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Consolidated Results for 1st to 3rd Quarter Fiscal 2019: April 1, 2019 – December 31, 2019

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	Q1–Q3 2019	Q1–Q3 2018
Net sales	1,588,532 [+0.1%]	1,586,749 [+6.9%]
Operating income	140,239 [−10.7%]	157,128 [+5.3%]
Ordinary income	145,678 [−12.1%]	165,674 [+3.2%]
Net income attributable to owners of the parent	103,827 [−10.4%]	115,901 [−17.4%]
Net income per share*	74.75	83.02
Diluted net income per share*	—	—

* Yen

Note:

Comprehensive income was ¥95,778 million during Q1–Q3 2019, and ¥106,374 million during Q1–Q3 2018.

2. Financial position

At end of	December 2019	March 2019
Total assets	2,706,680	2,575,203
Net assets	1,439,581	1,402,710
Net worth/total assets	52.4%	53.6%
Net worth per share*	1,021.90	989.51

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth was ¥1,417,875 million as of December 31, 2019, and ¥1,381,485 million as of March 31, 2019.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2018	—	17.00	—	17.00	34.00
2019	—	18.00	—		
2019 (forecast)				16.00	34.00

* Yen

Note:

The cash dividend forecast announced on November 6, 2019, has been revised.

III. Forecast for Fiscal 2019 (April 1, 2019 – March 31, 2020)

1. Latest forecasts (percent change from results in year-ago period in brackets)

	For the fiscal year
Net sales	2,190,000 [+0.9%]
Operating income	178,500 [−14.8%]
Ordinary income	183,500 [−16.6%]
Net income attributable to owners of the parent	127,500 [−13.6%]
Net income per share*	91.89

* Yen

Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2019 announced on November 6, 2019, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period

Addition of one new subsidiary: Cardiac Science Corporation

2. Special accounting methods for preparation of the consolidated financial statements

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

3. Changes in accounting policies, changes in accounting estimates, and retroactive restatement: None

4. Notable changes in shareholders' equity

Based on a resolution of the Board of Directors on May 10, 2019, a repurchase of 8,684,300 shares of stock was performed, and a cancellation of 8,684,300 shares of treasury stock was performed on October 11, 2019. As a result, capital surplus decreased by ¥21 million, retained earnings decreased by ¥7,856 million, and treasury stock increased by ¥2,122 million during the Q1–Q3 period. As of the end of Q3, capital surplus was ¥79,641 million, retained earnings were ¥1,125,633 million, and treasury stock was ¥5,988 million.

5. Number of shares outstanding

	Q1–Q3 2019	FY 2018
Number of shares outstanding at end of period	1,393,932,032	1,402,616,332
Number of shares of treasury stock at end of period	6,438,551	6,491,383
Average number of shares outstanding during period	1,388,921,459	1,396,130,740*

* Q1–Q3 2018

V. Consolidated Financial Statements

1. Balance sheets

	At end of March 2019	At end of December 2019
Assets		
Current assets		
Cash and deposits	193,893	209,914
Notes and accounts receivable–trade	350,716	338,674
Merchandise and finished goods	201,699	204,867
Work in process	131,686	180,322
Raw materials and supplies	93,961	100,715
Other	82,900	107,059
Allowance for doubtful accounts	(3,461)	(1,376)
Total current assets	1,051,393	1,140,175
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	547,422	567,578
Accumulated depreciation	(294,536)	(303,024)
Buildings and structures, net	252,886	264,554
Machinery, equipment and vehicles	1,439,166	1,469,278
Accumulated depreciation	(1,222,201)	(1,240,252)
Machinery, equipment and vehicles, net	216,966	229,026
Land	63,889	64,941
Lease assets	10,159	9,836
Accumulated depreciation	(9,423)	(9,130)
Lease assets, net	736	706
Construction in progress	64,188	74,555
Other	160,631	171,993
Accumulated depreciation	(137,930)	(141,634)
Other, net	22,701	30,359
Subtotal	621,366	664,141
Intangible assets		
Goodwill	319,898	325,939
Other	210,080	218,544
Subtotal	529,978	544,484
Investments and other assets		
Investment securities	296,330	292,706
Long-term loans receivable	19,993	8,213
Deferred tax assets	27,508	28,276
Other	29,052	29,074
Allowance for doubtful accounts	(418)	(389)
Subtotal	372,465	357,880
Total noncurrent assets	1,523,810	1,566,505
Total assets	2,575,203	2,706,680

	At end of March 2019	At end of December 2019
Liabilities		
Current liabilities		
Notes and accounts payable–trade	180,429	159,145
Short-term loans payable	97,579	130,861
Commercial paper	77,000	149,000
Current portion of bonds payable	20,000	—
Lease obligations	164	1,022
Accrued expenses	113,221	103,420
Income taxes payable	24,971	9,881
Advances received	75,836	85,141
Provision for grant of shares	82	—
Provision for periodic repairs	5,342	2,806
Provision for product warranties	3,102	3,671
Provision for removal cost of property, plant and equipment	2,251	2,575
Other	81,877	92,232
Total current liabilities	681,853	739,755
Noncurrent liabilities		
Bonds payable	20,000	60,000
Long-term loans payable	209,878	199,743
Lease obligations	253	4,338
Deferred tax liabilities	48,299	49,650
Provision for grant of shares	289	289
Provision for periodic repairs	2,929	3,787
Provision for removal cost of property, plant and equipment	3,018	1,776
Net defined benefit liability	168,685	164,508
Long-term guarantee deposits	21,143	21,470
Other	16,145	21,783
Total noncurrent liabilities	490,639	527,344
Total liabilities	1,172,493	1,267,099
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,708	79,641
Retained earnings	1,077,586	1,125,633
Treasury stock	(3,936)	(5,988)
Total shareholders' equity	1,256,747	1,302,674
Accumulated other comprehensive income		
Net unrealized gain on other securities	101,971	99,734
Deferred gains or losses on hedges	(40)	(297)
Foreign currency translation adjustment	42,020	31,615
Remeasurements of defined benefit plans	(19,213)	(15,850)
Total accumulated other comprehensive income	124,738	115,202
Non-controlling interests	21,225	21,705
Total net assets	1,402,710	1,439,581
Total liabilities and net assets	2,575,203	2,706,680

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1-Q3 2018	Q1-Q3 2019
Net sales	1,586,749	1,588,532
Cost of sales	1,076,733	1,079,247
Gross profit	510,016	509,285
Selling, general and administrative expenses	352,889	369,046
Operating income	157,128	140,239
Non-operating income		
Interest income	2,297	2,022
Dividends income	4,728	4,469
Equity in earnings of affiliates	9,890	6,609
Other	2,316	2,600
Total non-operating income	19,231	15,700
Non-operating expenses		
Interest expense	3,338	3,027
Foreign exchange loss	2,216	1,975
Other	5,130	5,259
Total non-operating expenses	10,684	10,262
Ordinary income	165,674	145,678
Extraordinary income		
Gain on sales of investment securities	6,811	9,022
Gain on sales of noncurrent assets	451	1,402
Total extraordinary income	7,262	10,424
Extraordinary loss		
Loss on valuation of investment securities	19	1,157
Loss on disposal of noncurrent assets	2,966	4,715
Impairment loss	3,369	2,226
Loss on disaster	—	1,497
Business structure improvement expenses	1,907	324
Total extraordinary loss	8,261	9,919
Income before income taxes	164,675	146,183
Total income taxes	47,229	41,014
Net income	117,446	105,169
Net income attributable to non-controlling interests	1,544	1,342
Net income attributable to owners of the parent	115,901	103,827

2) Statements of comprehensive income

	Q1-Q3 2018	Q1-Q3 2019
Net income	117,446	105,169
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	(26,132)	(2,285)
Deferred gains or losses on hedges	(95)	(257)
Foreign currency translation adjustment	10,495	(10,790)
Remeasurements of defined benefit plans	4,418	3,409
Share of other comprehensive income of affiliates accounted for using equity method	242	532
Total other comprehensive income	(11,072)	(9,391)
Comprehensive income	106,374	95,778
Comprehensive income attributable to:		
Owners of the parent	104,895	94,291
Non-controlling interests	1,479	1,487

3. Statements of cash flows

	Q1–Q3 2018	Q1–Q3 2019
Cash flows from operating activities		
Income before income taxes	164,675	146,183
Depreciation and amortization	61,798	70,758
Impairment loss	3,369	2,226
Amortization of goodwill	14,228	16,529
Amortization of negative goodwill	(119)	(79)
Decrease in provision for grant of shares	(28)	(82)
Increase (decrease) in provision for periodic repairs	705	(1,678)
Increase in provision for product warranties	283	569
Decrease in provision for removal cost of property, plant and equipment	(910)	(918)
Decrease in net defined benefit liability	(2,462)	(2,529)
Interest and dividend income	(7,025)	(6,491)
Interest expense	3,338	3,027
Equity in earnings of affiliates	(9,890)	(6,609)
Gain on sales of investment securities	(6,811)	(9,022)
Loss on valuation of investment securities	19	1,157
Gain on sale of property, plant and equipment	(451)	(1,402)
Loss on disposal of noncurrent assets	2,966	4,715
Decrease in notes and accounts receivable–trade	86	10,032
Increase in inventories	(72,445)	(59,975)
Increase (decrease) in notes and accounts payable–trade	2,386	(19,615)
Decrease in accrued expenses	(12,384)	(16,823)
Increase in advances received	23,747	9,503
Other, net	(5,303)	(5,420)
Subtotal	159,773	134,056
Interest and dividend income, received	9,111	8,956
Interest expense paid	(2,884)	(2,626)
Income taxes paid	(63,564)	(57,820)
Net cash provided by operating activities	102,436	82,566
Cash flows from investing activities		
Payments into time deposits	(1,416)	(1,611)
Proceeds from withdrawal of time deposits	7,925	12,845
Purchase of property, plant and equipment	(87,734)	(97,691)
Proceeds from sales of property, plant and equipment	520	2,096
Purchase of intangible assets	(7,516)	(9,123)
Purchase of investment securities	(1,369)	(5,746)
Proceeds from sales of investment securities	8,116	18,093
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(88,687)	(31,307)
Payments for transfer of business	(2,764)	(1,964)
Payments of loans receivable	(5,094)	(4,917)
Collection of loans receivable	14,844	8,477
Other, net	(578)	811
Net cash used in investing activities	(163,753)	(110,038)

	Q1-Q3 2018	Q1-Q3 2019
Cash flows from financing activities		
Net increase in short-term loans payable	33,294	35,763
Increase in commercial paper	99,000	72,000
Proceeds from long-term loans payable	25,679	818
Repayment of long-term loans payable	(20,216)	(11,866)
Proceeds from issuance of bonds payable	20,000	40,000
Redemption of bonds	—	(20,000)
Repayments of lease obligations	(176)	(790)
Purchase of treasury stock	(30)	(10,013)
Proceeds from disposal of treasury stock	35	83
Cash dividends paid	(51,674)	(48,723)
Cash dividends paid to non-controlling interests	(1,152)	(933)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(1,145)	—
Other, net	(233)	(75)
Net cash provided by financing activities	103,380	56,264
Effect of exchange rate change on cash and cash equivalents	1,209	(724)
Net increase in cash and cash equivalents	43,273	28,069
Cash and cash equivalents at beginning of period	148,596	180,520
Increase in cash and cash equivalents resulting from changes in scope of consolidation	846	85
Cash and cash equivalents at end of period	192,715	208,673