
Kaga Electronics Co., Ltd.
and Consolidated Subsidiaries

*Consolidated Financial Statements for the
Year Ended March 31, 2017
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, 2017, 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 a summary of significant accounting policies and other explanatory information.

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, 2017, 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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Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 LLC.

September 20, 2017

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2017

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
CURRENT ASSETS:			
Cash and bank deposits	¥ 22,516	¥ 26,423	\$ 235,522
Notes and accounts receivable-trade	51,568	46,774	416,926
Electronically recorded monetary claims	3,227	5,234	46,661
Short-term investment securities	166	188	1,683
Merchandise and finished goods	14,898	14,675	130,813
Work in process	266	365	3,255
Raw materials and supplies	4,010	4,284	38,188
Deferred tax assets	849	1,340	11,950
Others	4,638	4,562	40,667
Allowance for doubtful accounts	(179)	(166)	(1,485)
Total CURRENT ASSETS	<u>101,961</u>	<u>103,684</u>	<u>924,182</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	7,838	7,902	70,442
Accumulated depreciation	(2,726)	(3,043)	(27,128)
Buildings and structures, net ※2	<u>5,112</u>	<u>4,859</u>	<u>43,313</u>
Machinery, equipment and vehicles	5,474	5,593	49,854
Accumulated depreciation	(3,481)	(3,579)	(31,901)
Machinery, equipment and vehicles, net	<u>1,992</u>	<u>2,014</u>	<u>17,953</u>
Tools, furniture and fixtures	3,843	3,774	33,648
Accumulated depreciation	(3,029)	(3,032)	(27,028)
Tools, furniture and fixtures, net	<u>813</u>	<u>742</u>	<u>6,619</u>
Land ※2	4,138	4,126	36,782
Construction in progress	0	3	27
Total PROPERTY, PLANT AND EQUIPMENT	<u>12,058</u>	<u>11,745</u>	<u>104,697</u>
INTANGIBLE ASSETS			
Goodwill	495	406	3,621
Software	422	363	3,241
Others	85	71	641
Total INTANGIBLE ASSETS	<u>1,003</u>	<u>841</u>	<u>7,504</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	6,519	6,761	60,268
Deferred tax assets	257	240	2,144
Guarantee deposits	739	735	6,552
Insurance funds	916	936	8,350
Others	1,931	1,529	13,630
Allowance for doubtful accounts	(1,107)	(723)	(6,449)
Total INVESTMENTS AND OTHER ASSETS	<u>9,257</u>	<u>9,479</u>	<u>84,498</u>
Total NONCURRENT ASSETS	<u>22,319</u>	<u>22,067</u>	<u>196,699</u>
Total ASSETS	<u>¥ 124,281</u>	<u>¥ 125,751</u>	<u>\$ 1,120,882</u>

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2017

<u>LIABILITIES</u>	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u> <u>(Note 1)</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥ 36,858	¥ 37,553	\$ 334,730
Short-term loans payable ※2	6,295	4,883	43,527
Accrued expenses	3,311	3,387	30,198
Income taxes payable	995	888	7,919
Provision for directors' bonuses	185	204	1,820
Others	3,523	3,325	29,641
Total CURRENT LIABILITIES	51,169	50,242	447,838
NONCURRENT LIABILITIES:			
Long-term loans payable	6,007	4,603	41,033
Deferred tax liabilities	1,246	1,213	10,813
Provision for directors' retirement benefits	1,211	1,222	10,898
Net defined benefit liabilities	1,774	1,669	14,882
Asset retirement obligations	142	144	1,288
Others	919	723	6,446
Total NONCURRENT LIABILITIES	11,303	9,576	85,361
Total LIABILITIES	62,472	59,819	533,200
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	108,151
Capital surplus	13,912	13,912	124,008
Retained earnings	35,195	40,476	360,781
Treasury stock	(539)	(2,040)	(18,185)
Total SHAREHOLDERS' EQUITY	60,702	64,481	574,756
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	681	1,159	10,338
Deferred gains or losses on hedges	4	0	2
Foreign currency translation adjustment	713	421	3,756
Remeasurements of defined benefit obligations	(338)	(190)	(1,697)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	1,061	1,391	12,399
Non-controlling interests	44	59	526
Total NET ASSETS	61,808	65,932	587,682
Total LIABILITIES AND NET ASSETS	¥ 124,281	¥ 125,751	\$ 1,120,882

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, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Net sales	¥ 245,387	¥ 227,209	\$ 2,025,219
Cost of sales ※2	211,739	195,983	1,746,891
Gross profit	33,648	31,225	278,328
Selling, general and administrative expenses ※1, 2	25,859	24,346	217,009
Operating income	7,788	6,879	61,318
NON-OPERATING INCOME			
Interest income	64	59	529
Dividend income	103	103	919
Commission fee	277	222	1,980
House rent income	91	77	690
Others	269	282	2,519
Total NON-OPERATING INCOME	806	745	6,641
NON-OPERATING EXPENSES			
Interest expenses	134	128	1,147
Foreign exchange losses	477	88	786
Others	74	63	567
Total NON-OPERATING EXPENSES	686	280	2,501
Ordinary income	7,908	7,343	65,458
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	4	23	209
Gain on sales of investment securities	1	110	989
Gain on bargain purchase	—	28	255
Gain on transfer of business	—	89	794
Settlement income received	—	372	3,319
Total EXTRAORDINARY INCOME	6	624	5,567
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	9	15	139
Impairment loss	31	16	148
Loss on sales of investment securities	6	31	280
Loss on valuation of investment securities	9	47	424
Loss on valuation of golf club membership	42	11	101
Special retirement expenses	43	—	—
Business integration expenses	160	—	—
Others	33	13	121
Total EXTRAORDINARY LOSS	¥ 336	¥ 136	\$ 1,215

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Income before income taxes	¥ 7,578	¥ 7,832	\$ 69,810
Income taxes-current	1,973	1,610	14,357
Income taxes-deferred	171	(768)	(6,851)
Total income taxes	2,145	842	7,505
Net income	5,433	6,989	62,304
Profit attributable to owners of the parent	5,437	6,975	62,178
Profit (loss) attributable to non-controlling interests	(3)	14	125
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(109)	479	4,271
Deferred gains or losses on hedges	(19)	(4)	(40)
Foreign currency translation adjustment	(1,749)	(292)	(2,603)
Remeasurements of defined benefit obligations, net of tax	(87)	147	1,315
Total OTHER COMPREHENSIVE INCOME ※5	(1,966)	330	2,942
Comprehensive income	¥ 3,466	¥ 7,320	\$ 65,247
Comprehensive income attributable to			
Owners of the parent	¥ 3,472	¥ 7,305	\$ 65,113
Non-controlling interests	(5)	15	133

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, 2017

Fiscal year ended March 31, 2016

	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	¥ 31,029	¥ (537)	¥ 56,538
Changes of items during period					
Dividends from surplus			(1,271)		(1,271)
Profit attributable to owners of the parent			5,437		5,437
Purchase of treasury stock				(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
Total	¥ 12,133	¥ 13,912	¥ 35,195	¥ (539)	¥ 60,702

	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	¥ 790	¥ 23	¥ 2,462	¥ (250)	¥ 3,026	¥ 38	¥ 59,603
Changes of items during period							
Dividends from surplus							(1,271)
Profit attributable to owners of the parent							5,437
Purchase of treasury stock							(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
Total	¥ 681	¥ 4	¥ 713	¥ (338)	¥ 1,061	¥ 44	¥ 61,808

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2017

Fiscal year ended March 31, 2017

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
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						Total net assets
	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	
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, 2017

Fiscal year ended March 31, 2017

	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	\$ 108,151	\$ 124,007	\$ 313,713	\$ (4,805)	\$ 541,068
Changes of items during period					
Dividends from surplus			(15,110)		(15,110)
Profit attributable to owners of the parent			62,178		62,178
Purchase of treasury stock				(13,381)	(13,381)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	47,068	(13,381)	33,688
Total	\$ 108,151	\$ 124,008	\$ 360,781	\$ (18,185)	\$ 574,756

	Accumulated other comprehensive income						Total net assets
	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	
Balance at the beginning of current period	\$ 6,073	\$ 43	\$ 6,360	\$ (3,012)	\$ 9,464	\$ 392	\$550,925
Changes of items during period							
Dividends from surplus							(15,110)
Profit attributable to owners of the parent							62,178
Purchase of treasury stock							(13,381)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	4,266	(40)	(2,602)	1,315	2,936	133	3,069
Total changes of items during period	4,266	(40)	(2,602)	1,315	2,936	133	36,756
Total	\$ 10,338	\$ 2	\$ 3,756	\$ (1,697)	\$ 12,399	\$ 526	\$ 587,682

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, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 7,578	¥ 7,832	\$ 69,810
Depreciation and amortization	1,604	1,452	12,944
Impairment loss	31	16	148
Amortization of goodwill	151	88	793
Increase in net defined benefit liability	17	124	1,107
(Decrease) increase in provision for directors' retirement benefits	(289)	14	131
(Decrease) increase in provision for directors' bonuses	(6)	18	167
Increase (decrease) in allowance for doubtful accounts	18	(11)	(105)
Interest and dividend income	(167)	(162)	(1,449)
Interest expenses	134	128	1,147
Gain on sales of property, plant and equipment	(4)	(18)	(163)
Loss on retirement of property, plant and equipment	9	15	139
Loss (gain) on sales of investment securities	4	(79)	(709)
Loss on valuation of investment securities	9	47	424
Decrease in notes and accounts receivable-trade	2,187	2,602	23,196
Decrease (increase) in inventories	2,677	(240)	(2,147)
(Decrease) increase in notes and accounts payable-trade	(2,407)	933	8,317
(Increase) in accounts receivable-other	(24)	(390)	(3,482)
Increase in accrued expenses	22	45	402
(Increase) decrease in advance payments	(335)	143	1,279
Decrease in consumption taxes refund receivable	195	92	820
(Increase) decrease in other current assets	(59)	89	801
Increase (decrease) in other current liabilities	452	(94)	(840)
Others, net	(24)	(138)	(1,233)
Subtotal	11,774	12,509	111,501
Interest and dividend income received	169	164	1,464
Interest expenses paid	(134)	(128)	(1,143)
Income taxes paid	(2,257)	(1,792)	(15,979)
Others, net	(5)	(5)	(52)
Net cash provided by operating activities	¥ 9,546	¥ 10,746	\$ 95,791

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (560)	¥ (630)	\$ (5,619)
Proceeds from withdrawal of time deposits	412	854	7,620
Purchase of property, plant and equipment	(1,393)	(967)	(8,620)
Proceeds from sales of property, plant and equipment	437	119	1,067
Purchase of intangible assets	(261)	(109)	(979)
Purchase of investment securities	(510)	(387)	(3,451)
Proceeds from sales of investment securities	159	855	7,624
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	8	20	181
Payments of short-term loans receivable	(3)	(2)	(24)
Collection of short-term loans receivable	2	5	45
Purchase of insurance funds	(17)	(17)	(153)
Proceeds from cancellation of insurance funds	375	2	25
Payments for guarantee deposits	(25)	(15)	(140)
Proceeds from collection of guarantee deposits	74	22	200
Other payments	(177)	(90)	(804)
Other proceeds	217	81	722
Net cash used in investing activities	(1,263)	(258)	(2,307)
NET CASH USED IN FINANCING ACTIVITIES			
Decrease in short-term loans payable	(429)	(397)	(3,547)
Proceeds from long-term loans payable	182	66	594
Repayment of long-term loans payable	(1,428)	(2,428)	(21,641)
Purchase of treasury stock	(1)	(1,501)	(13,381)
Cash dividends paid	(1,270)	(1,693)	(15,093)
Others, net	(120)	(164)	(1,469)
Net cash used in financing activities	(3,067)	(6,118)	(54,538)
Effect of exchange rate change on cash and cash equivalents	(905)	(227)	(2,026)
Net increase in cash and cash equivalents	4,310	4,141	36,918
Cash and cash equivalents-beginning balance	17,569	21,879	195,023
Cash and cash equivalents-ending balance ※1	¥ 21,879	¥ 26,021	\$ 231,942

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, 2017

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 ¥112.19 to \$1, the rate of exchange at March 31, 2017. 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 the accounts of the Company and all of its subsidiaries (49 in 2016 and 45 in 2017) (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.

The Group does not have any unconsolidated subsidiaries or affiliated companies to which the equity method is applied. Two affiliated companies to which the equity method is not applied were excluded from affiliated companies with the current fiscal year because their shares were sold.

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

The fiscal year-end of some of the Company's consolidated subsidiaries (12 in 2016 and 13 in 2017) 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 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 over the estimated useful lives, principally 5 years.

g. Software

Software is recorded in other assets and 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. However, the Company accounts for the leases which existed before March 31, 2008 without transferring ownership of the leased property to the lessee as operating lease transactions. This treatment is also permitted by the lease accounting standard.

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 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 and some of its domestic subsidiaries obtained approval from Commissioner of the National Tax Agency of Japan to adopt the consolidated taxation system which is effective for the fiscal year ending March 31, 2018. As a result, the Group has applied in the current fiscal year "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (Accounting Standards Board of Japan Practical Issues Task Force (PITF) No. 5, issued on January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (Accounting Standards Board of Japan PITF No. 7, issued on January 16, 2015).

q. Changes in Accounting Policies

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

Effective April 1, 2016, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) following amendments to the Corporation Tax Act of Japan. Accordingly, the Company and its domestic subsidiaries have changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The application of these accounting standards had a negligible effect on the consolidated financial statements.

r. Changes in presentation

(Consolidated Balance Sheet)

Since "Electronically recorded monetary claims" that were included in "Notes and accounts receivable-trade" within "Current Assets" for the fiscal year ended March 31, 2016 increased significantly, the Company decided to present this item separately for the fiscal year ended March 31, 2017. In order to reflect this change, the comparative figure in the consolidated financial statements were reclassified. Consequently, ¥54,795 million that was included in "Notes and accounts receivable-trade" within "Current Assets" in the consolidated balance sheet for the fiscal year ended March 31, 2016 was reclassified as ¥3,227 million in "Electronically recorded monetary claims" and ¥51,568 million in "Notes and accounts receivable-trade".

(Consolidated Statement of Income and Comprehensive Income)

Since "Loss on sales of investment securities" that were included in "Others" within "Extraordinary Loss" for the fiscal year ended March 31, 2016 resulted in more than 10% of the total value of Extraordinary Loss in the fiscal year ended March 31, 2017, the Company decided to present this item separately for the fiscal year ended March 31, 2017. In order to reflect this change, the comparative figure in the consolidated financial statements were reclassified. Consequently, ¥39 million that was included in "Others" within "Extraordinary Loss" in the consolidated Statement of Income and Comprehensive Income for the fiscal year ended March 31, 2016 was reclassified as ¥6 million in "Loss on sales of investment securities" and ¥33 million in "Others".

(Consolidated Statement of Cash Flows)

Since "Proceeds from withdrawal of time deposits" that were included in "Other Proceeds" within "Net Cash Used In Investing Activities" for the fiscal year ended March 31, 2016 increased significantly, the Company decided to present this item separately for the fiscal year ended March 31, 2017. In order to reflect this change, the comparative figure in the consolidated financial statements were reclassified. Consequently, ¥629 million that was included in "Other Proceeds" within "Net Cash Used In Investing Activities" in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2016 was reclassified as ¥412 million in "Proceeds from withdrawal of time deposits" and ¥217 million in "Other Proceeds".

s. Additional information

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

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

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>2016</u>	<u>2017</u>	<u>2017</u>
Capital stock	¥ 0	¥ —	\$ —
Bonds	0	—	—

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

Details of assets pledged as collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2016</u>	<u>2017</u>	<u>2017</u>
Buildings and structures	¥ 2,298	¥ 2,187	\$ 19,494
Land	<u>3,030</u>	<u>3,030</u>	<u>27,012</u>
Total	<u>¥ 5,329</u>	<u>¥ 5,217</u>	<u>\$ 46,506</u>

Details of liabilities with collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2016</u>	<u>2017</u>	<u>2017</u>
Long-term loans including current portion of long-term loans payable	¥ 753	¥ 325	\$ 2,896

3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥32 million and ¥29 million (\$259 thousand) at March 31, 2016 and 2017, respectively.

※4. *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>2016</u>	<u>2017</u>	<u>2017</u>
Total limit of contract	¥ 10,000	¥ 10,000	\$ 89,134
Loan balances	—	—	—
Available amounts	<u>¥ 10,000</u>	<u>¥ 10,000</u>	<u>\$ 89,134</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
	2016	2017	U.S. Dollars
Salaries and bonuses	¥ 11,160	¥ 10,766	\$ 95,963
Retirement benefit expenses	673	725	6,462
Provision for directors' retirement benefits	46	73	656
Provision for directors' bonuses	185	203	1,815
Provision of allowance for doubtful accounts	53	(7)	(67)

※2. *Research and development costs*

Research and development costs charged to income are ¥572 million and ¥271 million (\$2,423 thousand) for the years ended March 31, 2016 and 2017, 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
	2016	2017	U.S. Dollars
Buildings and structures	¥ —	¥ 13	\$ 118
Machinery, equipment and vehicles	3	5	51
Tools, furniture and fixtures	1	4	39
Total	¥ 4	¥ 23	\$ 209

※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
	2016	2017	U.S. Dollars
Buildings and structures	¥ 3	¥ 2	\$ 18
Machinery, equipment and vehicles	1	10	92
Tools, furniture and fixtures	3	3	27
Software	0	0	1
Other intangible assets	0	—	—
Total	¥ 9	¥ 15	\$ 139

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2016</u>	<u>2017</u>	<u>2017</u>
Net unrealized gain or loss on securities			
Amount arising during the period	¥ (157)	¥ 690	\$ 6,151
Amount of reclassification	<u>7</u>	<u>(20)</u>	<u>(184)</u>
Net gain before income tax effect	(149)	669	5,967
Income tax effect	<u>39</u>	<u>(190)</u>	<u>(1,696)</u>
Net unrealized gain or loss on securities, net of Tax	(109)	479	4,271
Deferred gains or losses on hedges			
Amount arising during the period	8	0	6
Amount of reclassification	<u>(35)</u>	<u>(8)</u>	<u>(74)</u>
Net gain before income tax effect	(27)	(7)	(67)
Income tax effect	<u>8</u>	<u>3</u>	<u>27</u>
Deferred gains or losses on hedges	(19)	(4)	(40)
Foreign currency translation adjustment			
Amount arising during the period	(1,771)	(292)	(2,604)
Amount of reclassification	<u>21</u>	<u>0</u>	<u>1</u>
Foreign currency translation adjustment	(1,749)	(292)	(2,603)
Remeasurements of defined benefit plans			
Amount arising during the period	(230)	87	782
Amount of reclassification	<u>112</u>	<u>124</u>	<u>1,112</u>
Net gain before income tax effect	(117)	212	1,895
Income tax effect	<u>29</u>	<u>(65)</u>	<u>(580)</u>
Remeasurements of defined benefit plans	(87)	147	1,315
Total other comprehensive income	<u>¥ (1,966)</u>	<u>¥ 330</u>	<u>\$ 2,942</u>

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2016

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

	Number of shares as of April 1, 2015	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2016
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	446,040	829	45	446,824

Note:

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

Increase as a result of fractional share repurchases: 829 shares

Decrease as a result of the disposition of fractional share: 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 26, 2015	Common stock	706	25	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 4, 2015	Common stock	565	20	September 30, 2015	December 4, 2015

(2) Dividends whose effective date is after March 31, 2016 and record date is included in the year ended March 31, 2016.

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, 2016	Common stock	988	Retained earnings	35	March 31, 2016	June 30, 2016

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 share: 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 (US\$8,814 thousand)	35 (US\$0.31)	March 31, 2016	June 30, 2016
Board of Directors' meeting held on November 1, 2016	Common stock	706 (US\$6,296 thousand)	25 (US\$0.22)	September 30, 2016	December 2, 2016

(2) Dividends whose effective date is after March 31, 2017 and record date is included in 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 (US\$8,559 thousand)	Retained earnings	35 (US\$0.31)	March 31, 2017	June 30, 2017

6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2016 and 2017 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Cash and bank deposits	¥ 22,516	¥ 26,423	\$ 235,522
Time deposits with a deposit period of more than 3 months	(636)	(401)	(3,579)
Cash and cash equivalents	<u>¥ 21,879</u>	<u>¥ 26,021</u>	<u>\$ 231,942</u>

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, 2016 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Due within one year	¥ 160	¥ 12	\$ 110
Due after one year	<u>86</u>	<u>18</u>	<u>167</u>
Total	<u>¥ 247</u>	<u>¥ 31</u>	<u>\$ 278</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, 2016</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 22,516	¥ 22,516	¥ —
Notes and accounts receivable-trade	51,568		
Electronically recorded monetary claims	3,227		
Allowance for doubtful accounts ※1	(179)		
	<u>54,615</u>	<u>54,615</u>	<u>—</u>
Short-term investment securities	166	166	—
Investment securities	5,616	5,616	—
Guarantee deposits	447	367	(79)
	<u>54,615</u>	<u>54,615</u>	<u>—</u>
Total	<u>¥ 83,362</u>	<u>¥ 83,282</u>	<u>¥ (79)</u>
Notes and accounts payable-trade	¥ 36,858	¥ 36,858	¥ —
Short-term loans payable	6,295	6,295	—
Accrued expenses	3,311	3,311	—
Income taxes payable	995	995	—
Long-term loans payable	6,007	6,023	(15)
	<u>6,007</u>	<u>6,023</u>	<u>(15)</u>
Total	<u>¥ 53,468</u>	<u>¥ 53,483</u>	<u>¥ (15)</u>
Derivatives ※2	<u>¥ 18</u>	<u>¥ 18</u>	<u>¥ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivables-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, 2017</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
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	413	329	(83)
	<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	4,603	4,607	(4)
	<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 receivables-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	\$ 235,522	\$ 235,522	\$ —
Notes and accounts receivable-trade	416,926		
Electronically recorded monetary claims	46,661		
Allowance for doubtful accounts ※1	(1,485)		
	<u>462,102</u>	<u>462,102</u>	<u>—</u>
Short-term investment securities	1,683	1,683	—
Investment securities	50,859	50,859	—
Guarantee deposits	3,686	2,940	(746)
	<u>753,854</u>	<u>753,107</u>	<u>(746)</u>
Total	<u>\$ 753,854</u>	<u>\$ 753,107</u>	<u>\$ (746)</u>
Notes and accounts payable-trade	\$ 334,730	\$ 334,730	\$ —
Short-term loans payable	43,527	43,527	—
Accrued expenses	30,198	30,198	—
Income taxes payable	7,919	7,919	—
Long-term loans payable	41,033	41,071	(38)
	<u>457,409</u>	<u>457,447</u>	<u>(38)</u>
Total	<u>\$ 457,409</u>	<u>\$ 457,447</u>	<u>\$ (38)</u>
Derivatives ※2	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivables-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		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥ 902	¥ 1,056	\$ 9,416
Guarantee deposits that do not have a quoted market price in an active market	292	321	2,866

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

March 31, 2016

	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	¥ 22,516	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	51,568	—	—	—
Electronically recorded monetary claims	3,227	—	—	—
Investment securities with maturities	—	—	99	—
Guarantee deposits	9	1	129	224
	<u>¥ 77,321</u>	<u>¥ 1</u>	<u>¥ 229</u>	<u>¥ 224</u>
Total	<u>¥ 77,321</u>	<u>¥ 1</u>	<u>¥ 229</u>	<u>¥ 224</u>

March 31, 2017

		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	¥	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

		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	\$	235,522	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		416,926	—	—	—
Electronically recorded monetary claims		46,661	—	—	—
Investment securities with maturities		—	—	870	—
Guarantee deposits		86	—	1,171	1,703
Total	\$	699,196	\$ —	\$ 2,041	\$ 1,703

(6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2016 and 2017 is as follows:*

March 31, 2016

		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	¥	3,867	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		2,428	1,448	1,247	1,247	1,247	817
Total	¥	6,295	¥ 1,448	¥ 1,247	¥ 1,247	¥ 1,247	¥ 817

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	¥ —

		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	\$	30,285	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		13,052	12,883	11,264	11,066	5,639	—
Total	\$	43,338	\$ 12,883	\$ 11,264	\$ 11,066	\$ 5,639	\$ —

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2017 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Unrealized gains included in net income for the year	¥ 38	¥ 22	\$ 202

(2) Investment securities with a readily determinable fair value

March 31, 2016

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 3,550	¥ 2,042	¥ 1,508
Government and corporate bonds	10	10	0
Subtotal	¥ 3,561	¥ 2,052	¥ 1,508
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	1,047	1,300	(252)
Government and corporate bonds	89	102	(13)
Others	918	1,003	(84)
Subtotal	¥ 2,055	¥ 2,405	¥ (350)
Total	¥ 5,616	¥ 4,458	¥ 1,157

Note:

Non-marketable equity securities of ¥846 million, and Investments in associated companies of ¥56 million are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

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

	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	\$ 35,772	\$ 16,856	\$ 18,915
Government and corporate bonds	93	89	3
Subtotal	<u>\$ 35,865</u>	<u>\$ 16,945</u>	<u>\$ 18,919</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	7,134	8,960	(1,825)
Government and corporate bonds	777	913	(136)
Others	7,082	7,710	(627)
Subtotal	<u>\$ 14,994</u>	<u>\$ 17,584</u>	<u>\$ (2,589)</u>
Total	<u>\$ 50,859</u>	<u>\$ 34,530</u>	<u>\$ 16,329</u>

Note:

Non-marketable equity securities of ¥1,016 million (\$9,057 thousand), and Investments in associated companies of ¥40 million (\$359 thousand) are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2016 and 2017

March 31, 2016

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 19	¥ 1	¥ 6
Government and corporate bonds	—	—	—
Others	—	—	—
Total	<u>¥ 19</u>	<u>¥ 1</u>	<u>¥ 6</u>

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	<u>¥ 720</u>	<u>¥ 110</u>	<u>¥ (31)</u>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 5,424	\$ 968	\$ 0
Government and corporate bonds	—	—	—
Others	999	20	(279)
Total	<u>\$ 6,424</u>	<u>\$ 989</u>	<u>\$ (280)</u>

(4) The impairment losses of Investment securities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
	¥ 9	¥ 47	\$ 424

10. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Currency related transactions

		Millions of Yen		
<u>March 31, 2016</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 992	¥ —	¥ 24
Buying US\$	Payables	1,353	—	(16)
Buying Euro	Payables	<u>12</u>	<u>—</u>	<u>0</u>
Total		<u>¥ 2,358</u>	<u>¥ —</u>	<u>¥ 8</u>

		Millions of Yen		
<u>March 31, 2017</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</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	<u>7</u>	<u>—</u>	<u>(0)</u>
Total		<u>¥ 3,867</u>	<u>¥ —</u>	<u>¥ 0</u>

		Thousands of U.S. Dollars		
<u>March 31, 2016</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 13,865	\$ —	\$ 33
Buying US\$	Payables	20,482	—	(24)
Buying Euro	Payables	57	—	(0)
Buying Swiss franc	Payables	<u>68</u>	<u>—</u>	<u>(1)</u>
Total		<u>\$ 34,473</u>	<u>\$ —</u>	<u>\$ 6</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, 2016

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			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	¥ 1,550	(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, 2017

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			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 (\$ 13,815)	¥ 1,356 (\$ 12,088)	(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, 2016 and 2017 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Retirement benefit obligation at the beginning of the year	¥ 3,656	¥ 4,032	\$ 35,946
Service cost	292	313	2,790
Interest cost	27	15	138
Actuarial gains (losses)	237	(94)	(842)
Benefits paid	(165)	(94)	(838)
Past service cost	(10)	—	—
Others	(5)	1	13
	<u>¥ 4,032</u>	<u>¥ 4,174</u>	<u>\$ 37,209</u>

(b) Changes in the plan assets for the years ended March 31, 2016 and 2017 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Plan assets at fair value at the beginning of the year	¥ 3,019	¥ 3,257	\$ 29,038
Expected return on plan assets	54	58	522
Actuarial gains (losses)	7	(4)	(41)
Contributions by the employer	344	338	3,013
Benefits paid	(165)	(91)	(819)
Others	(2)	0	4
	<u>¥ 3,257</u>	<u>¥ 3,558</u>	<u>\$ 31,718</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2016 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Net defined benefit liabilities at the beginning of the year	¥ 1,006	¥ 999	\$ 8,912
Retirement benefit expenses	137	149	1,332
Retirement benefits paid	(132)	(83)	(743)
Contributions to plan	(11)	(12)	(110)
	<u>¥ 999</u>	<u>¥ 1,053</u>	<u>\$ 9,391</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, 2016 and 2017 are as follows:

	Millions of Yen		Thousands of
	2016	2017	U.S. Dollars
Retirement benefit obligation of funded plans	¥ 4,276	¥ 4,430	\$ 39,490
Plan assets	<u>(3,371)</u>	<u>(3,680)</u>	<u>(32,806)</u>
	904	749	6,684
Retirement benefit obligation of unfunded plans	<u>870</u>	<u>919</u>	<u>8,198</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,774</u>	<u>¥ 1,669</u>	<u>\$ 14,882</u>
Net defined benefit liabilities	<u>1,774</u>	<u>1,669</u>	<u>14,882</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,774</u>	<u>¥ 1,669</u>	<u>\$ 14,882</u>

(e) Components of retirement benefit expenses for the years ended March 31, 2016 and 2017 are as follows:

	Millions of Yen		Thousands of
	2016	2017	U.S. Dollars
Service cost	¥ 298	¥ 342	\$ 3,049
Interest cost	27	15	138
Expected return on plan assets	(53)	(58)	(519)
Amortization of actuarial loss	48	58	519
Amortization of prior service cost	54	64	578
Others	<u>11</u>	<u>13</u>	<u>118</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 385</u>	<u>¥ 435</u>	<u>\$ 3,884</u>

(f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2016 and 2017 are as follows:

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

	Millions of Yen		Thousands of
	2016	2017	U.S. Dollars
Prior service cost	¥ 64	¥ 64	\$ 578
Actuarial gains and losses	<u>(182)</u>	<u>147</u>	<u>1,316</u>
Total	<u>¥ (117)</u>	<u>¥ 212</u>	<u>\$ 1,895</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2016 and 2017 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>2016</u>	<u>2017</u>	<u>2017</u>
Unrecognized prior service cost	¥ 113	¥ 48	\$ 434
Unrecognized actuarial gains or losses	<u>373</u>	<u>225</u>	<u>2,012</u>
Total	<u>¥ 487</u>	<u>¥ 274</u>	<u>\$ 2,446</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2016</u>	<u>2017</u>
General accounts	95.83%	96.03%
Other	<u>4.17%</u>	<u>3.97%</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>2016</u>	<u>2017</u>
Discount rate	0.38%	0.46%
Expected long-term rate of return	1.80%	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>2016</u>	<u>2017</u>	<u>2017</u>
	¥ 190	¥ 186	\$ 1,663

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, 2016 and 2017 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2016</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2017</u>
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 267	¥ 217	\$ 1,935
Retirement benefits for directors and corporate auditors	373	375	3,350
Allowance for doubtful accounts	379	284	2,537
Accrued bonuses	520	524	4,673
Net defined benefit liability	559	528	4,710
Operating losses of subsidiaries	318	403	3,593
Tax loss carryforwards	3,000	2,341	20,867
Devaluation of inventories	254	239	2,138
Impairment loss	194	196	1,748
Others	¥ 926	911	8,127
Sub-total	<u>6,795</u>	<u>6,022</u>	<u>53,682</u>
Less valuation allowance	<u>(4,997)</u>	<u>(3,401)</u>	<u>(30,315)</u>
Deferred tax assets—total	1,798	2,621	23,366
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(1,147)	(1,236)	(11,017)
Unrealized gain on property and equipment	(86)	(97)	(868)
Unrealized gain on available-for-sale securities	(464)	(654)	(5,834)
Advanced depreciation on fixed assets	(183)	(196)	(1,754)
Others	<u>(56)</u>	<u>(68)</u>	<u>(610)</u>
Deferred tax liabilities—total	<u>(1,938)</u>	<u>(2,253)</u>	<u>(20,084)</u>
Net deferred tax assets	<u>¥ (140)</u>	<u>¥ 368</u>	<u>\$ (3,282)</u>

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

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2016</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2017</u>
Current assets-Deferred tax assets	¥ 849	¥ 1,340	\$ 11,950
Non-current assets-Deferred tax assets	257	240	2,144
Current liabilities-Deferred tax liabilities	(0)	—	—
Non-current liabilities-Deferred tax liabilities	(1,246)	(1,213)	(10,813)

(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, 2016 and 2017 is as follows:

	<u>2016</u>	<u>2017</u>
Effective statutory tax rate	33.1%	30.9%
Expenses not deductible for income tax purposes	1.4	1.3
Tax benefits not recognized on operating losses of subsidiaries	(0.8)	(1.1)
Difference in tax rates of foreign subsidiaries	(6.8)	(5.4)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	1.8	2.3
Change in valuation allowances	0.2	(19.1)
Impact of adoption of consolidated tax payment system	—	(1.2)
Others, net	<u>(0.5)</u>	<u>3.0</u>
Actual effective tax rate	<u>28.3</u>	<u>10.8</u>

13. BUSINESS COMBINATIONS

Business combinations involving entities under common control

(Merger of Kaga Solution Network Co., Ltd. and Kaga Educational Marketing Co., Ltd.)

(1) Overview of transaction

(a) Name of the parties and their business description

Name of the merger company: Kaga Solution Network Co., Ltd.

Business description: Sales of electronic products and information equipment.

Development, designing, operation and maintenance of computer network systems.

Name of the merged company: Kaga Educational Marketing Co., Ltd.

Business description: Sales and support of computer devices and software.

(b) Date of business combination

April 1, 2016

(c) Type of business combination

Kaga Educational Marketing Co., Ltd. was merged into Kaga Solution Network Co., Ltd.

(d) Name of merging company after business combination

Kaga Solution Network Co., Ltd.

(e) Other matters

To improve strength efficiency and rationalization for group management

(2) Overview of accounting treatment

This transaction was accounted for as a business combination involving entities under common control, in accordance with "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(Merger of Kaga Solution Network Co., Ltd. and Kaga Hightec Co., Ltd.)

(1) Overview of transaction

(a) Name of the parties and their business description

Name of the merger company: Kaga Solution Network Co., Ltd.

Business description: Sales of electronic products and information equipment.

Development, designing, operation and maintenance of computer network systems.

Name of the merged company: Kaga Hightec Co., Ltd.

Business description: Manufacturing and sales of information equipment, film, optic devices and image software. Designing and operation of darkroom and projection room.

(b) Date of business combination

April 1, 2016

(c) Type of business combination

Kaga Hightec Co., Ltd. was merged into Kaga Solution Network Co., Ltd.

(d) Name of merging company after business combination

Kaga Solution Network Co., Ltd.

(e) Other matters

To improve strength efficiency and rationalization for group management

(2) Overview of accounting treatment

This transaction was accounted for as a business combination involving entities under common control, in accordance with "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

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						
	2016						
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
Electronic Components	Information Equipment	Soft- ware	Other	Total			
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 sales	<u>¥ 190,456</u>	<u>¥ 41,482</u>	<u>¥ 6,340</u>	<u>¥ 14,348</u>	<u>¥ 252,628</u>	<u>¥ (7,240)</u>	<u>¥ 245,387</u>
Segment profit (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

	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	<u>¥ 171,923</u>	<u>¥ 43,065</u>	<u>¥ 4,714</u>	<u>¥ 12,885</u>	<u>¥ 232,589</u>	<u>¥ (5,380)</u>	<u>¥ 227,209</u>
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

Thousands of U.S. Dollars							
2017							
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)
Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:							
Sales to external customers	\$ 1,526,231	\$ 379,243	\$ 28,163	\$ 91,580	\$ 2,025,219	\$ —	\$ 2,025,219
Inter segment sales or transfers	<u>6,201</u>	<u>4,618</u>	<u>13,861</u>	<u>23,274</u>	<u>47,956</u>	<u>(47,956)</u>	<u>—</u>
Total sales	<u>\$ 1,532,433</u>	<u>\$ 383,862</u>	<u>\$ 42,025</u>	<u>\$ 114,854</u>	<u>\$ 2,073,176</u>	<u>\$ (47,956)</u>	<u>\$ 2,025,219</u>
Segment profit (loss)	\$ 43,832	\$ 13,298	\$ 4,707	\$ (1,896)	\$ 59,942	\$ 1,376	\$ 61,318
Segment assets	972,041	127,642	18,572	46,217	1,164,474	(43,592)	1,120,882
Others:							
Depreciation	8,012	631	875	840	10,359	(98)	10,261
Increase in-property, plant and equipment and intangible assets	7,624	770	774	766	9,935	(336)	9,599

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Elimination of inter-segment trade	¥ 147	¥ 154	\$ 1,376
Amortization of goodwill	<u>(38)</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 109</u>	<u>¥ 154</u>	<u>\$ 1,376</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Elimination of inter-segment trade	¥ (11,363)	¥ (6,945)	\$ (61,904)
Reconciliations	<u>2,137</u>	<u>2,054</u>	<u>18,312</u>
Total	<u>¥ (9,226)</u>	<u>¥ (4,890)</u>	<u>\$ (43,592)</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
	2016	2017	2017
Elimination of inter-segment trade	¥ (15)	¥ (11)	\$ (98)
Total	<u>¥ (15)</u>	<u>¥ (11)</u>	<u>\$ (98)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Elimination of inter-segment trade	¥ (205)	¥ (37)	\$ (336)
Total	¥ (205)	¥ (37)	\$ (336)

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, 2016

(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				
2016				
Japan	North America	Europe	East Asia	Total
¥ 167,914	¥ 5,840	¥ 2,662	¥ 68,970	¥ 245,387

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

(b) Property, plant and equipment

Millions of Yen				
2016				
Japan	North America	Europe	East Asia	Total
¥ 9,243	¥ 38	¥ 65	¥ 2,711	¥ 12,058

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, 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				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 151,912	¥ 5,995	¥ 2,518	¥ 66,783	¥ 227,209

Thousands of U.S. Dollars				
2017				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,354,065	\$ 53,441	\$ 22,446	\$ 595,266	\$ 2,025,219

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

(b) Property, plant and equipment

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

Thousands of U.S. Dollars				
2017				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 78,888	\$ 23	\$ 1,296	\$ 24,488	\$ 104,697

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.

Information of impairment loss on fixed assets of reportable segments

For the year ended March 31, 2016

	Millions of Yen				
	2016				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ —	¥ 5	¥ 25	¥ 0	¥ 31

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

	Thousands of U.S. Dollars				
	2017				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	\$ —	\$ —	\$ —	\$ 148	\$ 148

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

For the year ended March 31, 2016

	Millions of Yen						
	Reportable Segment					Recon-ciliations	Consoli-dated
	Electronic Components	Information Equipment	Soft-ware	Other	Total		
Amortization of goodwill for fiscal year	¥ 109	¥ —	¥ 3	¥ —	¥ 112	¥ 38	¥ 151
Balance of goodwill at the end of fiscal year	483	—	12	—	495	—	495

For the year ended March 31, 2017

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

	Thousands of U.S. Dollars						
	Reportable Segment					Recon-ciliations	Consoli-dated
	Electronic Components	Information Equipment	Soft-ware	Other	Total		
Amortization of goodwill for fiscal year	\$ 762	\$ —	\$ 30	\$ —	\$ 793	\$ —	\$ 793
Balance of goodwill at the end of fiscal year	3,544	—	76	—	3,621	—	3,621

Information of gain on bargain purchase by reportable segments

For the year ended March 31, 2016

No significant items to be reported.

For the year ended March 31, 2017

Not applicable.

15. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2016

Principal transactions between the Company and its related party for the year ended March 31, 2016 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, 2016
Major stockholder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840	Manufacturing and sales of game machines	Owned directly 13.57%	Sales of finished products	Sales of finished products (Note)	¥10,686	Accounts receivable	¥3,870

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, 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, 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, 2017
Major stockholder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840 (\$132,275)	Manufacturing and sales of game machines	Owned directly 13.97%	Sales of finished products	Sales of finished products (Note)	¥6,908 (\$61,576)	Accounts receivable	¥2,793 (\$24,895)

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.

16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2016	2017	2017
Net assets per share	¥ 2,185.94	¥ 2,401.00	\$ 21.40
Net income per share	192.43	249.43	2.22

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
	2016	2017	2017
Net income per share			
Profit attributable to owners of the parent	¥ 5,437	¥ 6,975	\$ 62,178
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	5,437	6,975	62,178
Average number of common stock outstanding during the fiscal year (Share)	28,255,634	27,967,362	
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.	—	—	

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Net assets per share			
Total net assets	¥ 61,808	¥ 65,932	\$ 587,682
Amount deducted from total net assets (Non-controlling interests)	44 (44)	59 (59)	526 (526)
Net assets corresponding to common stock at the end of the fiscal year	61,764	65,872	587,155
Number of common stock shares used for the calculation of net assets per share (Share)	28,255,294	27,435,650	

17. SIGNIFICANT SUBSEQUENT EVENT

Not applicable

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, 2016	Balance as of March 31, 2017	Balance as of March 31, 2017			
Short-term loans payable	¥ 3,867	¥ 3,412	\$ 30,418		0.72%	—
Current portion of long-term loans payable	2,428	1,470	13,109		0.91%	—
Current portion of lease obligations	106	126	1,128		2.83%	—
Long-term loans payable (excluding current portion)	6,007	4,603	41,033		0.72%	2018 to 2021
Lease obligations (excluding current portion)	329	192	1,715		2.22%	2018 to 2021
Other interest-bearing debt	—	—	—		—	—
Total	¥ 12,739	¥ 9,805	\$ 87,404			

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, 2017 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	¥ 1,451	¥ 1,269	¥ 1,247	¥ 635
Lease obligations	80	68	37	5
Total	¥ 1,532	¥ 1,338	¥ 1,284	¥ 640

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	\$ 12,940	\$ 11,314	\$ 11,115	\$ 5,664
Lease obligations	719	614	335	47
Total	\$ 13,658	\$ 11,928	\$ 11,451	\$ 5,712

(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.