

Summary of Consolidated Financial Results for the Year Ended March 2017 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154 URL: <http://www.taxan.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of regular general meeting of shareholders: June 29, 2017 (tentative)
 Date of commencement of dividend payment: June 30, 2017 (tentative)
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 Supplementary explanatory documents: Yes
 Earnings presentation: Yes (For institutional investors)

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2016 - March 31, 2017)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2017	227,209	(7.4)	6,879	(11.7)	7,343	(7.1)	6,975	28.3
Fiscal year ended March 2016	245,387	(3.8)	7,788	22.4	7,908	3.2	5,437	23.1

Note: Comprehensive income: FY ended March 31, 2017: 7,320 million yen (111.1%) FY ended March 31, 2016: 3,466 million yen (-54.3%)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2017	249.43	-	10.9	5.9	3.0
Fiscal year ended March 2016	192.43	-	9.0	6.3	3.2

Ref.: Share of profit/loss of entities accounted for using equity method: FY ended March 2017: - million yen FY ended March 2016: - million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	125,751	65,932	52.4	2,401.00
As of March 31, 2016	124,281	61,808	49.7	2,185.94

Ref.: Shareholders' equity FY ended March 2017: 65,872 million yen FY ended March 2016: 61,764 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2017	10,746	(258)	(6,118)	26,021
Fiscal year ended March 2016	9,546	(1,263)	(3,067)	21,879

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	1Q	2Q	3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2016	-	20.00	-	35.00	55.00	1,554	28.6	2.6
Fiscal year ended March 2017	-	25.00	-	35.00	60.00	1,666	24.1	2.6
Fiscal year ending March 2018 (Forecast)	-	25.00	-	35.00	60.00		29.9	

Notes: Breakdown of year-end dividend for FY3/16: Ordinary dividend: 20.00 yen; Extraordinary dividend: 15.00 yen

Breakdown of interim dividend for FY3/17: Ordinary dividend: 20.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/17: Ordinary dividend: 20.00 yen; Extraordinary dividend: 15.00 yen

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 - March 31, 2018)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	107,000	(2.4)	2,700	(16.0)	3,000	(1.5)	2,200	(29.3)	80.19
Full year	230,000	1.2	7,000	1.8	7,500	2.1	5,500	(21.2)	200.47

* Notes

(1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation):

None

(Note) Although not falling under a change in a specified subsidiary accompanied by changes in the scope of consolidation, during the first quarter of the fiscal year ended March 31, 2017, our consolidated subsidiaries KAGA SOLUTION NETWORK CO., LTD. and KAGA HIGHTECH CO., LTD. merged, with KAGA SOLUTION NETWORK as the surviving company. As a result, KAGA SOLUTION NETWORK has become a specific subsidiary of the Company.

(2) Changes in accounting policies, estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer "4. Consolidated Financial Statements and Major Notes (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 13.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares) As of March 31, 2017: 28,702,118 As of March 31, 2016: 28,702,118

(b) Treasury shares As of March 31, 2017: 1,266,468 As of March 31, 2016: 446,824

(c) Average number of shares outstanding during the year As of March 31, 2017: 27,967,362 As of March 31, 2016: 28,255,634

(Reference) Non-consolidated Financial Results

1. Financial results for the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2017	75,666	(11.7)	31	(97.1)	2,550	(27.4)	2,955	3.4
Fiscal year ended March 2016	85,723	(4.9)	1,077	231.8	3,513	23.5	2,856	59.6

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Fiscal year ended March 2017	105.67	-
Fiscal year ended March 2016	101.11	-

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	69,784	38,885	55.7	1,417.34
As of March 31, 2016	70,396	38,680	54.9	1,368.97

Ref.: Shareholders' equity

Fiscal year ended March 2017: 38,885 million yen

Fiscal year ended March 2016: 38,680 million yen

* The audit procedures are not applicable to this Financial Results report.

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "1. Results of Operations (4) Future outlook" on page 3 of Supplementary Information.

Index for Supplementary Information

1. Results of Operations	2
(1) Overview of consolidated business performance	2
(2) Overview of financial condition.....	2
(3) Cash flows	3
(4) Future outlook.....	3
(5) Basic policy for earnings allocations and dividends in the current and next fiscal years	3
2. Corporate Group.....	4
3. Basic Approach to the Selection of Accounting Standards	4
4. Consolidated Financial Statements and Major Notes	5
(1) Consolidated balance sheet	5
(2) Consolidated statements of income and comprehensive income	7
(3) Consolidated statement of changes in equity	9
(4) Consolidated statement of cash flows	11
(5) Notes to consolidated financial statements	13
(Notes to going concern assumptions).....	13
(Changes in accounting policies)	13
(Additional information).....	13
(Segment information, etc.)	13
(Per-share information).....	16
(Subsequent events).....	16
5. Non-consolidated Financial Statements.....	17
(1) Balance sheet	17
(2) Statement of income	19
(3) Statement of changes in equity	20

1. Results of Operations

(1) Overview of consolidated business performance

In the fiscal year ended March 31, 2017, the Japanese economy showed a gradual recovery due to improvement in employment and income environment, supported by the government's economic stimulus measures and the monetary policies of the Bank of Japan. However, economic uncertainty lingered as there were concerns over potential impact on corporate earnings of fluctuations in stock and foreign exchange markets due to overseas situations including economic slowdown in China and other emerging countries, the policy trend of the new Administration in the U.S., and the U.K.'s exit from the EU.

In the electronics industry, the principal sector of operations of the KAGA ELECTRONICS Group ("the Group"), market conditions were challenging mainly due to continuing soft demands in the mobile device market for PCs and smartphones and amusement machines market. On the other hand, there were growing demands in automotive devices markets with an increasing use of electronics in automobiles and new markets for IoT^(Note 1), big data, and artificial intelligence.

Under such environment, based on our corporate philosophy of "Everything we do is for our customers," the Group has improved management efficiency through business integration and reorganization and proactively invested resources in growing sectors in order to increase sales to major existing customers and expand overseas businesses. However, performance was impacted by production adjustments by major customers in Japan and overseas and changes in commercial distribution of products.

Consolidated net sales decreased 7.4% from the previous fiscal year to 227,209 million yen, operating income decreased 11.7% to 6,879 million yen, and ordinary income fell 7.1% to 7,343 million yen. Profit attributable to owners of parent increased 28.3% to 6,975 million yen mainly due to a decrease in income taxes caused by tax effect accounting.

(Note 1) Internet of Things: New services and business models, or technologies that connect all things through the Internet.

Business segment performance was as follows.

- (a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS^(Note 2)), and other activities)

The volume of semiconductors decreased due to production adjustments by major customers in Japan and overseas, stagnant amusement machines business, and a change in the agency policy by semiconductor manufacturers. As a result, net sales decreased 9.6% to 171,227 million yen and segment income decreased 24.5% to 4,917 million yen.

(Note 2) Electronics Manufacturing Service: Provision of product development and manufacturing services on an outsourcing basis

- (b) Information equipment (Sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products)

The volume of information equipment increased due to favorable growth in sales of housing-related products as well as reinforced marketing campaigns for PCs and other consumer products. We also strived to improve management efficiency through reorganization of the Group companies with an aim to improve operating margin. As a result, net sales increased 4.1% to 42,547 million yen, and segment income rose 83.8% to 1,491 million yen.

- (c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

The segment focused on production of computer graphics for animation and development of various kinds of software. As a result, net sales increased 9.0% to 3,159 million yen, but segment income decreased 24.0% to 528 million yen.

- (d) Others (Repair and supports for electronics equipment, and sales of amusement equipment and sports goods, and others)

Sales of arcade amusement machines and golf products in Japan were sluggish due to a downturn in consumer spending. As a result, net sales decreased 15.3% to 10,274 million yen, and operating loss was 212 million yen (operating loss of 343 million yen in the previous fiscal year).

(2) Overview of financial condition

Assets, liabilities and net assets

Total assets as of March 31, 2017 increased 1,470 million yen to 125,751 million yen mainly due to increase in cash and deposits.

Liabilities decreased 2,653 million yen to 59,819 million yen mainly due to repayments of long-term loans payable.

Net assets increased 4,123 million yen to 65,932 million yen as a result of recording profit attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents as of March 31, 2017 increased 4,141 million yen from March 31, 2016 to 26,021 million yen.

(Operating activities)

Net cash provided by operating activities was 10,746 million yen (9,546 million yen provided in the previous fiscal year) mainly due to recording profit before income taxes.

(Investing activities)

Net cash used in investing activities was 258 million yen (1,263 million yen used in the previous fiscal year) mainly due to purchase of property, plant and equipment.

(Financing activities)

Net cash used by financing activities was 6,118 million yen (3,067 million yen used in the previous fiscal year) mainly due to repayments of long-term loans payable, cash dividends paid, and purchase of treasury shares.

(4) Future outlook

For the fiscal year ending March 31, 2018, the outlook of the electronics industry will be uncertain mainly due to signs of slowdown in mobile device market while automotive devices market and medical/healthcare market are expected to expand and emerging markets are expected to grow.

Under such circumstances, the Group will strive to expand existing businesses as well as focus on expansion of value-added business, mainly in EMS, through further reinforcement of sales activities in growing sectors including automotive devices.

Based on this outlook, the current forecast for the consolidated performance in the fiscal year ending March 31, 2018 is as follows:

(Consolidated performance forecast) (Year on year)

Net sales	230,000 million yen	(up 1.2%)
Operating income	7,000 million yen	(up 1.8%)
Ordinary income	7,500 million yen	(up 2.1%)
Profit attributable to owners of parent	5,500 million yen	(down 21.2%)

(5) Basic policy for earnings allocations and dividends in the current and next fiscal years

Our basic policy is to maintain stable and continuous payment of dividends that reflect consolidated performance as well as to strengthen financial position and management foundation from a long-term perspective.

Based on this policy, the Medium-term Management Plan 2018, announced on November 4, 2015, includes the goal of paying a stable dividend while maintaining a consolidated payout ratio of 25% to 35%.

Consequently, we plan to pay a year-end dividend of 35 yen per share, the sum of an ordinary dividend of 20 yen and an extraordinary dividend of 15 yen reflecting results of operations for the fiscal year ended March 31, 2017. As a result, annual dividend, including the interim dividend of 25 yen per share, amounts to 60 yen per share.

For the fiscal year ending on March 31, 2018, a dividend per share of 60 yen, including an interim dividend of 25 yen, is planned.

2. Corporate Group

The KAGA ELECTRONICS Group (“the Group”) consists of KAGA ELECTRONICS CO., LTD. (“the Company”), 45 consolidated subsidiaries (17 in Japan, 28 overseas). These companies are engaged primarily in the following activities: the electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The others segment includes the repair and supports for electronics equipment, and sales of amusement equipment and sports goods, and others.

For the fiscal year ended March 31, 2017, changes in subsidiaries and associates in each segment are as follows.

(Electronic components)

- On January 13, 2017, TAXAN MEXICO S.A. de C.V. was established in San Luis Potosí, Mexico as a consolidated subsidiary of the Company with the aim of expanding business with local subsidiaries of Japanese corporations.

(Information equipment)

- On April 1, 2016, KAGA HIGHTECH CO., LTD. and KAGA AGENCY CO., LTD., an indirect subsidiary, merged, with KAGA HIGHTECH as the surviving company. Also, KAGA SOLUTION NETWORK CO., LTD. and KAGA EDUCATIONAL MARKETING CO., LTD., an indirect subsidiary, merged, with KAGA SOLUTION NETWORK as the surviving company. On the same day, KAGA SOLUTION NETWORK and KAGA HIGHTECH merged, with KAGA SOLUTION NETWORK as the surviving company.

(Software)

- On May 6, 2016, the liquidation of CyberFront Corporation, a consolidated subsidiary of the Company until March 31, 2016, was completed.
- On March 21, 2017, the liquidation of WORKBIT CORPORATION, a consolidated subsidiary of the Company until March 31, 2016, was completed.

(Others)

- On April 20, 2016, the liquidation of KAGA CREATE CO., LTD., a consolidated subsidiary of the Company until March 31, 2016, was completed.
- On November 1, 2016, SANKOH Engineering Corporation, engaged in contracted computer repair business and worker dispatch business, became a subsidiary of Micro Solution CO., LTD., a consolidated subsidiary of the Company.

* In addition to the above, on January 31, 2017, KAGA DEVICES CO., LTD., a consolidated subsidiary of the Company, sold Explay Japan Co., Ltd., the Company’s associate not accounted for using the equity method until March 31, 2016. As a result, X.D.M LTD., a subsidiary of Explay Japan, was also excluded from the scope of the Company’s associates not accounted for using the equity method.

3. Basic Approach to the Selection of Accounting Standards

The KAGA ELECTRONICS Group prepares consolidated financial statements based on Japanese accounting standards. Going forward, we will consider adopting IFRS standards with due consideration to financial market trends, share of foreign investors, and the organizational costs resulting from the adoption of IFRS standards.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	22,516	26,423
Notes and accounts receivable - trade	51,568	46,774
Electronically recorded monetary claims - operating	3,227	5,234
Securities	166	188
Merchandise and finished goods	14,898	14,675
Work in process	266	365
Raw materials and supplies	4,010	4,284
Deferred tax assets	849	1,340
Other	4,638	4,562
Allowance for doubtful accounts	(179)	(166)
Total current assets	101,961	103,684
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,838	7,902
Accumulated depreciation	(2,726)	(3,043)
Buildings and structures, net	5,112	4,859
Machinery, equipment and vehicles	5,474	5,593
Accumulated depreciation	(3,481)	(3,579)
Machinery, equipment and vehicles, net	1,992	2,014
Tools, furniture and fixtures	3,843	3,774
Accumulated depreciation	(3,029)	(3,032)
Tools, furniture and fixtures, net	813	742
Land	4,138	4,126
Construction in progress	0	3
Total property, plant and equipment	12,058	11,745
Intangible assets		
Goodwill	495	406
Software	422	363
Other	85	71
Total intangible assets	1,003	841
Investments and other assets		
Investment securities	6,519	6,761
Deferred tax assets	257	240
Guarantee deposits	739	735
Insurance funds	916	936
Other	1,931	1,529
Allowance for doubtful accounts	(1,107)	(723)
Total investments and other assets	9,257	9,479
Total non-current assets	22,319	22,067
Total assets	124,281	125,751

(Million yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	36,858	37,553
Short-term loans payable	6,295	4,883
Accrued expenses	3,311	3,387
Income taxes payable	995	888
Provision for directors' bonuses	185	204
Other	3,523	3,325
Total current liabilities	51,169	50,242
Non-current liabilities		
Long-term loans payable	6,007	4,603
Deferred tax liabilities	1,246	1,213
Provision for directors' retirement benefits	1,211	1,222
Net defined benefit liability	1,774	1,669
Asset retirement obligations	142	144
Other	919	723
Total non-current liabilities	11,303	9,576
Total liabilities	62,472	59,819
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	35,195	40,476
Treasury shares	(539)	(2,040)
Total shareholders' equity	60,702	64,481
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	681	1,159
Deferred gains or losses on hedges	4	0
Foreign currency translation adjustment	713	421
Remeasurements of defined benefit plans	(338)	(190)
Total accumulated other comprehensive income	1,061	1,391
Non-controlling interests	44	59
Total net assets	61,808	65,932
Total liabilities and net assets	124,281	125,751

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Net sales	245,387	227,209
Cost of sales	211,739	195,983
Gross profit	33,648	31,225
Selling, general, and administrative expenses	25,859	24,346
Operating income	7,788	6,879
Non-operating income		
Interest income	64	59
Dividends income	103	103
Commission fee	277	222
House rent income	91	77
Other	269	282
Total non-operating income	806	745
Non-operating expenses		
Interest expenses	134	128
Foreign exchange losses	477	88
Other	74	63
Total non-operating expenses	686	280
Ordinary income	7,908	7,343
Extraordinary income		
Gain on sales of non-current assets	4	23
Gain on sales of investment securities	1	110
Gain on bargain purchase	-	28
Gain on transfer of business	-	89
Settlement received	-	372
Total extraordinary income	6	624
Extraordinary loss		
Loss on retirement of non-current assets	9	15
Impairment loss	31	16
Loss on sales of investment securities	6	31
Loss on valuation of investment securities	9	47
Loss on valuation of golf club membership	42	11
Merger expenses	160	-
Special retirement expenses	43	-
Other	33	13
Total extraordinary loss	336	136
Profit before income taxes	7,578	7,832
Income taxes - current	1,973	1,610
Income taxes - deferred	171	(768)
Total income taxes	2,145	842
Profit	5,433	6,989
Profit attributable to owners of parent	5,437	6,975
Profit (loss) attributable to non-controlling interests	(3)	14

(Million yen)

	FY 2016 (April 1, 2015 –March 31, 2016)	FY 2017 (April 1, 2016 –March 31, 2017)
Other comprehensive income		
Valuation difference on available-for-sale securities	(109)	479
Deferred gains or losses on hedges	(19)	(4)
Foreign currency translation adjustment	(1,749)	(292)
Remeasurements of defined benefit plans, net of tax	(87)	147
Total other comprehensive income	(1,966)	330
Comprehensive income	3,466	7,320
Comprehensive income attributable to owners of parent	3,472	7,305
Comprehensive income attributable to non-controlling interests	(5)	15

(3) Consolidated statement of changes in equity

For the fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	31,029	(537)	56,538
Changes of items during period					
Dividends of surplus			(1,271)		(1,271)
Profit attributable to owners of parent			5,437		5,437
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	4,165	(1)	4,164
Balance at the end of current period	12,133	13,912	35,195	(539)	60,702

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	790	23	2,462	(250)	3,026	38	59,603
Changes of items during period							
Dividends of surplus							(1,271)
Profit attributable to owners of parent							5,437
Purchase of treasury shares							(1)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	(109)	(19)	(1,748)	(87)	(1,964)	5	(1,959)
Total changes of items during period	(109)	(19)	(1,748)	(87)	(1,964)	5	2,204
Balance at the end of current period	681	4	713	(338)	1,061	44	61,808

For the fiscal year ended March 2017 (April 1, 2016 –March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	35,195	(539)	60,702
Changes of items during period					
Dividends of surplus			(1,695)		(1,695)
Profit attributable to owners of parent			6,975		6,975
Purchase of treasury shares				(1,501)	(1,501)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	5,280	(1,501)	3,779
Balance at the end of current period	12,133	13,912	40,476	(2,040)	64,481

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	681	4	713	(338)	1,061	44	61,808
Changes of items during period							
Dividends of surplus							(1,695)
Profit attributable to owners of parent							6,975
Purchase of treasury shares							(1,501)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	478	(4)	(292)	147	329	15	344
Total changes of items during period	478	(4)	(292)	147	329	15	4,123
Balance at the end of current period	1,159	0	421	(190)	1,391	59	65,932

(4) Consolidated statement of cash flows

(Million yen)

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	7,578	7,832
Depreciation	1,604	1,452
Impairment loss	31	16
Amortization of goodwill	151	88
Increase (decrease) in net defined benefit liability	17	124
Increase (decrease) in provision for directors' retirement benefits	(289)	14
Increase (decrease) in provision for directors' bonuses	(6)	18
Increase (decrease) in allowance for doubtful accounts	18	(11)
Interest and dividend income	(167)	(162)
Interest expenses	134	128
Loss (gain) on sales of property, plant and equipment	(4)	(18)
Loss on retirement of non-current assets	9	15
Loss (gain) on sales of investment securities	4	(79)
Loss (gain) on valuation of investment securities	9	47
Decrease (increase) in notes and accounts receivable - trade	2,187	2,602
Decrease (increase) in inventories	2,677	(240)
Increase (decrease) in notes and accounts payable - trade	(2,407)	933
Decrease (increase) in accounts receivable - other	(24)	(390)
Increase (decrease) in accrued expenses	22	45
Decrease (increase) in advance payments	(335)	143
Decrease (increase) in consumption taxes refund receivable	195	92
Decrease (increase) in other current assets	(59)	89
Increase (decrease) in other current liabilities	452	(94)
Other, net	(24)	(138)
Subtotal	11,774	12,509
Interest and dividend income received	169	164
Interest expenses paid	(134)	(128)
Income taxes paid	(2,257)	(1,792)
Other, net	(5)	(5)
Net cash provided by (used in) operating activities	9,546	10,746

(Million yen)

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Cash flows from investing activities		
Payments into time deposits	(560)	(630)
Proceeds from withdrawal of time deposits	412	854
Purchase of property, plant and equipment	(1,393)	(967)
Proceeds from sales of property, plant and equipment	437	119
Purchase of intangible assets	(261)	(109)
Purchase of investment securities	(510)	(387)
Proceeds from sales of investment securities	159	855
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	8	20
Payments of short-term loans receivable	(3)	(2)
Collection of short-term loans receivable	2	5
Purchase of insurance funds	(17)	(17)
Proceeds from cancellation of insurance funds	375	2
Payments for guarantee deposits	(25)	(15)
Proceeds from collection of guarantee deposits	74	22
Other payments	(177)	(90)
Other proceeds	217	81
Net cash provided by (used in) investing activities	(1,263)	(258)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(429)	(397)
Proceeds from long-term loans payable	182	66
Repayments of long-term loans payable	(1,428)	(2,428)
Purchase of treasury shares	(1)	(1,501)
Cash dividends paid	(1,270)	(1,693)
Other, net	(120)	(164)
Net cash provided by (used in) financing activities	(3,067)	(6,118)
Effect of exchange rate change on cash and cash equivalents	(905)	(227)
Net increase (decrease) in cash and cash equivalents	4,310	4,141
Cash and cash equivalents at beginning of period	17,569	21,879
Cash and cash equivalents at end of period	21,879	26,021

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Changes in accounting policies)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Following the revisions to the Corporate Tax Law, the Company has applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force No. 32, June 17, 2016) effective April 1, 2016. As a result, the depreciation method for leasehold improvements and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of the revision on earnings was insignificant.

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Beginning with the current fiscal year, the Company is using Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No. 26, March 28, 2016).

(Segment information, etc.)

a. Segment information

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Company classifies subsidiaries and associates according to their products and services, and implements comprehensive strategies in Japan and overseas. Consequently, the Group has four reportable segments that are made of different categories of products and services: electronic components, information equipment, software and others. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The others segment includes the repair and supports for electronics equipment, and sales of amusement equipment and sports goods, and others.

2. Methods of measurement for the amounts of net sales, profit (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to the accounting standards adopted to prepare consolidated financial statements.

3. Information about net sales, profit (loss), assets, and other items is as follows:

For the fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Reportable segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	189,486	40,880	2,897	12,123	245,387	-	245,387
Inter-segment sales or transfers	970	602	3,442	2,225	7,240	(7,240)	-
Total	190,456	41,482	6,340	14,348	252,628	(7,240)	245,387
Segment income (loss)	6,515	811	695	(343)	7,679	109	7,788
Segment assets	110,317	14,581	2,776	5,831	133,507	(9,226)	124,281
Others							
Depreciation	1,042	68	106	103	1,321	(15)	1,305
Increase in property, plant and equipment and intangible assets	1,055	75	124	605	1,860	(205)	1,655

For the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(Million yen)

	Reporting segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	171,227	42,547	3,159	10,274	227,209	-	227,209
Inter-segment sales or transfers	695	518	1,555	2,611	5,380	(5,380)	-
Total	171,923	43,065	4,714	12,885	232,589	(5,380)	227,209
Segment income (loss)	4,917	1,491	528	(212)	6,724	154	6,879
Segment assets	109,053	14,320	2,083	5,185	130,642	(4,890)	125,751
Others							
Depreciation	898	70	98	94	1,162	(11)	1,151
Increase in property, plant and equipment and intangible assets	855	86	86	85	1,114	(37)	1,076

Notes: 1. The adjustment is as follows:

(1) Segment income

(Million yen)

	Fiscal year ended March 2016	Fiscal year ended March 2017
Elimination of inter-segment trade	147	154
Amortization of goodwill	(38)	-
Total	109	154

(2) Segment assets

(Million yen)

	Fiscal year ended March 2016	Fiscal year ended March 2017
Elimination of inter-segment trade	(11,363)	(6,945)
Corporate *	2,137	2,054
Total	(9,226)	(4,890)

* Total corporate assets principally consist of surplus funds of the Company under management (cash and securities, etc.).

(3) Depreciation

(Million yen)

	Fiscal year ended March 2016	Fiscal year ended March 2017
Elimination of inter-segment trade	(15)	(11)
Total	(15)	(11)

(4) Increase in property, plant and equipment and intangible assets

(Million yen)

	Fiscal year ended March 2016	Fiscal year ended March 2017
Elimination of inter-segment trade	(205)	(37)
Total	(205)	(37)

2. Segment income is adjusted with operating income on the consolidated statements of income and comprehensive income.

b. Associated information

For the fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
167,914	5,840	2,662	68,970	245,387

Notes: 1. Net sales are classified according to the customers' geographic locations.

2. Countries and regions are classified according to geographical proximity.

3. Countries and regions outside Japan are broken down into the following geographical areas:

(1) North America: United States

(2) Europe: United Kingdom, Czech Republic, and Russia

(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, and Indonesia

For the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
151,912	5,995	2,518	66,783	227,209

- Notes: 1. Net sales are classified according to the customers' geographic locations.
 2. Countries and regions are classified according to geographical proximity.
 3. Countries and regions outside Japan are broken down into the following geographical areas:
 (1) North America: United States
 (2) Europe: United Kingdom, Czech Republic, and Russia
 (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, and Indonesia

(Per-share information)

(Yen)

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Net assets per share	2,185.94	2,401.00
Earnings per share	192.43	249.43

Note: 1. Earnings per share (diluted) have not been disclosed because there were no potentially dilutive shares.

2. The basis of calculation of earnings per share is as follows.

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Earnings per share		
Profit attributable to owners of parent (million yen)	5,437	6,975
Profit not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent allocated to common stock (million yen)	5,437	6,975
Average number of common stock outstanding during the fiscal year	28,255,634	27,967,362

(Subsequent events)

Not applicable

5. Non-consolidated Financial Statements

(1) Balance sheet

(Million yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	9,600	11,706
Notes receivable - trade	904	977
Electronically recorded monetary claims - operating	2,381	3,792
Accounts receivable - trade	19,830	17,027
Securities	166	188
Merchandise	3,866	3,699
Work in process	5	40
Supplies	34	4
Advance payments - trade	633	566
Prepaid expenses	129	132
Deferred tax assets	427	463
Short-term loans receivable from subsidiaries and associates	14,302	11,784
Accounts receivable - other	2,294	2,192
Other	318	203
Allowance for doubtful accounts	(6,428)	(5,445)
Total current assets	48,466	47,334
Non-current assets		
Property, plant and equipment		
Buildings	2,772	2,631
Structures	19	16
Vehicles	7	0
Tools, furniture and fixtures	298	197
Land	3,412	3,411
Lease assets	79	77
Total property, plant and equipment	6,590	6,334
Intangible assets		
Trademark right	4	4
Software	186	139
Other	70	57
Total intangible assets	261	201
Investments and other assets		
Investment securities	5,866	6,058
Shares of subsidiaries and associates	7,658	7,923
Investments in capital	27	26
Investments in capital of subsidiaries and associates	13	13
Long-term loans receivable from subsidiaries and associates	987	637
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,949	1,930
Long-term prepaid expenses	156	214
Deferred tax assets	193	126
Other	1,622	1,629
Allowance for doubtful accounts	(2,562)	(2,308)
Allowance for investment loss	(836)	(340)
Total investments and other assets	15,077	15,913
Total non-current assets	21,929	22,449
Total assets	70,396	69,784

(Million yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
LIABILITIES		
Current liabilities		
Notes payable - trade	1,931	1,834
Accounts payable - trade	13,303	13,730
Short-term loans payable	732	1,626
Short-term loans payable to subsidiaries and associates	2,601	3,209
Current portion of long-term loans payable	2,428	1,448
Lease obligations	59	59
Accounts payable - other	751	499
Accrued expenses	1,411	1,326
Income taxes payable	65	155
Advances received	158	264
Deposits received	107	69
Provision for directors' bonuses	180	200
Other	309	229
Total current liabilities	24,038	24,654
Non-current liabilities		
Long-term loans payable	5,825	4,376
Lease obligations	110	65
Provision for retirement benefits	268	316
Provision for directors' retirement benefits	1,075	1,128
Asset retirement obligations	97	98
Other	301	257
Total non-current liabilities	7,677	6,243
Total liabilities	31,715	30,898
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus		
Legal capital surplus	13,912	13,912
Other capital surplus	0	0
Total capital surplus	13,912	13,912
Retained earnings		
Legal retained earnings	618	618
Other retained earnings		
General reserve	7,000	7,000
Retained earnings brought forward	4,954	6,214
Total retained earnings	12,573	13,833
Treasury shares	(539)	(2,040)
Total shareholders' equity	38,080	37,839
Valuation and translation adjustments		
Valuation differences on available-for-sale securities	587	1,046
Deferred gains or losses on hedges	13	(0)
Total valuation and translation adjustments	600	1,046
Total net assets	38,680	38,885
Total liabilities and net assets	70,396	69,784

(2) Statement of income

(Million yen)

	FY 2016 (April 1, 2015 – March 31, 2016)	FY 2017 (April 1, 2016 – March 31, 2017)
Net sales	85,723	75,666
Cost of sales	75,733	66,739
Gross profit	9,989	8,927
Selling, general and administrative expenses	8,911	8,896
Operating income	1,077	31
Non-operating income		
Interest income	108	75
Dividend income	2,108	2,083
Foreign exchange gains	-	99
Other	415	394
Total non-operating income	2,633	2,653
Non-operating expenses		
Interest expenses	101	89
Foreign exchange losses	32	-
Depreciation of assets for rent	19	15
Other	44	28
Total non-operating expenses	197	134
Ordinary income	3,513	2,550
Extraordinary income		
Gain on sales of investment securities	0	110
Reversal of allowance for investment loss	267	495
Other	2	30
Total extraordinary income	269	636
Extraordinary losses		
Loss on sales of investment securities	6	31
Loss on valuation of investment securities	9	47
Loss on valuation of shares of subsidiaries and associates	100	-
Provision of allowance for doubtful accounts	202	174
Merger expenses	160	-
Other	25	12
Total extraordinary losses	505	265
Profit before income taxes	3,277	2,921
Income taxes - current	236	102
Income taxes - deferred	183	(136)
Total income taxes	420	(34)
Profit	2,856	2,955

(3) Statement of changes in equity

For the fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	-	13,912	618	7,000	3,369	10,987
Changes of items during period								
Dividends of surplus							(1,271)	(1,271)
Profit							2,856	2,856
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	0	0	-	-	1,585	1,585
Balance at the end of current period	12,133	13,912	0	13,912	618	7,000	4,954	12,573

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(537)	36,496	672	18	690	37,186
Changes of items during period						
Dividends of surplus		(1,271)				(1,271)
Profit		2,856				2,856
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	0	0				0
Net changes of items other than shareholders' equity			(84)	(5)	(90)	(90)
Total changes of items during period	(1)	1,584	(84)	(5)	(90)	1,493
Balance at the end of current period	(539)	38,080	587	13	600	38,680

For the fiscal year ended March 2017 (April 1, 2016 –March 31, 2017)

(Million yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	0	13,912	618	7,000	4,954	12,573
Changes of items during period								
Dividends of surplus							(1,695)	(1,695)
Profit							2,955	2,955
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	0	0	-	-	1,259	1,259
Balance at the end of current period	12,133	13,912	0	13,912	618	7,000	6,214	13,833

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(539)	38,080	587	13	600	38,680
Changes of items during period						
Dividends of surplus		(1,695)				(1,695)
Profit		2,955				2,955
Purchase of treasury shares	(1,501)	(1,501)				(1,501)
Disposal of treasury shares	0	0				0
Net changes of items other than shareholders' equity			459	(13)	446	446
Total changes of items during period	(1,501)	(241)	459	(13)	446	204
Balance at the end of current period	(2,040)	37,839	1,046	(0)	1,046	38,885