
Kaga Electronics Co., Ltd.
and Consolidated Subsidiaries

*Consolidated Financial Statements for the
Year Ended March 31, 2018
and Independent Auditors' Report*



Independent Auditor's Report

To the Board of Directors of
Kaga Electronics Co., Ltd.

We have audited the accompanying consolidated financial statements of Kaga Electronics Co., Ltd. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and the notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.



To the Board of Directors of
Kaga Electronics Co., Ltd.
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Emphasis of Matter

We draw attention to Note 17 to the consolidated financial statements which describes that the Company resolved to acquire shares in Fujitsu Electronics Inc. to be a subsidiary at the board of directors meeting on September 10, 2018. Our opinion is not modified in respect of this matter.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Arata LLC

September 28, 2018

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

At March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2017	2018	2018
CURRENT ASSETS:			
Cash and bank deposits	¥ 26,423	¥ 30,803	\$ 289,939
Notes and accounts receivable-trade※4	46,774	45,809	431,190
Electronically recorded monetary claims※4	5,234	4,032	37,954
Short-term investment securities	188	295	2,776
Merchandise and finished goods	14,675	15,060	141,763
Work in process	365	575	5,417
Raw materials and supplies	4,284	3,818	35,945
Deferred tax assets	1,340	1,028	9,677
Others	4,562	3,807	35,837
Allowance for doubtful accounts	(166)	(133)	(1,254)
Total CURRENT ASSETS	103,684	105,097	989,249
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	7,902	8,102	76,268
Accumulated depreciation	(3,043)	(3,232)	(30,424)
Buildings and structures, net ※2	4,859	4,870	45,844
Machinery, equipment and vehicles	5,593	6,315	59,441
Accumulated depreciation	(3,579)	(3,731)	(35,120)
Machinery, equipment and vehicles, net	2,014	2,583	24,320
Tools, furniture and fixtures	3,774	3,556	33,474
Accumulated depreciation	(3,032)	(2,846)	(26,792)
Tools, furniture and fixtures, net	742	709	6,681
Land ※2	4,126	4,036	37,991
Construction in progress	3	10	98
Total PROPERTY, PLANT AND EQUIPMENT	11,745	12,210	114,937
INTANGIBLE ASSETS			
Goodwill	406	317	2,986
Software	363	515	4,849
Others	71	46	435
Total INTANGIBLE ASSETS	841	878	8,270
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	6,761	8,688	81,778
Deferred tax assets	240	240	2,262
Guarantee deposits	735	657	6,187
Insurance funds	936	943	8,883
Others	1,529	1,363	12,837
Allowance for doubtful accounts	(723)	(587)	(5,531)
Total INVESTMENTS AND OTHER ASSETS	9,479	11,305	106,418
Total NONCURRENT ASSETS	22,067	24,395	229,626
Total ASSETS	¥ 125,751	¥ 129,493	\$ 1,218,875

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade※4	¥ 37,553	¥ 36,392	\$ 342,552
Short-term loans payable ※2	4,883	5,385	50,693
Accrued expenses	3,387	3,711	34,930
Income taxes payable	888	901	8,482
Provision for directors' bonuses	204	247	2,332
Others	3,325	3,070	28,897
Total CURRENT LIABILITIES	50,242	49,708	467,889
NONCURRENT LIABILITIES:			
Long-term loans payable	4,603	3,161	29,757
Deferred tax liabilities	1,213	2,013	18,952
Provision for directors' retirement benefits	1,222	1,264	11,903
Net defined benefit liabilities	1,669	1,737	16,353
Asset retirement obligations	144	175	1,654
Others	723	800	7,531
Total NONCURRENT LIABILITIES	9,576	9,152	86,152
Total LIABILITIES	59,819	58,861	554,041
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	114,208
Capital surplus	13,912	13,853	130,399
Retained earnings	40,476	45,183	425,295
Treasury stock	(2,040)	(2,042)	(19,228)
Total SHAREHOLDERS' EQUITY	64,481	69,127	650,675
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,159	1,504	14,162
Deferred gains or losses on hedges	0	(16)	(151)
Foreign currency translation adjustment	421	148	1,395
Remeasurements of defined benefit obligations	(190)	(208)	(1,960)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	1,391	1,428	13,446
Non-controlling interests	59	75	712
Total NET ASSETS	65,932	70,631	664,833
Total LIABILITIES AND NET ASSETS	¥ 125,751	¥ 129,493	\$ 1,218,875

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2018	2018
Net sales	¥ 227,209	¥ 235,921	\$ 2,220,648
Cost of sales ※2	195,983	203,423	1,914,749
Gross profit	31,225	32,498	305,898
Selling, general and administrative expenses ※1, 2	24,346	24,379	229,472
Operating income	6,879	8,119	76,426
NON-OPERATING INCOME			
Interest income	59	124	1,175
Dividend income	103	119	1,127
Commission fee	222	279	2,630
Foreign exchange gains	—	44	422
House rent income	77	99	940
Others	282	228	2,146
Total NON-OPERATING INCOME	745	896	8,442
NON-OPERATING EXPENSES			
Interest expenses	128	132	1,243
Share of loss of entities accounted for using equity method	—	111	1,047
Foreign exchange losses	88	—	—
Others	63	32	303
Total NON-OPERATING EXPENSES	280	275	2,594
Ordinary income	7,343	8,740	82,274
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	23	28	268
Gain on sales of investment securities	110	591	5,571
Gain on bargain purchase	28	—	—
Gain on sales of shares of subsidiaries	—	467	4,403
Gain on transfer of business	89	12	122
Settlement income received	372	—	—
Total EXTRAORDINARY INCOME	624	1,101	10,365
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	15	7	72
Impairment loss	16	228	2,152
Loss on sales of investment securities	31	24	227
Loss on valuation of investment securities	47	269	2,539
Loss on valuation of golf club membership	11	6	59
Others	13	5	50
Total EXTRAORDINARY LOSS	¥ 136	¥ 541	\$ 5,101

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2018	2018
Income before income taxes	¥ 7,832	¥ 9,300	\$ 87,538
Income taxes-current	1,610	1,840	17,320
Income taxes-deferred	(768)	952	8,964
Total income taxes	842	2,792	26,285
Net income	6,989	6,507	61,253
Profit attributable to:			
Owners of the parent	6,975	6,490	61,093
Non-controlling interests	14	16	159
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	479	345	3,253
Deferred gains or losses on hedges	(4)	(16)	(158)
Foreign currency translation adjustment	(292)	(273)	(2,577)
Remeasurements of defined benefit obligations, net of tax	147	(17)	(167)
Total OTHER COMPREHENSIVE INCOME ※5	330	37	349
Comprehensive income	¥ 7,320	¥ 6,544	\$ 61,602
Comprehensive income attributable to:			
Owners of the parent	¥ 7,305	¥ 6,528	\$ 61,445
Non-controlling interests	15	16	156

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2018

Fiscal year ended March 31, 2017

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	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 from surplus			(1,695)		(1,695)
Profit attributable to owners of the parent			6,975		6,975
Purchase of treasury stock				(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
Total	¥ 12,133	¥ 13,912	¥ 40,476	¥ (2,040)	¥ 64,481

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 681	¥ 4	¥ 713	¥ (338)	¥ 1,061	¥ 44	¥ 61,808
Changes of items during period							
Dividends from surplus							(1,695)
Profit attributable to owners of the parent							6,975
Purchase of treasury stock							(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
Total	¥ 1,159	¥ 0	¥ 421	¥ (190)	¥ 1,391	¥ 59	¥ 65,932

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2018

Fiscal year ended March 31, 2018

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 13,912	¥ 40,476	¥ (2,040)	¥ 64,481
Changes of items during period					
Dividends from surplus			(1,783)		(1,783)
Profit attributable to owners of the parent			6,490		6,490
Purchase of treasury stock				(2)	(2)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(58)			(58)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(58)	4,707	(2)	4,645
Total	¥ 12,133	¥ 13,853	¥ 45,183	¥ (2,042)	¥ 69,127

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,159	¥ 0	¥ 421	¥ (190)	¥ 1,391	¥ 59	¥ 65,932
Changes of items during period							
Dividends from surplus							(1,783)
Profit attributable to owners of the parent							6,490
Purchase of treasury stock							(2)
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							(58)
Net changes of items other than shareholders' equity	344	(16)	(273)	(17)	37	16	54
Total changes of items during period	344	(16)	(273)	(17)	37	16	4,699
Total	¥ 1,504	¥ (16)	¥ 148	¥ (208)	¥ 1,428	¥ 75	¥ 70,631

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2018

Fiscal year ended March 31, 2018

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 114,208	\$ 130,953	\$ 380,987	\$ (19,203)	\$ 606,945
Changes of items during period					
Dividends from surplus			(16,785)		(16,785)
Profit attributable to owners of the parent			61,093		61,093
Purchase of treasury stock				(25)	(25)
Disposal of treasury shares		0		0	1
Change in ownership interest of parent due to transactions with non-controlling interests		(554)			(554)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(554)	44,308	(25)	43,730
Total	\$ 114,208	\$ 130,399	\$ 425,295	\$ (19,228)	\$ 650,675

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 10,917	\$ 2	\$ 3,967	\$ (1,792)	\$ 13,094	\$ 555	\$ 620,595
Changes of items during period							
Dividends from surplus							(16,785)
Profit attributable to owners of the parent							61,093
Purchase of treasury stock							(25)
Disposal of treasury shares							1
Change in ownership interest of parent due to transactions with non-controlling interests							(554)
Net changes of items other than shareholders' equity	3,245	(153)	(2,571)	(167)	351	157	508
Total changes of items during period	3,245	(153)	(2,571)	(167)	351	157	44,237
Total	\$ 14,162	\$ (151)	\$ 1,395	\$ (1,960)	\$ 13,446	\$ 712	\$ 664,833

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2018	2018
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 7,832	¥ 9,300	\$ 87,538
Depreciation and amortization	1,452	1,481	13,948
Impairment loss	16	228	2,152
Amortization of goodwill	88	88	837
Increase in net defined benefit liability	124	40	384
Increase in provision for directors' retirement benefits	14	41	394
Increase in provision for directors' bonuses	18	43	410
Decrease in allowance for doubtful accounts	(11)	(85)	(808)
Interest and dividend income	(162)	(244)	(2,302)
Interest expenses	128	132	1,243
Share of profit of entities accounted for using equity method	—	111	1,047
Gain on sales of shares of subsidiaries	—	(467)	(4,403)
Gain on sales of property, plant and equipment	(18)	(23)	(218)
Loss on retirement of property, plant and equipment	15	7	72
Gain on sales of investment securities	(79)	(567)	(5,343)
Loss on valuation of investment securities	47	269	2,539
Decrease in notes and accounts receivable-trade	2,602	2,076	19,542
Increase in inventories	(240)	(226)	(2,133)
Increase (Decrease) in notes and accounts payable-trade	933	(1,101)	(10,363)
(Increase) Decrease in accounts receivable-other	(390)	1,087	10,232
Increase in accrued expenses	45	338	3,188
Decrease (Increase) in advance payments	143	(135)	(1,279)
Decrease (Increase) in consumption taxes refund receivable	92	(163)	(1,541)
Decrease (Increase) in other current assets	89	(88)	(830)
Decrease in other current liabilities	(94)	(362)	(3,408)
Others, net	(138)	(47)	(451)
Subtotal	12,509	11,734	110,449
Interest and dividend income received	164	242	2,278
Interest expenses paid	(128)	(130)	(1,224)
Income taxes paid	(1,792)	(1,770)	(16,666)
Others, net	(5)	2	24
Net cash provided by operating activities	¥ 10,746	¥ 10,077	\$ 94,860

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2018	2018
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (630)	¥ (2,773)	\$ (26,105)
Proceeds from withdrawal of time deposits	854	1,158	10,902
Purchase of property, plant and equipment	(967)	(1,678)	(15,798)
Proceeds from sales of property, plant and equipment	119	87	821
Purchase of intangible assets	(109)	(360)	(3,396)
Purchase of investment securities	(387)	(2,481)	(23,353)
Proceeds from sales of investment securities	855	1,331	12,532
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	20	—	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	504	4,745
Payments of short-term loans receivable	(2)	(1)	(16)
Collection of short-term loans receivable	5	1	16
Purchase of insurance funds	(17)	(15)	(146)
Proceeds from cancellation of insurance funds	2	14	132
Payments for guarantee deposits	(15)	(58)	(550)
Proceeds from collection of guarantee deposits	22	136	1,285
Other payments	(90)	(74)	(697)
Other proceeds	81	36	342
Net cash used in investing activities	(258)	(4,173)	(39,286)
NET CASH USED IN FINANCING ACTIVITIES			
(Decrease) Increase in short-term loans payable	(397)	825	7,773
Proceeds from long-term loans payable	66	—	—
Repayment of long-term loans payable	(2,428)	(1,641)	(15,454)
Purchase of treasury stock	(1,501)	(2)	(25)
Cash dividends paid	(1,693)	(1,780)	(16,760)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(58)	(554)
Others, net	(164)	(153)	(1,447)
Net cash used in financing activities	(6,118)	(2,811)	(26,468)
Effect of exchange rate change on cash and cash equivalents	(227)	(234)	(2,207)
Net increase in cash and cash equivalents	4,141	2,857	26,898
Cash and cash equivalents-beginning balance	21,879	26,021	244,932
Cash and cash equivalents-ending balance ※1	¥ 26,021	¥ 28,879	\$ 271,831

The accompanying note is an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements For the Year Ended March 31, 2018

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to \$1, the rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include accounts of the Company and all of its subsidiaries (45 in 2017 and 43 in 2018) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

During the current fiscal year and following the Company's partial sale of its shareholding in a consolidated subsidiary, the Company recognized a new affiliate company for the year ended March 31, 2018, which has been accounted for using the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits and losses included in assets resulting from transactions within the Group is eliminated.

The fiscal year-end of some of the Company's consolidated subsidiaries (13 in both 2017 and 2018) is December 31. The consolidated financial statements incorporate accounts of these companies with adjustments for significant transactions arising during the period from January 1 to March 31.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Inventories

The Company and its domestic subsidiaries state specific merchandise inventories ordered by customers at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories at the lower of cost, determined principally by the moving-average method, or market value.

The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market value.

d. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are measured at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of other comprehensive income.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to the consolidated statement of income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, facilities attached to buildings and structures acquired after April 1, 2016, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	5 to 12 years
Tools, furniture and fixtures	2 to 20 years

f. Goodwill

Goodwill is amortized by the straight-line method principally over a period of 5 years.

g. Software

Software is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

h. Retirement and Pension Plans

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on the benefit formula basis. Past service cost is primarily amortized on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit obligations presented in other comprehensive income, after being adjusted for tax effects.

i. Leases

The Company applies the lease accounting standard, which requires all finance lease transactions be capitalized in the balance sheet.

j. Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount based on the historical bad debt ratio during a certain reference period in addition to an estimated uncollectible amount based on the analysis of certain individual accounts.

k. Provision for directors' bonuses

Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

l. Provision for directors' retirement benefits

The Company accrues liabilities related to retirement benefit obligations for directors and corporate auditors, which is, in general, based upon the amounts required by the internal rules.

m. Translation of Foreign Currencies

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

Assets and liabilities of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments after being adjusted for non-controlling interests and tax effects.

n. Derivatives and Hedging Activities

(1) Hedge accounting method

The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.

(2) Hedging instruments and hedged items

(Hedging instruments)

Foreign currency forward contract transactions

NDF transactions

Interest rate swaps

(Hedged items)

Assets and liabilities denominated in foreign currencies

Interest rates on long-term loans payable

(3) Hedging policy

The Company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are used. Interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are used.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items to the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. Also, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.

o. Accounting for consumption tax

Consumption tax on goods and services is not included in the revenue and expense amounts.

p. Application of Consolidated Taxation regime

The Company has adopted the consolidated taxation regime.

q. Standards and Guidance not yet adopted

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

(Revenue Recognition)

- Accounting Standard for Revenue Recognition (ASBJ Statement No.29, issued by the Accounting Standards Board of Japan on March 30, 2018)

- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S Financial Accounting Standards Board (FASB), which jointly develop comprehensive accounting standards for revenue recognition, announced in May 2014 the release of their respective new revenue standards, both of which are named Revenue from Contracts with Customers (IASB: International Financial Reporting Standard 15 (IFRS 15); FASB: Topic 606). IFRS 15 is effective from annual reporting periods beginning on or after January 1, 2018; FASB Topic 606 is effective from annual reporting periods beginning after December 15, 2017. In light of this development, the Accounting Standards Board of Japan (ASBJ) developed and issued a comprehensive accounting standard for revenue recognition and its implementation guidance.

In developing the accounting standard for revenue recognition, the ASBJ kept as its basic policy the objective of ensuring the comparability of financial statements, and as such wrote the standard to drive consistency with IFRS 15, starting by incorporating the basic principles of IFRS 15 and providing some further accounting treatment provisions pertinent to the Japanese business environment, to the extent that these do not impair comparability.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Effects of the application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

(Tax Effect Accounting)

-Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018(hereinafter, "Guidance No. 28"))

-Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26(revised 2018), February 16, 2018(hereinafter, "Guidance No.26"))

(1) Overview

The above guidance was revised with regard to the treatment of taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to further clarify the methods of determining recoverability of deferred tax assets in a company categorized as 'Type1' according to the guidance.

(2) Effective date

The Company will apply this standard and guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of the application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

r. Additional information

(Adaption of consolidated taxation regime)

From the fiscal year ended March 31, 2018, the Company and its certain domestic subsidiaries have adopted the consolidated taxation regime.

3. NOTES TO CONSOLIDATED BALANCE SHEET

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Capital stock	¥ —	¥ 294	\$ 2,775

※2. *Assets pledged as collateral and liabilities with collateral*

Details of assets pledged as collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Buildings and structures	¥ 2,187	¥ —	\$ —
Land	<u>3,030</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 5,217</u>	<u>¥ —</u>	<u>\$ —</u>

Details of liabilities with collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Long-term loans including current portion of long-term loans payable	¥ 325	¥ —	\$ —

3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥29 million and ¥25 million (\$244 thousand) at March 31, 2017 and 2018, respectively.

※4. *Notes receivable and payable*

The Company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date of March 31, 2018 was not a business day for financial institutions in Japan, the following amounts of notes which were due to mature on the closing date are included in the year-end balances.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Notes receivable - trade	¥ —	¥ 125	\$ 1,185
Electronically recorded monetary claims	—	66	628
Notes payable - trade	—	82	780

※5. *Commitment line contract*

The Company is under a commitment line contract to four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Total limit of contract	¥ 10,000	¥ 10,000	\$ 94,126
Loan balances	—	—	—
Available amounts	<u>¥ 10,000</u>	<u>¥ 10,000</u>	<u>\$ 94,126</u>

4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

※1. *Selling, general and administrative expenses*

Major items and the amounts under “Selling, general and administrative expenses” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Salaries and bonuses	¥ 10,766	¥ 10,641	\$ 100,168
Retirement benefit expenses	725	650	6,120
Provision for directors’ retirement benefits	73	70	658
Provision for directors’ bonuses	203	252	2,378
Provision of allowance for doubtful accounts	(7)	(80)	(754)

※2. *Research and development costs*

Research and development costs charged to income are ¥271 million and ¥81 million (\$767 thousand) for the years ended March 31, 2017 and 2018, respectively.

※3. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Buildings and structures	¥ 13	¥ —	\$ —
Machinery, equipment and vehicles	5	10	100
Tools, furniture and fixtures	4	3	28
Land	—	14	139
Total	<u>¥ 23</u>	<u>¥ 28</u>	<u>\$ 268</u>

※4. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Buildings and structures	¥ 2	¥ 0	\$ 6
Machinery, equipment and vehicles	10	3	32
Tools, furniture and fixtures	3	1	9
Software	0	2	23
Total	<u>¥ 15</u>	<u>¥ 7</u>	<u>\$ 72</u>

※5. Amount of reclassification and income tax effect associated with other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 690	¥ 1,044	\$ 9,829
Amount of reclassification	<u>(20)</u>	<u>(514)</u>	<u>(4,839)</u>
Net gain before income tax effect	669	530	4,989
Income tax effect	<u>(190)</u>	<u>(184)</u>	<u>(1,736)</u>
Net unrealized gain or loss on securities, net of Tax	479	345	3,253
Deferred gains or losses on hedges			
Amount arising during the period	0	(23)	(224)
Amount of reclassification	<u>(8)</u>	<u>(0)</u>	<u>(7)</u>
Net gain before income tax effect	(7)	(24)	(231)
Income tax effect	<u>3</u>	<u>7</u>	<u>72</u>
Deferred gains or losses on hedges	(4)	(16)	(158)
Foreign currency translation adjustment			
Amount arising during the period	(292)	(252)	(2,372)
Amount of reclassification	<u>0</u>	<u>(21)</u>	<u>(205)</u>
Foreign currency translation adjustment	(292)	(273)	(2,577)
Remeasurements of defined benefit plans			
Amount arising during the period	87	(125)	(1,182)
Amount of reclassification	<u>124</u>	<u>99</u>	<u>940</u>
Net gain before income tax effect	212	(25)	(241)
Income tax effect	<u>(65)</u>	<u>7</u>	<u>74</u>
Remeasurements of defined benefit plans	147	(17)	(167)
Total other comprehensive income	¥ 330	¥ 37	\$ 349

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2017

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2016	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2017
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	446,824	819,689	45	1,266,468

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 819,689 shares

Decrease as a result of the disposition of fractional shares: 45 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2016	Common stock	988	35	March 31, 2016	June 30, 2016
Board of Directors' meeting held on November 1, 2016	Common stock	706	25	September 30, 2016	December 2, 2016

(2) Dividends whose effective date is after March 31, 2017 with record date during the year ended March 31, 2017.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2017	Common stock	960	Retained earnings	35	March 31, 2017	June 30, 2017

For the year ended March 31, 2018

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2017	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2018
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,266,468	975	50	1,267,393

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 975 shares

Decrease as a result of the disposition of fractional share: 50 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2017	Common stock	960 (US\$9,038 thousand)	35 (US\$0.32)	March 31, 2017	June 30, 2017
Board of Directors' meeting held on November 8, 2017	Common stock	823 (US\$7,747 thousand)	30 (US\$0.28)	September 30, 2017	December 1, 2017

(2) Dividends whose effective date is after March 31, 2018 with record date during the year ended March 31, 2018.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2018	Common stock	1,097 (US\$10,329 thousand)	Retained earnings	40 (US\$0.37)	March 31, 2018	June 29, 2018

6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2017 and 2018 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Cash and bank deposits	¥ 26,423	¥ 30,803	\$ 289,939
Time deposits with a deposit period of more than 3 months	(401)	(2,023)	(19,049)
Short-term investments (investment securities) with a maturity of three months or less from the date of acquisition	—	99	941
Cash and cash equivalents	¥ 26,021	¥ 28,879	\$ 271,831

7. LEASES

Finance leases that do not transfer ownership of the leased assets to lessees.

Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As described in Note 2.i, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

Future lease payments under non-cancelable operating leases at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Due within one year	¥ 12	¥ 15	\$ 145
Due after one year	<u>18</u>	<u>12</u>	<u>121</u>
Total	<u>¥ 31</u>	<u>¥ 28</u>	<u>\$ 267</u>

8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables and Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

(3) *Risk Management for Financial Instruments*

Credit risk management

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment terms and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

Market risk management (foreign exchange risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 10 for the detail of fair value for derivatives.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

The carrying value of the above accounts approximate fair value because of their short maturities.

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 9.

Long-term loans payable

The fair value of long-term loans payable is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 10.

(a) Fair Value of Financial Instruments

<u>March 31, 2017</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Cash and bank deposits	¥ 26,423	¥ 26,423	¥ —
Notes and accounts receivable-trade	46,774		
Electronically recorded monetary claims	5,234		
Allowance for doubtful accounts ※1	(166)		
	<u>51,843</u>	<u>51,843</u>	<u>—</u>
Short-term investment securities	188	188	—
Investment securities	5,705	5,705	—
Guarantee deposits	<u>413</u>	<u>329</u>	<u>(83)</u>
Total	<u>¥ 84,574</u>	<u>¥ 84,491</u>	<u>¥ (83)</u>
Notes and accounts payable-trade	¥ 37,553	¥ 37,553	¥ —
Short-term loans payable	4,883	4,883	—
Accrued expenses	3,387	3,387	—
Income taxes payable	888	888	—
Long-term loans payable	<u>4,603</u>	<u>4,607</u>	<u>(4)</u>
Total	<u>¥ 51,316</u>	<u>¥ 51,321</u>	<u>¥ (4)</u>
Derivatives ※2	<u>¥ 1</u>	<u>¥ 1</u>	<u>¥ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

<u>March 31, 2018</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Cash and bank deposits	¥ 30,803	¥ 30,803	¥ —
Notes and accounts receivable-trade	45,809		
Electronically recorded monetary claims	4,032		
Allowance for doubtful accounts ※1	(133)		
	<u>49,708</u>	<u>49,708</u>	<u>—</u>
Short-term investment securities	295	295	—
Investment securities	7,008	7,008	—
Guarantee deposits	<u>413</u>	<u>330</u>	<u>(82)</u>
Total	<u>¥ 88,229</u>	<u>¥ 88,146</u>	<u>¥ (82)</u>
Notes and accounts payable-trade	¥ 36,392	¥ 36,392	¥ —
Short-term loans payable	5,385	5,385	—
Accrued expenses	3,711	3,711	—
Income taxes payable	901	901	—
Long-term loans payable	<u>3,161</u>	<u>3,163</u>	<u>(1)</u>
Total	<u>¥ 49,552</u>	<u>¥ 49,554</u>	<u>¥ (1)</u>
Derivatives ※2	<u>¥ (23)</u>	<u>¥ (23)</u>	<u>¥ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	\$ 289,939	\$ 289,939	\$ —
Notes and accounts receivable-trade	431,190		
Electronically recorded monetary claims	37,954		
Allowance for doubtful accounts ※1	(1,254)		
	467,890	467,890	—
Short-term investment securities	2,776	2,776	—
Investment securities	65,970	65,970	—
Guarantee deposits	3,891	3,111	(780)
Total	<u>\$ 830,469</u>	<u>\$ 829,689</u>	<u>\$ (780)</u>
Notes and accounts payable-trade	\$ 342,552	\$ 342,552	\$ —
Short-term loans payable	50,693	50,693	—
Accrued expenses	34,930	34,930	—
Income taxes payable	8,482	8,482	—
Long-term loans payable	29,757	29,775	(17)
Total	<u>\$ 466,416</u>	<u>\$ 466,434</u>	<u>\$ (17)</u>
Derivatives ※2	<u>\$ (224)</u>	<u>\$ (224)</u>	<u>\$ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

(b) Financial Instruments whose Fair Value cannot be reliably determined

	Carrying Amount		
	Thousands of U.S. Dollars		Thousands of U.S. Dollars
	Millions of Yen	Millions of Yen	
	2017	2018	2018
Shares of subsidiaries and related companies	¥ —	¥ 294	\$ 2,775
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,056	¥ 1,384	13,032
Guarantee deposits that do not have a quoted market price in an active market	321	243	2,296

(5) *Redemption Schedule of Monetary Assets and Securities with Contractual Maturities*

March 31, 2017

	Millions of Yen			
	Over 1 year		Over 5 years	
	Within 1 year	within 5 years	within 10 years	Over 10 years
Cash and bank deposits	¥ 26,423	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	46,774	—	—	—
Electronically recorded monetary claims	5,234	—	—	—
Investment securities with maturities	—	—	97	—
Guarantee deposits	9	—	131	191
Total	¥ 78,442	¥ —	¥ 229	¥ 191

March 31, 2018

		Millions of Yen			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥	30,803	¥ —	¥ —	¥ —
Notes and accounts receivable-trade		45,809	—	—	—
Electronically recorded monetary claims		4,032	—	—	—
Securities with maturities		99	—	—	—
Investment securities with maturities		—	7	94	—
Guarantee deposits		9	4	126	191
Total	¥	80,754	¥ 11	¥ 221	¥ 191

		Thousands of U.S. Dollars			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	\$	289,939	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		431,190	—	—	—
Electronically recorded monetary claims		37,954	—	—	—
Securities with maturities		941	—	—	—
Investment securities with maturities		—	66	889	—
Guarantee deposits		91	42	1,192	1,798
Total	\$	760,117	\$ 109	\$ 2,082	\$ 1,798

(6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2017 and 2018 is as follows:*

March 31, 2017

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	3,412	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,470	1,451	1,269	1,247	635	—
Total	¥	4,883	¥ 1,451	¥ 1,269	¥ 1,247	¥ 635	¥ —

March 31, 2018

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	4,117	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,268	1,278	1,247	635	—	—
Total	¥	5,385	¥ 1,278	¥ 1,247	¥ 635	¥ —	¥ —

	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$ 38,756	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans						
Including current portion of long-term loans payable	11,937	12,037	11,737	5,981	—	—
Total	\$ 50,693	\$ 12,037	\$ 11,737	\$ 5,981	\$ —	\$ —

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2018 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unrealized gains included in net income for the year	¥ 22	¥ 6	\$ 57

(2) Investment securities with a readily determinable fair value

March 31, 2017

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 4,013	¥ 1,891	¥ 2,122
Government and corporate bonds	10	10	0
Subtotal	¥ 4,023	¥ 1,901	¥ 2,122
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	800	1,005	(204)
Government and corporate bonds	87	102	(15)
Others	794	865	(70)
Subtotal	¥ 1,682	¥ 1,972	¥ (290)
Total	¥ 5,705	¥ 3,873	¥ 1,832

Note:

Non-marketable equity securities of ¥1,016 million, and Investments in associated companies of ¥40 million are not included in the above because it is not practicable to estimate their fair value due to their market price information not being available.

March 31, 2018

Millions of Yen			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 5,101	¥ 2,379	¥ 2,722
Government and corporate bonds	10	10	0
Others	156	149	6
Subtotal	¥ 5,268	¥ 2,538	¥ 2,729
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	795	1,032	(236)
Government and corporate bonds	84	102	(18)
Others	860	982	(122)
Subtotal	¥ 1,740	¥ 2,117	¥ (377)
Total	¥ 7,008	¥ 4,656	¥ 2,352

Thousands of U.S. Dollars			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 48,020	\$ 22,394	\$ 25,626
Government and corporate bonds	97	94	3
Others	1,470	1,409	61
Subtotal	\$ 49,589	\$ 23,898	\$ 25,691
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	7,491	9,721	(2,230)
Government and corporate bonds	791	964	(172)
Others	8,098	9,247	(1,149)
Subtotal	\$ 16,381	\$ 19,933	\$ (3,552)
Total	\$ 65,970	\$ 43,831	\$ 22,139

Note:

Non-marketable equity securities of ¥1,318 million (\$12,408 thousand), and Investments in associated companies of ¥66 million (\$624 thousand) are not included in the above because it is not practicable to estimate their fair value due to their market price information not being available.

(3) Investment securities sold during 2017 and 2018

March 31, 2017

Millions of Yen			
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 608	¥ 108	¥ (0)
Government and corporate bonds	—	—	—
Others	112	2	(31)
Total	¥ 720	¥ 110	¥ (31)

March 31, 2018

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		¥ 1,105	¥ 591	¥ (0)
Government and corporate bonds		—	—	—
Others		152	0	(23)
Total		¥ 1,258	¥ 591	¥ (24)

		Thousands of U.S. Dollars		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		\$ 10,406	\$ 5,568	\$ (4)
Government and corporate bonds		—	—	—
Others		1,435	2	(223)
Total		\$ 11,841	\$ 5,571	\$ (227)

(4) Impairment losses recognized on Investment securities are as follows:

		Millions of Yen	Thousands of U.S. Dollars
		2017	2018
		¥ 47	¥ 269
			\$ 2,539

10. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2017</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,555	¥ —	¥ 3
Buying US\$	Payables	2,297	—	(2)
Buying Euro	Payables	6	—	(0)
Buying Swiss franc	Payables	7	—	(0)
Total		¥ 3,867	¥ —	¥ 0

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2018</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,366	¥ —	¥ 8
Selling CNY	Receivables	157	—	(1)
Buying US\$	Payables	1,965	—	(30)
Buying Euro	Payables	1	—	(0)
Total		¥ 3,491	¥ —	¥ (23)

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 12,864	\$ —	\$ 80
Selling CNY	Receivables	1,483	—	(11)
Buying US\$	Payables	18,497	—	(291)
Buying Euro	Payables	17	—	(0)
Total		<u>\$ 32,863</u>	<u>\$ —</u>	<u>\$ (222)</u>

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Interest related transactions

For the year ended March 31, 2017

			Millions of Yen		
Hedge Accounting Method	Type of Transaction	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 1,550	¥ 1,356	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

For the year ended March 31, 2018

			Millions of Yen, Thousands of U.S. Dollars		
Hedge Accounting Method	Type of Transaction	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 1,356 (\$ 12,765)	¥ 968 (\$ 9,118)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

11. RETIREMENT BENEFITS

(1) Outline of retirement benefits plans

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated using simplified methods.

(2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2017 and 2018 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Retirement benefit obligation at the beginning of the year	¥ 4,032	¥ 4,174	\$ 39,294
Service cost	313	307	2,898
Interest cost	15	19	183
Actuarial gains (losses)	(94)	88	836
Benefits paid	(94)	(69)	(656)
Others	1	1	12
Retirement benefit obligation at the end of the year	<u>¥ 4,174</u>	<u>¥ 4,522</u>	<u>\$ 42,568</u>

(b) Changes in the plan assets for the years ended March 31, 2017 and 2018 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Plan assets at fair value at the beginning of the year	¥ 3,257	¥ 3,558	\$ 33,495
Expected return on plan assets	58	77	731
Actuarial gains (losses)	(4)	(36)	(341)
Contributions by the employer	338	338	3,184
Benefits paid	(91)	(69)	(656)
Others	0	(0)	(2)
Plan assets at fair value at the end of the year	<u>¥ 3,558</u>	<u>¥ 3,868</u>	<u>\$ 36,411</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net defined benefit liabilities at the beginning of the year	¥ 999	¥ 1,053	\$ 9,917
Retirement benefit expenses	149	140	1,323
Retirement benefits paid	(83)	(97)	(918)
Contributions to plan	(12)	(13)	(125)
Net defined benefit liabilities at the end of the year	<u>¥ 1,053</u>	<u>¥ 1,083</u>	<u>\$ 10,196</u>

(d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Retirement benefit obligation of funded plans	¥ 4,430	¥ 4,962	\$ 46,710
Plan assets	<u>(3,680)</u>	<u>(3,997)</u>	<u>(37,623)</u>
	749	965	9,086
Retirement benefit obligation of unfunded plans	<u>919</u>	<u>772</u>	<u>7,267</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,669</u>	<u>¥ 1,737</u>	<u>\$ 16,353</u>
Net defined benefit liabilities	<u>1,669</u>	<u>1,737</u>	<u>16,353</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,669</u>	<u>¥ 1,737</u>	<u>\$ 16,353</u>

(e) Components of retirement benefit expenses for the years ended March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Service cost	¥ 342	¥ 307	\$ 2,898
Interest cost	15	19	183
Expected return on plan assets	(58)	(77)	(731)
Amortization of actuarial loss	58	51	485
Amortization of prior service cost	64	48	458
Redundancy pay	—	15	149
Others	<u>13</u>	<u>7</u>	<u>69</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 435</u>	<u>¥ 373</u>	<u>\$ 3,512</u>

(f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2017 and 2018 are as follows:

Components of remeasurements of defined benefit obligations, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Prior service cost	¥ 64	¥ 48	\$ 458
Actuarial gains and losses	<u>147</u>	<u>(74)</u>	<u>(700)</u>
Total	<u>¥ 212</u>	<u>¥ (25)</u>	<u>\$ (241)</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2017 and 2018 are as follows:

Components of remeasurements of accumulated defined benefit obligations before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Unrecognized prior service cost	¥ 48	¥ —	\$ —
Unrecognized actuarial gains or losses	<u>225</u>	<u>300</u>	<u>2,825</u>
Total	<u>¥ 274</u>	<u>¥ 300</u>	<u>\$ 2,825</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2017</u>	<u>2018</u>
General accounts	96.03%	96.08%
Other	<u>3.97%</u>	<u>3.92%</u>
Total	<u>100%</u>	<u>100%</u>

Determining expected long-term rate of return

In determining the long-term rate of return for plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	<u>2017</u>	<u>2018</u>
Discount rate	0.46%	0.35%
Expected long-term rate of return	2.20%	2.20%

(3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
	¥ 186	¥ 190	\$ 1,792

12. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 217	¥ 260	\$ 2,454
Retirement benefits for directors and corporate auditors	375	392	3,698
Allowance for doubtful accounts	284	199	1,875
Accrued bonuses	524	496	4,673
Net defined benefit liability	528	538	5,066
Operating losses of subsidiaries	403	—	—
Tax loss carryforwards	2,341	1,076	10,136
Devaluation of inventories	239	98	930
Impairment loss	196	185	1,747
Others	911	947	8,914
Sub-total	<u>6,022</u>	<u>4,195</u>	<u>39,495</u>
Less valuation allowance	<u>(3,401)</u>	<u>(2,242)</u>	<u>(21,112)</u>
Deferred tax assets—total	2,621	1,953	18,383
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(1,236)	(1,488)	(14,010)
Unrealized gain on property and equipment	(97)	(72)	(681)
Unrealized gain on available-for-sale securities	(654)	(839)	(7,897)
Advanced depreciation on fixed assets	(196)	(165)	(1,556)
Others	<u>(68)</u>	<u>(134)</u>	<u>(1,261)</u>
Deferred tax liabilities—total	<u>(2,253)</u>	<u>(2,699)</u>	<u>(25,408)</u>
Net deferred tax assets	<u>¥ 368</u>	<u>¥ (746)</u>	<u>\$ (7,025)</u>

(Note) Net deferred tax assets recorded in the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
	<u>2017</u>	<u>2018</u>	<u>2018</u>
Current assets-Deferred tax assets	¥ 1,340	¥ 1,028	\$ 9,677
Non-current assets-Deferred tax assets	240	240	2,262
Current liabilities-Deferred tax liabilities	—	(1)	(13)
Non-current liabilities-Deferred tax liabilities	(1,213)	(2,013)	(18,952)

(2) A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2017 and 2018 is as follows:

	<u>2017</u>	<u>2018</u>
Effective statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	1.3	1.7
Tax benefits not recognized on operating losses of subsidiaries	(1.1)	(3.2)
Difference in tax rates of foreign subsidiaries	(5.4)	(6.8)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	2.3	3.6
Change in valuation allowances	(19.1)	1.5
Impact of adoption of consolidated tax payment system	(1.2)	—
Others, net	<u>3.0</u>	<u>2.3</u>
Actual effective tax rate	<u>10.8</u>	<u>30.0</u>

Tax reform legislation in the United States, which was passed on December 22, 2017, and effective from fiscal years starting on or after January 1, 2018, has lowered the federal corporate income tax rate. In accordance with this tax reform legislation, the tax rate applied to the Company's consolidated subsidiaries in the United States was lowered from 35% to 21%.

The application of this tax rate change had a negligible effect on the consolidated financial statements.

13. BUSINESS COMBINATIONS

No significant items to be reported.

14. 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 Group has four reporting segments that are made of different categories of products and services: electronic components, information equipment, software and other. 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, 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 other segment includes the fix and support of electronic components, the manufacture and sale of amusement equipment, sales of sports goods and other activities.

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

The accounting policies of each reportable segment are consistent to those disclosed in Note 2., "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

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

		Millions of Yen							
		2017							
		Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
		Electronic Components	Information Equipment	Soft- ware	Other	Total			
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 sales	¥	171,923	¥ 43,065	¥ 4,714	¥ 12,885	¥ 232,589	¥ (5,380)	¥ 227,209	
Segment profit (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	

		Millions of Yen							
		2018							
		Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
		Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:									
Sales to external customers	¥	172,248	¥ 47,582	¥ 2,568	¥ 13,522	¥ 235,921	¥ —	¥ 235,921	
Inter segment sales or transfers		1,610	1,242	855	1,442	5,152	(5,152)	—	
Total sales	¥	173,859	¥ 48,825	¥ 3,424	¥ 14,965	¥ 241,074	¥ (5,152)	¥ 235,921	
Segment profit (loss)	¥	5,312	¥ 2,202	¥ 172	¥ 308	¥ 7,996	¥ 123	¥ 8,119	
Segment assets		112,878	14,692	1,847	9,191	138,609	(9,116)	129,493	
Others:									
Depreciation		916	63	91	92	1,165	(8)	1,157	
Increase in-property, plant and equipment and intangible assets		1,699	77	42	316	2,135	(96)	2,039	

Thousands of U.S. Dollars							
2018							
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 1,621,314	\$ 447,875	\$ 24,176	\$ 127,282	\$ 2,220,648	\$ —	\$ 2,220,648
Inter segment sales or transfers	<u>15,162</u>	<u>11,699</u>	<u>8,054</u>	<u>13,580</u>	<u>48,497</u>	<u>(48,497)</u>	<u>—</u>
Total sales	<u>\$ 1,636,477</u>	<u>\$ 459,575</u>	<u>\$ 32,230</u>	<u>\$ 140,862</u>	<u>\$ 2,269,146</u>	<u>\$ (48,497)</u>	<u>\$ 2,220,648</u>
Segment profit (loss)	\$ 50,005	\$ 20,735	\$ 1,621	\$ 2,905	\$ 75,268	\$ 1,158	\$ 76,426
Segment assets	1,062,483	138,294	17,388	86,518	1,304,685	(85,809)	1,218,875
Others:							
Depreciation	8,628	600	864	872	10,966	(75)	10,890
Increase in-property, plant and equipment and intangible assets	15,994	729	402	2,978	20,105	(909)	19,195

Note: 1. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Elimination of inter-segment trade	¥ 154	¥ 123	\$ 1,158
Amortization of goodwill	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 154</u>	<u>¥ 123</u>	<u>\$ 1,158</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Elimination of inter-segment trade	¥ (6,945)	¥ (11,335)	\$ (106,698)
Reconciliations	<u>2,054</u>	<u>2,219</u>	<u>20,888</u>
Total	<u>¥ (4,890)</u>	<u>¥ (9,116)</u>	<u>\$ (85,809)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Elimination of inter-segment trade	¥ (11)	¥ (8)	\$ (75)
Total	<u>¥ (11)</u>	<u>¥ (8)</u>	<u>\$ (75)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Elimination of inter-segment trade	¥ (37)	¥ (96)	\$ (909)
Total	¥ (37)	¥ (96)	\$ (909)

2. Segment income is adjusted for operating income in the consolidated statement of income and comprehensive income.

Associated Information

For the year ended March 31, 2017

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2017				
Japan	North America	Europe	East Asia	Total
¥ 151,912	¥ 5,995	¥ 2,518	¥ 66,783	¥ 227,209

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2017				
Japan	North America	Europe	East Asia	Total
¥ 8,850	¥ 2	¥ 145	¥ 2,747	¥ 11,745

Notes: 1. Countries and regions are classified according to geographical proximity.

2. 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

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2018

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2018				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 149,024	¥ 8,628	¥ 4,034	¥ 74,234	¥ 235,921

Thousands of U.S. Dollars				
2018				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,402,716	\$ 81,220	\$ 37,971	\$ 698,739	\$ 2,220,648

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2018				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 8,422	¥ 260	¥ 192	¥ 3,335	¥ 12,210

Thousands of U.S. Dollars				
2018				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 79,277	\$ 2,453	\$ 1,813	\$ 31,392	\$ 114,937

Notes: 1. Countries and regions are classified according to geographical proximity.

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

- (1) North America: United States, United Mexican States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India and Indonesia

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

Information of impairment loss on fixed assets of reportable segments

For the year ended March 31, 2017

		Millions of Yen				
		2017				
		Reportable Segment				
		Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		¥ —	¥ —	¥ —	¥ 16	¥ 16

For the year ended March 31, 2018

		Millions of Yen				
		2018				
		Reportable Segment				
		Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		¥ 228	¥ —	¥ —	¥ 0	¥ 228

		Thousands of U.S. Dollars				
		2018				
		Reportable Segment				
		Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		\$ 2,151	\$ —	\$ —	\$ 0	\$ 2,152

Information of amortization of goodwill and balance of goodwill of reportable segments

For the year ended March 31, 2017

		Millions of Yen					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year		¥ 85	¥ —	¥ 3	¥ —	¥ 88	¥ —
Balance of goodwill at the end of fiscal year		397	—	8	—	406	—

For the year ended March 31, 2018

		Millions of Yen					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-Ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year		¥ 85	¥ —	¥ 3	¥ —	¥ 88	¥ —
Balance of goodwill at the end of fiscal year		312	—	5	—	317	—

		Thousands of U.S. Dollars					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year		\$ 805	\$ —	\$ 32	\$ —	\$ 837	\$ —
Balance of goodwill at the end of fiscal year		2,937	—	48	—	2,986	—

Information of gain on bargain purchase by reportable segments

For the year ended March 31, 2017

No significant items to be reported.

For the year ended March 31, 2018

Not applicable.

15. RELATED PARTY TRANSACTIONS**(1) Principal transactions between the Company and its related party**

For the year ended March 31, 2017

Principal transactions between the Company and its related party for the year ended March 31, 2017 are summarized as follows:

(Amount unit: Millions of yen)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2017
Major stockholder	Sankyo Co., Ltd.	Shibuya-ku, Tokyo	¥14,840	Manufacturing and sales of game machines	Owned directly 13.97%	Sales of finished products	Sales of finished products (Note)	¥6,908	Accounts receivable	¥2,793

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo and the Company, and the sales price of products is determined based on the discussions between those two parties.

For the year ended March 31, 2018

Principal transactions between the Company and its related party for the year ended March 31, 2018 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2018
Major stockholder	Sankyo Co., Ltd.	Shibuya-ku, Tokyo	¥14,840 (\$139,683)	Manufacturing and sales of game machines	Owned directly 13.97%	Sales of finished products	Sales of finished products (Note)	¥7,877 (\$74,149)	Electronically recorded monetary claims Accounts receivable	¥2,053 (\$19,324) ¥1,008 (\$9,494)

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo Co., Ltd. and the Company, and the sales price of products is determined based on the discussions between those two parties.

(2) Principal transactions between the Company's director and its related party

For the year ended March 31, 2017

Not applicable.

For the year ended March 31, 2018

Principal transactions between the Company's director and its related party for the year ended March 31, 2018 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2018
Director	Isao Tsukamoto	—	—	Founder and CEO	Owned directly 2.69% indirectly 6.72%	—	Purchase of shares of subsidiaries (Note1)	¥11 (\$104)	—	—
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda-ku, Tokyo	¥7 (\$70)	Management of restaurant and convenience store	—	Interlocking directorate	Management of in-house store (Note2)	¥14 (\$138)	—	—

Notes: 1. The price used for purchase of shares of subsidiaries is the same as which a third party purchased the same shares on the same day.

2. The Company concluded the contract transaction at a price equivalent to market price.

16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2017	2018	2018
Net assets per share	¥ 2,401.00	¥ 2,571.79	\$ 24.21
Net income per share	249.43	236.58	2.23

Notes 1. Diluted net income per share has not been disclosed because there were no potentially dilutive Shares.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net income per share			
Profit attributable to owners of the parent	¥ 6,975	¥ 6,490	\$ 61,093
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	6,975	6,490	61,093
Average number of common stock outstanding during the fiscal year (Share)	27,967,362	27,435,139	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net assets per share			
Total net assets	¥ 65,932	¥ 70,631	\$ 664,833
Amount deducted from total net assets (Non-controlling interests)	59 (59)	75 (75)	712 (712)
Net assets corresponding to common stock at the end of the fiscal year	65,872	70,556	664,121
Number of common stock shares used for the calculation of net assets per share (Share)	27,435,650	27,434,725	

17. SIGNIFICANT SUBSEQUENT EVENTS

(Acquisition of Shares in Fujitsu Electronics Inc. (and Making It a Subsidiary))

At the board of directors meeting held on September 10, 2018, the Company resolved to acquire shares in Fujitsu Electronics Inc. ("Fujitsu Electronics") and to make Fujitsu Electronics its subsidiary (the "Share Acquisition").

(1) Reasons behind the Share Acquisition

Since its foundation, the Company has been expanding the scope of its operations by responding to a variety of customer needs under its corporate philosophy of "Everything we do is for our customers." As an independent general trading company with a specialization in electronics, the Company is engaged in a wide variety of business activities and offers a variety of services to customers both in Japan and abroad. These services include the Electronic Parts and Semiconductor business, where it distributes electronic parts and semiconductors by leveraging its expertise in the segment, the EMS business (contracted manufacturing of electrical substrates) where it has a competitive advantage in high-mix low-volume production, and the Information Equipment business and New Business where it supports customers in planning, development and design of their products, creation of software/video images, provision of network solutions and other system support services.

The business environment of the electronics trading industry has become increasingly competitive and has been changing dramatically in recent years as a result of the trend for consolidation and integration amongst suppliers, including those in the semiconductor/device manufacturing industry. The Company believes that the competition amongst electronics trading companies will intensify further in the future in response to anticipated policy changes concerning distribution agents, a growing trend for customers to shift their assembly of finished products overseas, changes in demand and supply and changes in prices in both domestic and overseas markets, and shortening product lifecycles as a result of ongoing technological innovations.

Under these circumstances, the Company developed "Medium-term Management Plan 2018" (released on November 4, 2015), in which the Company attached utmost importance to "establishment of profit oriented management." According to the plan, the Company has focused on increasing sales of electronic devices to existing major customers and expanding the EMS business primarily in overseas markets. The Share Acquisition is part of the efforts to fulfill its growth strategies embodied in the Medium-term Management Plan, and is expected to produce the following synergies:

- (a) Market share expansion for the Electronic Parts and Semiconductor business
Strengthening our ability to respond to customer needs and expand our share in the electronic parts and semiconductors markets by complementing our offerings and sales channels that the Company globally develops with those of Fujitsu Electronics.
- (b) Expansion in scale of the EMS business
Achieve rapid growth in the high-value-added EMS business, which the Company is specialized in, by adding Fujitsu Electronics's broad customer base to our existing global network of EMS business bases to give competitive advantage.
- (c) Further improvement in management efficiency through collaboration of the two companies' operations and organizational functions. Seek to improve the profitability of both the Company and Fujitsu Electronics by optimizing and sharing, to the greatest extent possible, their sales related organizations and other functions.

(2) Overview of Fujitsu Electronics Inc.

(i) Name	Fujitsu Electronics Inc.
(ii) Business	Design, development and sale of electronic devices
(iii) Capital	4,878 million yen

- (3) Name of company of the selling shareholder
Fujitsu Semiconductor Limited

(4) Number of Shares to be acquired, Acquisition price and Share ownership before and after acquisition

(i) Shares held before the acquisition	0 share (Voting rights: 0, Percentage of voting rights held: 0%)
(ii) Shares to be acquired	Phase 1: 18,641,972 shares (Voting rights: 18,641) Phase 2: 3,995,000 shares (Voting rights: 3,995) Phase 3: 3,995,000 shares (Voting rights: 3,995)
(iii) Acquisition price	Shares of common stock in Fujitsu Electronics Inc. 20,413 million yen Advisory and other fees (estimate) 130 million yen Total (estimate) 20,543 million yen
(iv) Shares held after the acquisition	Phase 1: 18,641,972 shares (Voting rights: 18,641, Percentage of voting rights held: 70.0%) Phase 2: 22,636,972 shares (Voting rights: 22,636, Percentage of voting rights held: 85.0%) Phase 3: 26,631,972 shares (Voting rights: 26,631, Percentage of voting rights held: 100.0%)

Note 1: In order for Fuji Electronics to continue operating smoothly within our group, the Share Acquisition will be completed in three phases. Phase 1 is scheduled to take place on January 1, 2019, Phase 2 on December 28, 2020 and Phase 3 on December 28, 2021. On completion of Phase 3, Fujitsu Electronics becomes a wholly-owned subsidiary of the Company.

Note 2: The acquisition price for each phase, based on the agreement of the Share Acquisition, is to be adjusted for changes in the amount of consolidated net assets of Fujitsu Electronics. Therefore, (iii) Acquisition price is an estimate of the total acquisition price (after paying the cash dividend).

(5) Timeline of the Share Acquisition

(i) Board of directors meeting	September 10, 2018
(ii) Execution of the agreement	September 10, 2018
(iii) Execution of the Share Acquisition	Phase 1: January 1, 2019 (scheduled) Phase 2: December 28, 2020 (scheduled) Phase 3: December 28, 2021 (scheduled)

(6) Financing

The Company intends to finance the Share Acquisition with cash on hand and new bridge loans. As for the bridge loans, the Company will consider restructuring to utilize a variety of longer-term financing options.

18. CONSOLIDATED SUPPLEMENTARY SCHEDULE

(1) Schedule of bonds
Not applicable.

(2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars		Interest rate (%)	Maturity
	Balance as of April 1, 2017	Balance as of March 31, 2018	Balance as of March 31, 2018			
Short-term loans payable	¥ 3,412	¥ 4,117	\$ 38,756	1.51%	—	
Current portion of long-term loans payable	1,470	1,268	11,937	0.73%	—	
Current portion of lease obligations	126	118	1,111	2.21%	—	
Long-term loans payable (excluding current portion)	4,603	3,161	29,757	0.72%	2019 to 2021	
Lease obligations (excluding current portion)	192	235	2,216	2.16%	2019 to 2022	
Other interest-bearing debt	—	—	—	—	—	
Total	¥ 9,805	¥ 8,900	\$ 83,778			

Notes:

- Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
- The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2018 is summarized as follows:

Category	Millions of Yen			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 1,278	¥ 1,247	¥ 635	¥ —
Lease obligations	106	83	43	1
Total	¥ 1,385	¥ 1,330	¥ 678	¥ 1

Category	Thousands of U.S. Dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 12,038	\$ 11,738	\$ 5,982	\$ —
Lease obligations	1,006	786	409	15
Total	\$ 13,044	\$ 12,524	\$ 6,390	\$ 15

(3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations are abbreviated, as the amount of “asset retirement obligations” is less than 1 percent of the total amount of liabilities and net assets.