attributable to owners of parent	¥22,925	¥14,234	\$129,925

	Yen		U.S. Dollars
	2018	2019	2019
Per Share Data (Note 11):			
Profit attributable to owners of parent - Basic	¥341.19	¥214.00	\$1.95
- Diluted	341.05	213.91	1.95
Dividends applicable to current year earnings	135.00	135.00	1.23

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2018 and 2019

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
Profit	¥22,925	¥14,234	\$129,925
Other Comprehensive Income (Note 9)			
Net unrealized holding gains (losses) on securities	(2,526)	1,436	13,107
Deferred gains or losses on hedges	50	35	319
Foreign currency translation adjustments	(7,517)	(2,703)	(24,675)
Retirement benefits liability adjustments	306	184	1,688
Total other comprehensive income	(9,686)	(1,047)	(9,560)
Comprehensive income	¥13,238	¥13,187	\$120,365
Comprehensive income attributable to:			
Owners of parent	¥13,238	¥13,187	\$120,365
Non-controlling interests	¥ —	¥ —	\$ —

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2018 and 2019

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2018	2019	2019
Common Stock:					
Beginning balance	69,125	68,562	¥20,704	¥20,704	\$188,981
Treasury stock cancellation	(563)	—	—	—	—
Ending balance	68,562	68,562	¥20,704	¥20,704	\$188,981
Additional Paid-in Capital:					
Beginning balance			¥20,419	¥20,419	\$186,380
Treasury stock disposal			0	—	—
Treasury stock cancellation			(0)	—	—
Ending balance			¥20,419	¥20,419	\$186,380
Retained Earnings:					
Beginning balance			¥200,713	¥212,594	\$1,940,437
Profit attributable to owners of parent			22,925	14,234	129,925
Dividends paid			(8,172)	(9,832)	(89,749)
Treasury stock cancellation			(2,871)	(137)	(1,258)
Increase in retained earnings due to merger of non-consolidated subsidiary			—	116	1,060
Ending balance			¥212,594	¥216,974	\$1,980,415
Treasury Stock:					
Beginning balance			¥(7,486)	¥(7,400)	\$(67,547)
Treasury stock acquisition			(3,002)	(4,082)	(37,262)
Treasury stock disposal			215	1,468	13,400
Treasury stock cancellation			2,872	—	—
Ending balance			¥(7,400)	¥(10,014)	\$(91,410)
Net Unrealized Holding Gains on Securities:					
Beginning balance			¥4,546	¥2,020	\$18,441
Net change during the year			(2,526)	1,436	13,107
Ending balance			¥2,020	¥3,456	\$31,548
Deferred Gains or Losses on Hedges:					
Beginning balance			¥(87)	¥(37)	\$(338)
Net change during the year			50	35	319
Ending balance			¥(37)	¥(2)	\$(19)
Foreign Currency Translation Adjustments:					
Beginning balance			¥4,443	¥(3,074)	\$(28,060)
Net change during the year			(7,517)	(2,703)	(24,675)
Ending balance			¥(3,074)	¥(5,777)	\$(52,735)
Retirement Benefit Liability Adjustments:					
Beginning balance			¥(1,203)	¥(897)	\$(8,190)
Net change during the year			306	184	1,688
Ending balance			¥(897)	¥(712)	\$(6,502)
Total Accumulated Other Comprehensive Income:					
Beginning balance			¥7,698	¥(1,988)	\$(18,148)
Net change during the year			(9,686)	(1,047)	(9,560)
Ending balance			¥(1,988)	¥(3,035)	\$(27,708)
Subscription Rights to Shares:					
Beginning balance			¥130	¥124	\$1,134
Net change during the year			(5)	—	—
Ending balance			¥124	¥124	\$1,134
Total Net Assets:					
Beginning balance			¥242,179	¥244,454	\$2,231,237
Profit attributable to owners of parent			22,925	14,234	129,925
Dividends paid			(8,172)	(9,832)	(89,749)
Treasury stock acquisition			(3,002)	(4,082)	(37,262)
Treasury stock disposal			216	1,330	12,141
Consolidation of subsidiaries			—	116	1,060
Net changes in items other than those in shareholders' equity			(9,692)	(1,047)	(9,560)
Ending balance			¥244,454	¥245,172	\$2,237,792

Consolidated Statement of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2018 and 2019

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)
	2018	2019
Cash Flows from Operating Activities:		
Profit before income taxes	¥29,323	\$20,179
Depreciation and amortization	7,994	8,581
Increase (decrease) in liability for retirement benefits	127	70
Interest and dividend income	(889)	(1,121)
Exchange (gain) loss	(134)	22
(Gain) loss on disposal of fixed assets	(4,790)	586
Decrease (increase) in trade notes and accounts receivable	2,004	1,586
Decrease (increase) in inventories	(4,710)	1,033
Increase (decrease) in trade notes and accounts payable	(207)	(1,013)
Other, net	(1,410)	(240)
Subtotal	27,307	29,684
Interest and dividends received	857	1,152
Income taxes paid	(7,185)	(5,006)
Net cash provided by operating activities	20,979	25,830
Cash Flows from Investing Activities:		
Payments into time deposits	—	(1,635)
Proceeds from withdrawal of time deposits	—	1,635
Purchases of short-term investments	(2,000)	—
Proceeds from sales of short-term investments	2,000	1,000
Purchases of property, plant and equipment	(16,524)	(15,391)
Proceeds from sales of property, plant and equipment	6,033	81
Purchases of investment securities	(1,162)	(802)
Other, net	(1,082)	(133)
Net cash used in investing activities	(12,735)	(15,246)
Cash Flows from Financing Activities:		
Repayment of short-term loans payable	(56)	—
Proceeds from long-term loans payable	—	635
Cash dividends paid	(8,170)	(9,830)
Purchases of treasury stock	(3,004)	(4,083)
Proceeds from sales of treasury stock	162	1,147
Net cash used in financing activities	(11,069)	(12,132)
Effect of exchange rate changes on cash and cash equivalents	(2,571)	(1,149)
Net increase (decrease) in cash and cash equivalents	(5,396)	(2,697)
Cash and Cash Equivalents at the Beginning of Year	118,956	113,560
Cash and Cash Equivalents at the End of Year	¥113,560	\$1,011,894

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2018 and 2019

1. Summary of Significant Accounting Policies

a Basis of presentation

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

For the purpose of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

The consolidated financial statements are expressed in Japanese yen. However, the consolidated financial statements as of, and for the year ended December 31, 2019, have been translated into U.S. dollars at the rate of ¥109.56 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2019. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the reader. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

b Principles of consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, transactions, and profits have been eliminated on consolidation. Investments in an unconsolidated subsidiary are stated at cost.

c Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.

d Cash equivalents

For the purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

e Short-term investments and investment securities

The Company classifies securities as "trading securities," when they are held for the purpose of earning capital gains in the short-term, "held-to-maturity," where management has the positive intent and ability to hold the securities to maturity, and "other securities," where those securities are not classified as either trading or held-to-maturity, which represent primarily available-for-sale securities.

Held-to-maturity securities are reported at amortized cost. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, presented in a separate component of net assets. However, when the fair value of held-to-maturity securities and available-for-sale securities declines significantly and the decline is considered to be irrecoverable, such unrealized holding losses are recognized as impairment losses. Available-for-sale securities for which fair value is not readily determinable are stated at moving average cost.

Corporate bonds classified as held-to-maturity securities and debt securities (corporate bonds) classified as available-for-sale securities include compound financial instruments.

The Company considers a decline in the value of securities to be irrecoverable where market values decline to more than 50% of acquisition costs. Where market values decline to between 30% and 50% of acquisition costs, the Company judges the necessity of recognizing any impairment losses by assessing the potential of market values to recover taking into consideration declining price trends and other individually relevant factors.

f Inventories

Finished goods, work in process and raw materials are stated at average cost, however, where net realizable value is lower than cost, the carrying value of the inventory is reduced.

g Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining-balance method for the Company (except for certain buildings) and for overseas subsidiaries, principally using the straight-line method over their estimated useful lives. Buildings acquired by the Company on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Maintenance and repairs, including minor repairs and improvements, are charged to income as incurred.

h Leased assets

Assets under finance leases, except for those under lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, are depreciated using the straight-line method over the lease period with the assumption that there is no residual value.

i Allowance for doubtful accounts

The allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowance for ordinary debt is computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.

The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.

j Accrued bonuses due to employees

Accrued bonuses due to employees are provided at the estimated amount to be paid to employees for the services rendered by the balance sheet date.

k Accrued bonuses due to directors

Accrued bonuses due to directors and executive officers are provided at the estimated amount to be paid to directors and executive officers for the services rendered by the balance sheet date.

l Accrued benefits for stock payment

Accrued benefits for stock payment are provided at the amount of stocks to be paid to directors through the trust by the balance sheet date based on the performance-linked stock compensation plan.

m Retirement benefits

(a) Allocation of projected retirement benefit obligation

In calculating the retirement benefit obligation, the benefit formula basis is used to allocate the projected retirement benefit obligation to the estimated years of service of eligible employees.

(b) Method for amortizing actuarial gain or loss and prior service cost

Actuarial gains and losses are amortized commencing from the year following the year in which the gains or losses arose, primarily using the straight-line method within the average remaining years of service of the employees, which is mainly 10 years.

Prior service costs are amortized using the straight-line method mainly over 10 years.

(c) Application of simplified method at smaller-sized companies, etc.

Certain subsidiaries have pension plans similar to the Company or unfunded retirement and termination allowance plans for qualifying employees. Any amounts required under the rules of the plans have been fully accrued.

n Income taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using current enacted tax rates.

o Derivative and hedging activities

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the Company defers recognition of gains or losses on revaluation of the forward foreign exchange contract until the related losses or gains on the hedged items are recognized.

p Accounting standards issued but not yet effective

Revenue Recognition

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

(b) "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued March 30, 2018)

1) Overview

The Accounting Standard and the Implementation Guidance provide comprehensive principles for revenue recognition. An entity applies the following five steps to recognize revenue.

- ① Identify the contracts with a customer
- ② Identify the separate performance obligations in the contract
- ③ Determine the transaction price
- ④ Allocate the transaction price to the performance obligations
- ⑤ Recognize revenue when or as the performance obligation is satisfied

2) Scheduled date of adoption

The Company expects to adopt the Accounting Standard and the Implementation Guidance from the fiscal year beginning January 1, 2022.

3) Impact of adopting the accounting standards

The Company is currently evaluating the impact of adopting the Accounting Standard and the Implementation Guidance on its consolidated financial statements.

q Changes in presentation

(Changes in line with the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended December 31, 2019. Therefore, deferred tax assets were presented in Investments and Other Assets, deferred tax liabilities were presented in Long-term Liabilities, and notes regarding tax effect accounting were updated.

As a result, in the consolidated balance sheet for the previous fiscal year, "Deferred tax assets" in the amount of ¥374 million, which had been included in "Current Assets" of ¥1,570 million were included in "Deferred tax assets" of ¥825 million in "Investments and Other Assets" and "Deferred tax assets" of ¥1,196 million and "Deferred tax liabilities" of ¥69 million, which had been included in "Current Assets" and "Current Liabilities", respectively, were included in "Deferred tax liabilities" of ¥1,393 million in "Long-term Liabilities".

Note 8, excluding total amount of valuation allowance, and Note 9 of "Accounting Standard for Tax Effect Accounting" prescribed in Paragraphs 3 to 5 of Partial Amendments to Accounting Standard for Tax Effect Accounting were reflected in the notes regarding tax effect accounting.

However, comparative information for the fiscal year ended December 31, 2018 was not disclosed in accordance with the transitional measures prescribed by Paragraphs 7 of Partial Amendments to Accounting Standard for Tax Effect Accounting.

r Additional information

(Accounting Treatment for Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

1. Outline of transactions

The Company implemented an E-Ship® Trust-Type Employee Stock Ownership Incentive Plan (hereinafter, "the Incentive Plan"). The purpose of the Incentive Plan is to promote the constant development of the Company by motivating and encouraging enthusiasm among employees. This will be accomplished by providing incentives to raise the medium- to long-term corporate value of the Company, enhancing the employee welfare program, and facilitating capital participation as shareholders of the Company.

The Incentive Plan is available to all employees who belong to the Mabuchi Motor Employee Shareholders Association (hereinafter, "the Employee Shareholders Association"). Under the Incentive Plan, the Company will establish a trust—the Mabuchi Motor Employee Shareholders Association Exclusive Trust (hereinafter, "the Employee Shareholders Association Exclusive Trust")—through a trust bank. The Employee Shareholders Association Exclusive Trust will estimate the number of shares that the Employee Shareholders Association is likely to acquire over the next three years and will purchase this amount in advance using bank loans. Subsequently, the Employee Shareholders Association Exclusive Trust will continuously sell Company shares to the Employee Shareholders Association and, if an amount equivalent to net gains on Company shares has accumulated in the Employee Shareholders Association Exclusive Trust when the trust period comes to an end, such money will be distributed as residual assets to members of the Employee Shareholders Association who meet the beneficiary eligibility criteria. Please note that the Company will guarantee loans taken out to purchase Company shares and will repay any outstanding portion of the loans if, due to a drop in the market price of Company shares, an amount equivalent to the loss on sale of shares has accumulated in the Employee Shareholders Association Exclusive Trust when the trust period comes to an end.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets based on the carrying value (net of associated costs) in the trust. The carrying value was ¥634 million (\$5,795 thousand) at December 31, 2019.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the Employee

Shareholders Association Exclusive Trust account. The number at year-end and the weighted average number of such treasury shares were 139,100 and 7,241 shares, respectively, during the fiscal year ended December 31, 2019.

3. Carrying value of loans recorded based on the gross method

As of December 31, 2019: ¥635 million (\$5,795 thousand)

(Accounting Treatment for Performance-based Stock Compensation Plan for Directors and Executive Officers)

1. Outline of transactions

The Company has introduced the Executive Compensation BIP (Board Incentive Plan) Trust Plan, the executive remuneration system closely linked to the achievement of performance targets as set out in the medium-term management plan, with the purpose of enhancing the motivation of Directors to contribute to improved business performance and increased corporate value over the medium term.

Under the Plan, the Company's shares acquired through the BIP Trust and money equivalent to the amount obtained by converting the Company's shares into cash (collectively, the "Company Shares, etc.") will be delivered and paid (the "Delivery, etc." or "delivered, etc.") to those serving as Directors, etc., during the target period based on factors such as the status and level of attainment of performance targets throughout the trust term. Directors, etc., will receive the Delivery, etc., of Company Shares, etc., during a certain timeframe following the end of the target period. Originally, the target period was over the three-year period from the fiscal year ended December 31, 2016, to the fiscal year ended December 31, 2018. However, the plan was extended and the target period is over the three-year period from the fiscal year ending December 31, 2019, to the fiscal year ending December 31, 2021.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥651 million at December 31, 2018 and ¥904 million (\$8,259 thousand) at December 31, 2019.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the BIP Trust account. The number of such treasury shares at December 31, 2018 was 116,386 shares, and at December 31, 2019 was 203,226 shares, and the number of such treasury shares during the fiscal year ended December 31, 2018 was 116,386 shares and during the fiscal year ended December 31, 2019 was 133,971 shares.

2. Changes in Net Assets

Information regarding changes in net assets for the years ended December 31, 2018 and 2019, is as follows:

a Shares issued and outstanding / Treasury stock

2018

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2017	69,125	1,513
Increase in number of shares	-	563
Decrease in number of shares	563	637
Number of shares as of December 31, 2018	68,562	1,440

Note: 1. The decrease in the number of shares issued and the number of shares of treasury stock was due to the cancellation of 563 thousand shares.

2. The increase in the number of shares of treasury stock was due to the purchase of 563 thousand shares of treasury stock and the purchase of 0 thousand shares of less than one unit.

3. The decrease in the number of shares of treasury stock was, other than Note 1, due to sales of 51 thousand shares to the market accompanied by the expiration of the ESOP Trust period, sales of 12 thousand shares to Our Shareholding Association by the ESOP Trust, disposition of 9 thousand treasury shares as restricted stock compensation, and the exercise of 1 thousand stock options.

4. There were 63 thousand shares and - thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2018 and December 31, 2018, respectively and there were 116 thousand shares and 116 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2018 and December 31, 2018, respectively.

2019

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2018	68,562	1,440
Increase in number of shares	-	1,038
Decrease in number of shares	-	309
Number of shares as of December 31, 2019	68,562	2,169

Note: 1. The increase in the number of shares of treasury stock was due to the purchase of treasury stock, the BIP Trust, the Employee Shareholders Association Exclusive Trust, and the purchase of shares of less than one unit (777 thousand, 121 thousand, 139 thousand, and 0 thousand shares, respectively).

2. The decrease in the number of shares of treasury stock was due to disposition of 14 thousand treasury shares as restricted stock compensation, allocation of 121 thousand shares and 139 shares to the third party representing the BIP Trust and the Employee Shareholders Association Exclusive Trust, respectively, sales of 17 thousand and distribution of 16 thousand shares of treasury stock held by the BIP Trust.

3. There were - thousand shares and 139 thousand shares of treasury stock held by the Employee Shareholders Association Exclusive Trust included in the number of shares of treasury stock as of January 1, 2019 and December 31, 2019, respectively and there were 116 thousand shares and 203 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2019 and December 31, 2019, respectively.

b Share subscription rights

2018

Company	Description	Type of shares issued	Number of shares issued			Number of shares at December 31, 2018	Balance at December 31, 2018 Yen (Millions)
			Number of shares at January 1, 2018	Increase	Decrease		
Parent Company	Subscription rights as stock options	—	—	—	—	—	¥124
Total		—	—	—	—	—	¥124

2019

Company	Description	Type of shares issued	Number of shares issued			Number of shares at December 31, 2019	Balance at December 31, 2019 Yen (Millions)	U.S. Dollars (Thousands)
			Number of shares at January 1, 2019	Increase	Decrease			
Parent Company	Subscription rights as stock options	—	—	—	—	—	¥124	\$1,134
Total		—	—	—	—	—	¥124	\$1,134

c Dividends

Dividends paid during the fiscal year ended December 31, 2018

2018

	Shareholders' Meeting	Board of Directors' Meeting
Resolution by	March 29, 2018	August 10, 2018
Total amount of dividends	¥4,474 million	¥3,698 million
Dividends per share	¥66	¥55
Record date	December 31, 2017	June 30, 2018
Effective date	March 30, 2018	September 14, 2018

Note: Dividends approved at the shareholders' meeting on March 29, 2018 paid to the ESOP Trust and the BIP Trust in the amount of ¥11 million have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 10, 2018 paid to the ESOP Trust and the BIP Trust in the amount of ¥9 million have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2018, but whose effective date was in the following fiscal year

2018

	Shareholders' Meeting
Resolution by	March 28, 2019
Total amount of dividends	¥5,379 million
Dividends per share	¥80
Record date	December 31, 2018
Effective date	March 29, 2019

Note: Dividends paid to the BIP Trust in the amount of ¥9 million have been included in the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2019

2019

	Shareholders' Meeting	Board of Directors' Meeting
Resolution by	March 28, 2019	August 9, 2019
Total amount of dividends	¥5,379 million (\$49,097 thousand)	¥4,453 million (\$40,652 thousand)
Dividends per share	¥80 (\$0.73)	¥67 (\$0.61)
Record date	December 31, 2018	June 30, 2019
Effective date	March 29, 2019	September 17, 2019

Note: Dividends approved at the shareholders' meeting on March 28, 2019 paid to the BIP Trust in the amount of ¥9 million (\$84 thousand) have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 9, 2019 paid to the BIP Trust in the amount of ¥5 million (\$50 thousand) have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2019, but whose effective date was in the following fiscal year

2019

	Shareholders' Meeting
Resolution by	March 27, 2020
Total amount of dividends	¥4,538 million (\$41,420 thousand)
Dividends per share	¥68 (\$0.62)
Record date	December 31, 2019
Effective date	March 30, 2020

Note: Dividends paid to the Employee Shareholders Association Exclusive Trust and the BIP Trust in the amount of ¥23 million (\$212 thousand) have been included in the total amount of dividends.

d Stock options

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the Corporation Law of Japan.

For the years ended December 31, 2018 and 2019, the Company didn't recognize nor allocate share-based compensation costs.

A description of the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans as of December 31, 2019, respectively, are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Grantee categories and number of grantees	6 directors of the Company	6 directors of the Company	6 directors of the Company	6 directors of the Company 5 executive officers of the Company	6 directors of the Company 4 executive officers of the Company
Number of shares	11,940 shares of common stock	7,980 shares of common stock	4,650 shares of common stock	10,360 shares of common stock	8,180 shares of common stock
Grant date	May 20, 2013	April 21, 2014	April 20, 2015	April 20, 2016	April 20, 2017
Vesting conditions	None	None	None	None	None
Service period	None	None	None	None	None
Exercisable period	May 21, 2013 to May 20, 2033	April 22, 2014 to April 21, 2034	April 21, 2015 to April 20, 2035	April 21, 2016 to April 20, 2036	April 21, 2017 to April 20, 2037

Note: The Company conducted a 2-for-1 stock split of its common stock on January 1, 2015. The number of shares for fiscal 2013 and 2014 reflect the stock split.

The following table summarizes the option activity under the stock option plans referred to above.

	Number of shares				
	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Non-vested:					
Outstanding as of December 31, 2018	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding as of December 31, 2019	-	-	-	-	-
Vested:					
Outstanding as of December 31, 2018	5,800	3,880	3,810	7,800	7,630
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding as of December 31, 2019	5,800	3,880	3,810	7,800	7,630

Note: Number of stock options are listed after conversion to share numbers.

Price information of stock options for the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥1	¥1	¥1	¥1	¥1
Average price on exercise	-	-	-	-	-
Fair value on grant date	4,967	6,158	5,465	4,699	5,304

Since it is fundamentally difficult to reasonably estimate the forfeited number of stock options for future periods, an estimation of the vested number is based upon actual forfeitures in prior periods.

3. Cash and Cash Equivalents

Cash and cash equivalents at the end of the year in the accompanying consolidated statement of cash flows are reconciled to cash and bank deposits reported in the accompanying consolidated balance sheet as of December 31, 2018 and 2019, as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Cash and bank deposits	¥113,066	¥110,369	\$1,007,386
Time deposits with maturities over three months at the time of purchi:	(6)	(6)	(55)
Short-term investments	2,500	2,301	21,002
Securities exposed to price risk	(2,000)	(1,801)	(16,438)
Cash and cash equivalents	¥113,560	¥110,863	\$1,011,894

4. Financial Instruments

(1) Financial instruments

a. Policies for financial instruments

The Company funds R&D expenditure and equipment investment through retained earnings to maintain a sound financial position. According to this policy, the Company limits the management of surplus funds to short-term deposits and other highly secure financial assets. The Company uses derivatives to mitigate risks as described below and does not engage in speculative transactions.

b. Financial instruments description and risks

Trade notes and accounts receivable are exposed to customer credit risk and some are also exposed to foreign currency risk.

Short-term investments and investment securities, primarily securities and investments in stocks of trading partners, are exposed to the risk of fluctuations in market prices.

Trade notes and accounts payable are due within one year, and some are exposed to foreign currency risk.

The Company uses forward foreign exchange contracts to hedge the risk of foreign exchange fluctuations associated with receivables and payables and forecasted transactions denominated in foreign currencies.

c. Risk management of financial instruments

1. Management of credit risk (risks associated with the default of counterparties)

The Company and its consolidated subsidiaries manage credit risk in compliance with internal control rules and procedures. The due dates and the balances of trade notes and accounts receivable from major counterparties are monitored and managed regularly to ensure early detection and to mitigate the risk of doubtful receivables.

2. Management of market risk (risks associated with fluctuations in foreign exchange rates and interest rates)

The Company and some of its consolidated subsidiaries hedge the risk of foreign exchange rate fluctuations on foreign currency denominated receivables and payables and forecasted transactions, using foreign exchange forward contracts on a monthly and individual currency basis. The Company enters into exchange contracts based on the decision of the Board of Directors and these are monitored regularly by the head office accounting and finance department.

The Company monitors the fair value and the financial position of the respective issuers of short-term investments and investment securities regularly in the head office accounting and finance department, and continually reviews the condition of stocks held. The Company reports the condition of stocks held and their fair value to the Board of Directors, and monitors the rating and financial conditions of issuers.

3. Management of liquidity risk related to financing activities (risk of non-payment on due date)

The Company manages liquidity risk centrally through the accounting and finance department, which ensures a certain amount of liquidity through the preparation and update of cash forecasts based on reports from each department and the finance plans prepared by the accounting departments of each subsidiary.

d. Supplemental information on the fair value of financial instruments

The Company calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available.

These estimates include variable factors, and therefore may change depending on changes in the underlying assumptions. The contract amounts of the derivatives described in Note 6. Derivative Financial Instruments are not indicative of the market risk associated with derivatives transactions.

(2) Fair value of financial instruments

The carrying value, fair value and variance for financial instruments as of December 31, 2018 and 2019, were as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	2018		
	Carrying value	Fair value	Variance
Assets:			
(1) Cash and bank deposits	¥113,066	¥113,066	¥ -
(2) Trade notes and accounts receivable	23,909	23,909	-
(3) Short-term investments and investment securities	11,433	11,433	-
Total assets	¥148,409	¥148,409	¥ -
Liabilities			
Trade notes and accounts payable	¥6,376	¥6,376	¥ -
Total liabilities	¥6,376	¥6,376	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2019			2019		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
Assets:						
(1) Cash and bank deposits	¥110,369	¥110,369	¥ -	\$1,007,386	\$1,007,386	\$ -
(2) Trade notes and accounts receivable	21,913	21,913	-	200,009	200,009	-
(3) Short-term investments and investment securities	13,178	13,178	-	120,288	120,288	-
Total assets	¥145,461	¥145,461	¥ -	\$1,327,684	\$1,327,684	\$ -
Liabilities						
Trade notes and accounts payable	¥6,003	¥6,003	¥ -	\$54,797	\$54,797	\$ -
Total liabilities	¥6,003	¥6,003	¥ -	\$54,797	\$54,797	\$ -

1: Method for calculating the fair values of financial instruments, short-term investments and derivative transactions

Assets:

(1) Cash and bank deposits, (2) Trade notes and accounts receivable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(3) Short-term investments and investment securities

Market prices on securities exchanges are used to determine the fair value of stock. Prices quoted by exchanges or financial institutions are used to determine the fair value of bonds.

Liabilities:

Trade notes and accounts payable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

Derivative instruments:

Please refer to Note 6. Derivative Financial Instruments.

2: Carrying value of financial instruments for which fair values were extremely difficult to determine

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Unlisted stocks	¥275	¥103	\$941

These items are not included in "(3) Short-term investments and investment securities" because market prices do not exist for these items and their fair values are not readily determinable.

3: Redemption schedule for receivables and marketable securities with maturities at December 31, 2018 and 2019

	Yen (Millions)		
	2018		
	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥113,066	¥ -	¥ -
Trade notes and accounts receivable	23,909	-	-
Short-term investments and investment securities			
Other securities			
Corporate bonds	2,000	-	-
Certificate of deposit	500	-	-
Total	¥139,475	¥ -	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2019			2019		
	Within 1 year	1-5 years	5-10 years	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥110,369	¥ -	¥ -	\$1,007,386	\$ -	\$ -
Trade notes and accounts receivable	21,913	-	-	200,009	-	-
Short-term investments and investment securities						
Other securities						
Corporate bonds	1,801	-	-	16,438	-	-
Certificate of deposit	500	-	-	4,563	-	-
Total	¥134,583	¥ -	¥ -	\$1,228,398	\$ -	\$ -

5. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2018 and 2019, were as follows:

(1) Held-to-maturity securities

Not applicable for the years ended December 31, 2018 and 2019.

The acquisition cost, carrying value and variance for other securities as of December 31, 2018 and 2019, were as follows:

(2) Other securities

	Yen (Millions)		
	2018		
	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost			
Stock	¥5,153	¥1,942	¥3,211
Credit (Corporate bonds)	1,000	1,000	0
Subtotal	6,153	2,942	3,211
Securities whose acquisition cost exceeds their carrying value			
Stock	3,283	3,585	(301)
Credit (Corporate bonds)	1,000	1,000	-
Other	995	1,000	(4)
Subtotal	5,279	5,585	(305)
Total	¥11,433	¥8,528	¥2,905

Note: Unlisted stocks of ¥41 million are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.

	Yen (Millions)			U.S. Dollars (Thousands)		
	2019			2019		
	Carrying value	Acquisition cost	Variance	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost						
Stock	¥8,926	¥4,028	¥4,897	\$81,473	\$36,773	\$44,699
Credit (Corporate bonds)	1,000	1,000	0	9,127	9,127	0
Other	542	500	42	4,950	4,563	386
Subtotal	10,468	5,528	4,939	95,551	50,464	45,086
Securities whose acquisition cost exceeds their carrying value						
Stock	1,409	1,499	(89)	12,861	13,683	(821)
Credit (Corporate bonds)	801	801	(0)	7,311	7,312	(1)
Other	500	500	-	4,563	4,563	-
Subtotal	2,710	2,800	(90)	24,737	25,559	(822)
Total	¥13,178	¥8,329	¥4,849	\$120,288	\$76,024	\$44,264

Note: Unlisted stocks of ¥33 million (\$302 thousand) are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.

(3) Other securities sold

Not applicable for the years ended December 31, 2018 and 2019.

(4) Held-to-maturity securities sold

Not applicable for the years ended December 31, 2018 and 2019.

6. Derivative Financial Instruments

The Company enters into forward exchange contracts and options, and forward precious metal contracts, as a normal part of risk management efforts. The Company also utilizes compound financial instruments for the purpose of efficient management of surplus funds. However, only principal guaranteed instruments are used, and derivatives are not used for speculative trading purposes. As a result, the Company is exposed to risk of currency rate fluctuations and commodity price risk. The Company is also exposed to credit related losses in the event of the nonperformance of the counterparties to foreign exchange contracts, precious metal contracts and compound instruments. Management believes such credit risks are minor because of the high credit worthiness of the counterparties and as such financial instruments are not held for trading purposes.

Forward precious metal contracts are used by the Company to hedge the risk of changes in market prices resulting from the purchase of precious metals as raw materials for motor products. These contracts are long-term purchase contracts of raw materials, and are also not in the scope of the accounting standards of financial instruments.

The fair value of derivative transactions for which hedge accounting is not applied is the forward foreign exchange quotation or the price provided by correspondent financial institutions.

(1) Derivative transactions for which hedge accounting is not applied

1. Forward exchange contracts and currency option transactions

	Yen (Millions)			
	2018			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥19,708	¥ -	¥3	¥3
Total	¥19,708	¥ -	¥3	¥3

	Yen (Millions)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥23,083	¥ -	¥9	¥9
Total	¥23,083	¥ -	¥9	¥9

	U.S. Dollars (Thousands)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	\$210,689	\$ -	\$90	\$90
Total	\$210,689	\$ -	\$90	\$90

2. Forward precious metal contracts

	Yen (Millions)			
	2018			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥9,385	¥5,654	¥9,918	¥532
Total	¥9,385	¥5,654	¥9,918	¥532

	Yen (Millions)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥7,110	¥3,108	¥8,294	¥1,183
Total	¥7,110	¥3,108	¥8,294	¥1,183

	U.S. Dollars (Thousands)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	\$64,901	\$28,376	\$75,707	\$10,805
Total	\$64,901	\$28,376	\$75,707	\$10,805

(2) Derivative transactions for which hedge accounting is applied

Dividends receivable from foreign subsidiaries

Yen (Millions)					
2018					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		¥4,314	¥ -	¥(53)
Total			¥4,314	¥ -	¥(53)

Yen (Millions)					
2019					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		¥539	¥ -	¥(3)
Total			¥539	¥ -	¥(3)

U.S. Dollars (Thousands)					
2019					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		\$4,919	\$ -	\$(27)
Total			\$4,919	\$ -	\$(27)

7. Retirement Benefit Plans

The table below sets forth the plans' status and amounts recognized in the consolidated balance sheets at December 31, 2018 and 2019.

1. Movement in retirement benefit obligations

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥12,130	¥11,455	\$104,557
Service cost	479	479	4,377
Interest cost	73	55	510
Actuarial loss (gain)	(157)	77	710
Benefit paid	(909)	(595)	(5,436)
Other	(161)	26	241
Ending balance	¥11,455	¥11,499	\$104,960

2. Movement in plan assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥10,013	¥9,873	\$90,122
Expected return on plan assets	100	95	876
Actuarial gain (loss)	89	170	1,559
Contributions paid by the employer	451	462	4,221
Benefit paid	(661)	(567)	(5,177)
Other	(119)	(241)	(2,205)
Ending balance	¥9,873	¥9,794	\$89,396

3. Movement in retirement benefit obligations calculated using the simplified method

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥415	¥415	\$3,795
Retirement benefit cost	61	59	544
Benefit paid	(44)	(35)	(321)
Other	(16)	(5)	(51)
Ending balance	¥415	¥434	\$3,966

4. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Funded retirement benefit obligations	¥11,455	¥11,499	\$104,960
Plan assets	(9,873)	(9,794)	(89,396)
	1,581	1,705	15,563
Unfunded retirement benefit obligations	415	434	3,966
Total net liability for retirement benefits at December 31	¥1,997	¥2,139	\$19,530

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Liability for retirement benefits	¥1,997	¥2,139	\$19,530
Total net liability for retirement benefits at December 31	¥1,997	¥2,139	\$19,530

5. Retirement benefit costs

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Service cost	¥479	¥479	\$4,377
Interest cost	73	55	510
Expected return on plan assets	(100)	(95)	(876)
Amortization of unrecognized actuarial gain	180	159	1,455
Amortization of prior service cost	0	0	6
Retirement benefit costs applying a simplified method	61	59	544
Other	288	96	883
Total retirement benefit costs for the fiscal year ended December 31	¥984	¥756	\$6,901

6. Retirement benefits liability adjustments before tax effect in other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Prior service cost	¥0	¥0	\$6
Actuarial loss	408	252	2,303
Total balance amount for the year	¥409	¥253	\$2,310

7. Retirement benefits liability adjustments before tax effect in accumulated other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Unrecognized prior service cost	¥0	¥0	\$1
Unrecognized actuarial loss	1,150	898	8,198
Total balance amount for the year	¥1,151	¥898	\$8,200

8. Plan assets

The fair values of plan assets, by major category, as a percentage of total plan assets were as follows:

① Plan assets at December 31, 2018 and 2019, comprise:

	2018	2019
General accounts	67.6%	66.1%
Bonds	13.4%	12.4%
Stocks	5.1%	5.6%
Cash and deposits	3.0%	3.5%
Other	10.9%	12.4%
Total	100.0%	100.0%

② Long-term expected rates of return

The expected rates of return on plan assets have been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2018	2019
Discount rates	Mainly 0.3%	Mainly 0.4%
Expected rates of return on plan assets	Mainly 1.0%	Mainly 1.0%
Expected rates of salary increase	Mainly 2.8%	Mainly 2.7%

8. Income Taxes

1. Income taxes in Japan applicable to the Company consist of corporation tax, inhabitant's taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 30.7% and 30.5% for the years ended December 31, 2018 and 2019, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for the years ended December 31, 2018 and 2019 was as follows:

	2018	2019
	Percentage	Percentage
Effective statutory tax rates	30.7	30.5
Tax credits on dividend income	0.9	1.1
Different tax rates applied to foreign subsidiaries	(9.8)	(5.6)
Tax deduction	(1.3)	(1.0)
Undistributed earnings in foreign subsidiaries	0.9	1.9
Valuation allowance	2.0	1.7
Other, net	(1.6)	0.9
Effective tax rates	21.8	29.5

2. The significant components of deferred tax assets and liabilities at December 31, 2018 and 2019, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Deferred tax assets:			
Enterprise tax payable	¥85	¥88	\$811
Depreciation	138	141	1,295
Liability for retirement benefits	537	508	4,645
Loss on retirement of fixed assets	320	-	-
Valuation losses on investment securities and other assets	247	247	2,261
Valuation losses on golf club membership	71	71	650
Impairment loss	11	7	64
Net unrealized holding gains on securities	93	27	250
Deferred gains or losses on hedges	16	0	8
Unrealized profits on inventories and fixed assets	1,455	1,312	11,981
Loss carried forward (Note)	1,068	1,436	13,107
Other	436	427	3,905
Subtotal	4,482	4,270	38,981
Valuation allowance for tax loss carried forward (Note)	-	(1,436)	(13,107)
Valuation allowance for total amount of future deductible temporary differences, etc.	-	(441)	(4,031)
Subtotal	(1,550)	(1,877)	(17,139)
Total	¥2,931	¥2,392	\$21,841
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥(2,480)	¥(2,853)	\$(26,043)
Reserve for reduction entry	(54)	(52)	(481)
Unrealized holding gains on securities	(885)	(1,393)	(12,716)
Other	(79)	(105)	(960)
Total	¥(3,499)	¥(4,404)	\$(40,202)
Net deferred tax assets (liabilities)	¥(567)	¥(2,011)	\$(18,360)

	Yen (Millions)						
	2019						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loss carried forward	¥ -	¥ -	¥2	¥49	¥146	¥1,238	¥1,436
Valuation allowance	-	-	(2)	(49)	(146)	(1,238)	(1,436)
Deferred tax assets	-	-	-	-	-	-	-

	U.S. Dollars (Thousands)						
	2019						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loss carried forward	\$ -	\$ -	\$21	\$447	\$1,333	\$11,305	\$13,107
Valuation allowance	-	-	(21)	(447)	(1,333)	(11,305)	(13,107)
Deferred tax assets	-	-	-	-	-	-	-

* : Loss carried forward was calculated by multiplying the effective statutory tax rate.

9. Consolidated Statement of Comprehensive Income

The following table presents reclassification adjustments and tax effects for each component of other comprehensive income for the years ended December 31, 2018 and 2019.

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥(3,313)	¥1,944	\$17,743
Reclassification adjustments for gains and losses included in net income	-	-	-
Amount before tax effect	(3,313)	1,944	17,743
Tax effect	787	(508)	(4,636)
Net unrealized holding gains (losses) on securities	(2,526)	1,436	13,107
Deferred gains or losses on hedges:			
Amount arising during the year	73	50	459
Tax effect	(22)	(15)	(140)
Deferred gains or losses on hedges	50	35	319
Foreign currency translation adjustments:			
Amount arising during the year	(7,517)	(2,703)	(24,675)
Retirement benefits liability adjustments:			
Amount arising during the year	227	92	848
Reclassification adjustments for gains and losses included in net income	181	160	1,462
Amount before tax effect	409	253	2,310
Tax effect	(103)	(68)	(622)
Retirement benefits liability adjustments	306	184	1,688
Total other comprehensive income	¥(9,686)	¥(1,047)	\$(9,560)

10. Shareholders' Equity

Under the Japanese Corporation Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, where a distribution of earnings is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in capital or as part of the legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

As of December 31, 2019, the total amount of additional paid-in capital and the legal earnings reserve exceeded 25% of the common stock; therefore, no additional transfer is required.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. However, by a resolution at a shareholders' meeting, additional paid-in capital and the legal earnings reserve may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Year-end dividends are approved by the shareholders after the end of each fiscal year, and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period.

On September 17, 2019, interim dividends (¥67 or \$0.61 per share) totaling ¥4,453 million (\$40,652 thousand) were paid to shareholders based on the shareholders' record at June 30, 2019. On March 27, 2020, the shareholders approved the declaration of dividends (¥68 or \$0.62 per share) totaling ¥4,538 million (\$41,420 thousand).

11. Amounts per Share

	Yen		U.S. Dollars
	2018	2019	2019
Profit attributable to owners of parent			
Basic	¥341.19	¥214.00	\$1.95
Diluted	¥341.05	¥213.91	\$1.95

	Yen		U.S. Dollars
	2018	2019	2019
Net assets	¥3,640.08	¥3,690.86	\$33.68

Notes: 1. Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust and the BIP trust during the fiscal year ended December 31, 2018. Those during the fiscal year ended December 31, 2019 are computed based on the number of shares outstanding less treasury stock including shares of the Employee Shareholders Association Exclusive Trust and the BIP trust

2. The numbers at year end of such treasury shares were 0 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018, and 139,100 and 203,226 shares, respectively, during the fiscal year ended December 31, 2019.

3. The weighted average numbers of such treasury shares were 29,988 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018, and 7,241 and 133,971 shares, respectively, during the fiscal year ended December 31, 2019.

The bases for calculation (net assets per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Total net assets	¥244,454	¥245,172	\$2,237,792
Amounts deducted from total net assets:	124	124	1,134
Share subscription rights	124	124	1,134
Net assets attributable to shares of Common stock	¥244,330	¥245,048	\$2,236,658
Number of Common stock on December 31 (Shares)	67,122,222	66,393,191	-

The bases for calculation (basic and diluted profit attributable to owners of parent per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥22,925	¥14,234	\$129,925
Amounts not attributable to ordinary shareholders	-	-	-
Profit attributable to owners of parent in relation to Common stock	22,925	14,234	129,925
Average number of Common stock (Shares)	67,191,599	66,517,552	-
Diluted profit attributable to owners of parent per share			
Profit attributable to owners of parent adjustments	-	-	-
Increase in number of shares of Common stock (Shares)	29,243	28,913	-
Share subscription rights (Shares)	29,243	28,913	-

12. Selling, General and Administrative Expenses

The main components of "Selling, General and Administrative Expenses" for the years ended December 31, 2018 and 2019, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Packing and freightage expenses	¥1,173	¥1,142	\$10,426
Salaries and wages	9,341	9,775	89,226
Provision for bonuses due to employees	262	252	2,304
Provision for bonuses due to directors	161	165	1,508
Retirement benefit expenses	596	541	4,937
Employee benefit costs	1,927	1,878	17,144
Depreciation	1,565	1,716	15,671
Provision of allowance for doubtful debts	(56)	(41)	(383)
Research expenses	1,159	1,075	9,816

13. Contingent Liabilities

As of December 31, 2018 and 2019, the Company is contingently liable principally for forward precious metal contracts in the amounts of ¥9,385 million and ¥7,155 million (\$65,308 thousand), respectively.

14. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥4,939 million and ¥4,958 million (\$45,260 thousand) for the years ended December 31, 2018 and 2019, respectively.

15. Other Income (Expenses)

A gain of ¥6,023 million on the sale of buildings and structures was recognized for the years ended December 31, 2018 and included in Gain (loss) on disposal of fixed assets, net. A loss of ¥1,050 million on the disposal of construction in progress and ¥533 million (\$4,871 thousand) on the disposal of machinery and vehicles was recognized and included in Gain (loss) on disposal of fixed assets, net, for the years ended December 31, 2018 and 2019, respectively.

16. Impairment of Fixed Assets

There were no impairment losses relating to fixed assets to be disclosed in the notes for the fiscal years ended December 31, 2018 and 2019.

17. Segment Information

1. Overview of reporting segments

The reporting segments of the Company and its consolidated subsidiaries are regularly reviewed by the Board of Directors using the segregated financial information available within each segment of the Company and its consolidated subsidiaries, to determine the allocation of management resources and evaluate business results.

The Company and its consolidated subsidiaries specialize in small motors manufacturing and sales as a single line of business. The Company is in charge of the business activities in Japan. Meanwhile, subsidiaries located overseas are in charge of operations in Asia, North and Latin America, Europe, etc. Subsidiaries located overseas are independent management units and propose comprehensive product strategies while pursuing business expansion.

Since the Company and its consolidated subsidiaries are composed of regional segments based on a manufacturing and selling system, the Company and its consolidated subsidiaries have designated "Japan," "Asia," "North and Latin America" and "Europe" as their reporting segments.

2. Methods for calculating net sales, profits or losses, assets, liabilities and other items by reporting segment

The accounting policies and methods for the Group's reporting segments are the same as described in "1. Summary of Significant Accounting Policies."

Intersegment net sales are based on prevailing market prices. The "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been applied from the beginning of the fiscal year ended December 31, 2019 and have also been applied retroactively to the segment assets of the previous fiscal year.

3. Information concerning net sales, profits or losses, assets, liabilities and other items by reporting segment

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net sales:			
Japan			
External customers	¥13,032	¥14,091	\$128,617
Intersegment	87,898	79,477	725,419
Total	100,931	93,568	854,037
Asia			
External customers	75,581	64,427	588,058
Intersegment	78,262	71,242	650,257
Total	153,844	135,669	1,238,316
North and Latin America			
External customers	20,505	23,013	210,055
Intersegment	420	1,573	14,357
Total	20,925	24,586	224,412
Europe			
External customers	33,996	30,274	276,330
Intersegment	79	82	748
Total	34,075	30,356	277,079
Corporate and elimination	(166,661)	(152,374)	(1,390,783)
Consolidated	¥143,116	¥131,807	\$1,203,061
Segment profit or loss:			
Japan	¥7,062	¥6,370	\$58,147
Asia	13,529	10,058	91,805
North and Latin America	(1,085)	(266)	(2,432)
Europe	1,325	828	7,563
Corporate and elimination	410	553	5,055
Consolidated	¥21,243	¥17,544	\$160,138
Segment assets:			
Japan	¥111,909	¥115,529	\$1,054,489
Asia	166,481	167,088	1,525,082
North and Latin America	25,030	30,615	279,443
Europe	21,726	21,599	197,147
Corporate and elimination	(58,099)	(66,588)	(607,783)
Consolidated	¥267,050	¥268,244	\$2,448,380
Others:			
Depreciation and amortization:			
Japan	¥1,151	¥1,204	\$10,996
Asia	6,535	6,698	61,138
North and Latin America	628	856	7,819
Europe	7	146	1,335
Corporate and elimination	(329)	(324)	(2,961)
Consolidated	¥7,994	¥8,581	\$78,328
Increase in tangible and intangible fixed assets:			
Japan	¥129	¥829	\$7,573
Asia	9,626	12,337	112,607
North and Latin America	3,410	4,669	42,619
Europe	1,966	542	4,950
Corporate and elimination	(584)	(874)	(7,980)
Consolidated	¥14,548	¥17,504	\$159,769

Notes: 1. (1) Corporate and elimination for segment profit or loss of ¥410 million in fiscal 2018 and ¥553 million (\$5,055 thousand) in fiscal 2019 represent intersegment transaction eliminations.

(2) The segment assets eliminations include: corporate assets of ¥56,298 million in fiscal 2018 and ¥55,536 million (\$506,902 thousand) in fiscal 2019, not allocated to each segment; intersegment debt and credit eliminations of ¥(114,398) million in fiscal 2018 and ¥(122,124) million (\$1,114,685 thousand) in fiscal 2019. Corporate assets primarily include the parent company's surplus funds for investment (e.g., cash and bank deposits and short-term investments) and long-term investment funds (e.g., investment securities).

(3) The depreciation and amortization eliminations of ¥(329) million in fiscal 2018 and ¥(324) million (\$2,961 thousand) in fiscal 2019 represent intersegment transaction eliminations.

(4) Increase in tangible and intangible fixed assets eliminations of ¥(584) million in fiscal 2018 and ¥(874) million (\$7,980 thousand) in fiscal 2019 represent intersegment transaction eliminations.

2. Segment profit or loss is adjusted for operating income reported in the consolidated statement of income.

Related information

Information on net sales, tangible fixed assets and impairment losses by geographic area is summarized as follows. For the fiscal year ended December 31, 2018, sales to one specific major customer in the amount of ¥14,392 million accounted for 10% or more of consolidated net sales. For the fiscal year ended December 31, 2019, sales to any specific customer didn't account for 10% or more of consolidated net sales.

Geographical Information

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net sales			
Japan	¥13,597	¥14,428	\$131,693
Asia	75,022	64,090	584,982
North and Latin America	20,499	23,013	210,055
Europe	33,996	30,274	276,330
Total	¥143,116	¥131,807	\$1,203,061

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Tangible fixed assets			
Japan	¥16,438	¥15,357	\$140,173
Asia	45,102	48,665	444,188
North and Latin America	9,263	12,872	117,497
Europe	3,221	3,608	32,938
Total	¥74,025	¥80,504	\$734,797

There were no impairment losses relating to fixed assets to be disclosed for the fiscal years ended December 31, 2018 and 2019.

Notes: 1. Net sales in China in the amount of ¥35,724 million and ¥31,614 million (\$288,559 thousand) for the years ended December 31, 2018 and 2019, respectively were included in Asia.

2. Tangible fixed assets in China in the amount of ¥25,684 million and ¥25,627 million (\$233,908 thousand) and in Vietnam in the amount of ¥14,462 million and ¥18,984 million (\$173,281 thousand) were included in Asia for the years ended December 31, 2018 and 2019, respectively. Tangible fixed assets in Mexico in the amount of ¥9,251 million and ¥12,857 million (\$117,352 thousand) for the year ended December 31, 2018 and 2019, respectively were included in North and Latin America.

18. Subsequent Events

Setting the Maximum Allowance for Acquisition of Treasury Stock

On February 13, 2020, the Company resolved, at the Board of Directors' meeting, to set the maximum allowance for acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3, of said Act, as described below.

1. Reasons for the purchase of treasury stock

The Company purchases treasury stock in order to implement a flexible capital policy to respond to changes in the business environment and to improve shareholder returns and capital efficiency.

2. Details of matters pertaining to the purchase of treasury stock

- (1) Class of shares to be purchased: Common stock of the Company
- (2) Total number of shares to be purchased: 1,200,000 shares (maximum)
(1.8% of the total number of shares issued [excluding treasury stock])
- (3) Total amount of purchase cost: ¥3.0 billion (\$27,382 thousand) (maximum)
- (4) Purchase period: February 14, 2020 to December 31, 2020
- (5) Purchase method: Purchase in the open market through discretionary trading