

KAGA ELECTRONICS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
AND INDEPENDENT AUDITOR'S 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, 2016, and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and 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.



To the Board of Directors of
Kaga Electronics Co., Ltd.
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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, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 17 to the consolidated financial statements which describes acquisition of the Company's own shares following the resolution at the meeting of its Board of Directors on November 1, 2016. Our opinion is not qualified 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, 2016 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 Kurata LLC.

November 30, 2016

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets At March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
CURRENT ASSETS:			
Cash and bank deposits ※2	¥ 18,130	¥ 22,516	\$ 199,824
Notes and accounts receivable-trade	58,167	54,795	486,296
Short-term investment securities	127	166	1,474
Merchandise and finished goods	17,276	14,898	132,217
Work in process	401	266	2,369
Raw materials and supplies	5,024	4,010	35,588
Deferred tax assets	929	849	7,539
Others	4,497	4,638	41,161
Allowance for doubtful accounts	(131)	(179)	(1,596)
Total CURRENT ASSETS	<u>104,424</u>	<u>101,961</u>	<u>904,874</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	7,834	7,838	69,565
Accumulated depreciation	(2,379)	(2,726)	(24,194)
Buildings and structures, net ※2	<u>5,455</u>	<u>5,112</u>	<u>45,371</u>
Machinery, equipment and vehicles	5,689	5,474	48,584
Accumulated depreciation	(3,403)	(3,481)	(30,900)
Machinery, equipment and vehicles, net	<u>2,285</u>	<u>1,992</u>	<u>17,684</u>
Tools, furniture and fixtures	4,159	3,843	34,111
Accumulated depreciation	(3,222)	(3,029)	(26,890)
Tools, furniture and fixtures, net	<u>936</u>	<u>813</u>	<u>7,221</u>
Land ※2	4,041	4,138	36,731
Construction in progress	6	0	6
Total PROPERTY, PLANT AND EQUIPMENT	<u>12,725</u>	<u>12,058</u>	<u>107,015</u>
INTANGIBLE ASSETS			
Goodwill	607	495	4,395
Software	479	422	3,748
Others	44	85	762
Total INTANGIBLE ASSETS	<u>1,131</u>	<u>1,003</u>	<u>8,906</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1, 2	6,351	6,519	57,855
Deferred tax assets	274	257	2,284
Guarantee deposits	846	739	6,566
Insurance funds	1,280	916	8,133
Others	2,084	1,931	17,145
Allowance for doubtful accounts	(1,169)	(1,107)	(9,826)
Total INVESTMENTS AND OTHER ASSETS	<u>9,667</u>	<u>9,257</u>	<u>82,159</u>
Total NONCURRENT ASSETS	<u>23,524</u>	<u>22,319</u>	<u>198,081</u>
Total ASSETS	<u>¥ 127,948</u>	<u>¥ 124,281</u>	<u>\$ 1,102,956</u>

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets At March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade ※2	¥ 40,543	¥ 36,858	\$ 327,106
Short-term loans payable ※2, 4	5,925	6,295	55,869
Accrued expenses	3,377	3,311	29,387
Income taxes payable	1,286	995	8,837
Provision for directors' bonuses	189	185	1,645
Others	3,289	3,523	31,267
Total CURRENT LIABILITIES	<u>54,612</u>	<u>51,169</u>	<u>454,113</u>
NONCURRENT LIABILITIES:			
Long-term loans payable ※2	8,253	6,007	53,313
Deferred tax liabilities	1,231	1,246	11,066
Provision for directors' retirement benefits	1,501	1,211	10,755
Net defined benefit liabilities	1,643	1,774	15,751
Asset retirement obligations	140	142	1,264
Others	963	919	8,161
Total NONCURRENT LIABILITIES	<u>13,733</u>	<u>11,303</u>	<u>100,312</u>
Total LIABILITIES	<u>68,345</u>	<u>62,472</u>	<u>554,426</u>
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	107,681
Capital surplus	13,912	13,912	123,468
Retained earnings	31,029	35,195	312,349
Treasury stock	(537)	(539)	(4,784)
Total SHAREHOLDERS' EQUITY	<u>56,538</u>	<u>60,702</u>	<u>538,715</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	790	681	6,047
Deferred gains or losses on hedges	23	4	42
Foreign currency translation adjustment	2,462	713	6,333
Remeasurements of defined benefit plans	(250)	(338)	(2,999)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>3,026</u>	<u>1,061</u>	<u>9,423</u>
Non-controlling interests	38	44	390
Total NET ASSETS	<u>59,603</u>	<u>61,808</u>	<u>548,529</u>
Total LIABILITIES AND NET ASSETS	<u>¥ 127,948</u>	<u>¥ 124,281</u>	<u>\$ 1,102,956</u>

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

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income For the Years Ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Net sales	¥ 255,143	¥ 245,387	\$ 2,177,740
Cost of sales ※2	222,405	211,739	1,879,124
Gross profit	32,738	33,648	298,615
Selling, general and administrative expenses ※1, 2	26,376	25,859	229,497
Operating income	6,362	7,788	69,118
NON-OPERATING INCOME			
Interest income	150	64	573
Dividend income	95	103	915
Commission fee	292	277	2,460
Foreign exchange gains	560	—	—
House rent income	116	91	813
Others	308	269	2,396
Total NON-OPERATING INCOME	1,522	806	7,159
NON-OPERATING EXPENSES			
Interest expenses	117	134	1,193
Foreign exchange losses	—	477	4,237
Others	102	74	663
Total NON-OPERATING EXPENSES	219	686	6,094
Ordinary income	7,664	7,908	70,183
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	6	4	41
Gain on sales of investment securities	28	1	13
Others	1	—	—
Total EXTRAORDINARY INCOME	36	6	55
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	25	9	80
Impairment loss	25	31	275
Loss on valuation of investment securities	257	9	88
Loss on valuation of golf club membership	0	42	378
Special retirement expenses	26	43	384
Business integration expenses	—	160	1,421
Litigation settlement	64	—	—
Others	19	39	353
Total EXTRAORDINARY LOSS	¥ 419	¥ 336	\$ 2,983

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income For the Years Ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Income before income taxes	¥ 7,281	¥ 7,578	\$ 67,255
Income taxes-current	2,329	1,973	17,518
Income taxes-deferred	525	171	1,518
Total income taxes	2,855	2,145	19,036
Net income	4,426	5,433	48,218
Profit attributable to owners of the parent	4,416	5,437	48,252
Profit (loss) attributable to non-controlling interests	10	(3)	(34)
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	630	(109)	(975)
Deferred gains or losses on hedges	23	(19)	(168)
Foreign currency translation adjustment	2,457	(1,749)	(15,526)
Remeasurements of defined benefit plans, net of tax	54	(87)	(780)
Total OTHER COMPREHENSIVE INCOME ※5	3,166	(1,966)	(17,451)
Comprehensive income	¥ 7,592	¥ 3,466	\$ 30,766
Comprehensive income attributable to			
Owners of the parent	¥ 7,580	¥ 3,472	\$ 30,815
Non-controlling interests	12	(5)	(48)

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

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2015 and 2016

Fiscal year ended March 31, 2015

	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	¥ 27,414	¥ (536)	¥ 52,923
Cumulative effects of changes in accounting policies			188		188
Restated balance	12,133	13,912	27,602	(536)	53,112
Changes of items during period					
Dividends from surplus			(988)		(988)
Profit attributable to owners of the parent			4,416		4,416
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,427	(1)	3,425
Total	¥ 12,133	¥ 13,912	¥ 31,029	¥ (537)	¥ 56,538

	Millions of Yen						
	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of current period	¥ 161	¥ 0	¥ 5	¥ (304)	¥ (137)	¥ 39	¥ 52,825
Cumulative effects of changes in accounting policies							188
Restated balance	161	0	5	(304)	(137)	39	53,014
Changes of items during period							
Dividends from surplus							(988)
Profit attributable to owners of the parent							4,416
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	629	23	2,456	54	3,164	(1)	3,163
Total changes of items during period	629	23	2,456	54	3,164	(1)	6,588
Total	¥ 790	¥ 23	¥ 2,462	¥ (250)	¥ 3,026	¥ 38	¥ 59,603

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2015 and 2016

Fiscal year ended March 31, 2016

	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	¥ 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						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
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 Statements of Changes in Net Assets For the Years Ended March 31, 2015 and 2016

Fiscal year ended March 31, 2016

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	\$ 107,681	\$ 123,468	\$ 275,380	\$ (4,772)	\$ 501,758
Changes of items during period					
Dividends from surplus			(11,284)		(11,284)
Profit attributable to owners of the parent			48,252		48,252
Purchase of treasury stock				(11)	(11)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	36,968	(11)	36,957
Total	\$ 107,681	\$ 123,468	\$ 312,349	\$ (4,784)	\$ 538,715

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of current period	\$ 7,016	\$ 211	\$ 21,852	\$ (2,219)	\$ 26,861	\$ 342	\$528,961
Changes of items during period							
Dividends from surplus							(11,284)
Profit attributable to owners of the parent							48,252
Purchase of treasury stock							(11)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	(968)	(168)	(15,519)	(780)	(17,437)	48	(17,388)
Total changes of items during period	(968)	(168)	(15,519)	(780)	(17,437)	48	19,568
Total	\$ 6,047	\$ 42	\$ 6,333	\$ (2,999)	\$ 9,423	\$ 390	\$ 548,529

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

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 7,281	¥ 7,578	\$ 67,255
Depreciation and amortization	1,907	1,604	14,240
Impairment loss	25	31	275
Amortization of goodwill	127	151	1,341
Increase in net defined benefit liability	82	17	153
Increase (decrease) in provision for directors' retirement benefits	64	(289)	(2,572)
Increase (decrease) in provision for directors' bonuses	16	(6)	(58)
Increase in allowance for doubtful accounts	141	18	163
Interest and dividend income	(245)	(167)	(1,488)
Interest expenses	117	134	1,193
Gain on sales of property, plant and equipment	(4)	(4)	(40)
Loss on retirement of property, plant and equipment	25	9	80
(Gain) loss on sales of investment securities	(21)	4	42
Loss on valuation of investment securities	257	9	88
Decrease in notes and accounts receivable-trade	4,182	2,187	19,412
Decrease in inventories	79	2,677	23,764
Decrease in notes and accounts payable-trade	(3,141)	(2,407)	(21,363)
Increase in accounts receivable-other	(308)	(24)	(217)
Increase in accrued expenses	129	22	201
Decrease (increase) in advance payments	478	(335)	(2,978)
Decrease in consumption taxes refund receivable	96	195	1,730
Decrease (increase) in other current assets	1,485	(59)	(524)
(Decrease) increase in other current liabilities	(1,319)	452	4,018
Others, net	284	(24)	(219)
Subtotal	11,741	11,774	104,497
Interest and dividend income received	241	169	1,506
Interest expenses paid	(118)	(134)	(1,192)
Income taxes paid	(2,687)	(2,257)	(20,033)
Others, net	(49)	(5)	(51)
Net cash provided by operating activities	¥ 9,127	¥ 9,546	\$ 84,726

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
NET CASH USED IN INVESTING ACTIVITIES			
Payments into time deposits	¥ (0)	¥ (560)	\$ (4,977)
Purchase of property, plant and equipment	(1,360)	(1,393)	(12,370)
Proceeds from sales of property, plant and equipment	374	437	3,882
Purchase of intangible assets	(294)	(261)	(2,321)
Purchase of investment securities	(994)	(510)	(4,533)
Proceeds from sales of investment securities	624	159	1,419
Purchase of investments in subsidiaries	(11)	—	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(10)	—	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	8	77
Payments of short-term loans receivable	(14)	(3)	(27)
Collection of short-term loans receivable	12	2	22
Purchase of insurance funds	(23)	(17)	(153)
Proceeds from cancellation of insurance funds	100	375	3,328
Payments for guarantee deposits	(21)	(25)	(226)
Proceeds from collection of guarantee deposits	16	74	657
Other payments	(238)	(177)	(1,578)
Other proceeds	374	629	5,589
Net cash used in investing activities	(1,465)	(1,263)	(11,212)
NET CASH USED IN FINANCING ACTIVITIES			
Decrease in short-term loans payable	(6,832)	(429)	(3,812)
Proceeds from long-term loans payable	5,000	182	1,618
Repayment of long-term loans payable	(1,436)	(1,428)	(12,673)
Purchase of treasury stock	(1)	(1)	(11)
Cash dividends paid	(987)	(1,270)	(11,271)
Cash dividends paid to non-controlling interests	(0)	—	—
Others, net	(174)	(120)	(1,072)
Net cash used in financing activities	(4,431)	(3,067)	(27,223)
Effect of exchange rate change on cash and cash equivalents	977	(905)	(8,037)
Net increase in cash and cash equivalents	4,207	4,310	38,252
Cash and cash equivalents-beginning balance	13,361	17,569	155,922
Cash and cash equivalents-ending balance ※1	¥ 17,569	¥ 21,879	\$ 194,175

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 Years Ended March 31, 2015 and 2016

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 ¥112.68 to \$1, the rate of exchange at March 31, 2016. 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 2015 and 2016) (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 Group 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 are immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.

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 2015 and 2016) is December 31. The consolidated financial statements incorporate the 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 should be at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories should be 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 reported at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of net assets.

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 a charge 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, 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 plans presented in accumulated other comprehensive income of the net asset section, 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 and do not transfer 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 plus 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 benefits 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 consolidated 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 translation adjustments and non-controlling interests in net assets.

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 hedged. Interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are hedged.
- (4) Assessment of hedge effectiveness
Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items and 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. Changes in Accounting Policies

(Application of accounting standard for concerning business combinations and other accounting standards)
Beginning with the current fiscal year, the Company is adopting Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result, when ownership changes at a subsidiary where the Company retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision in the allocation of acquisition expenses for business combinations occurring on or after the beginning of the current fiscal year. The revised method reflects in the consolidated financial statements in which the business combination occurred any changes to the amount allocated to acquisition cost resulting from the confirmation of provisional accounting methods. There are also revisions to the presentation of net income and other items and minority interests is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, fiscal year consolidated financial statements for the previous fiscal year have been revised. For the application of these accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were adopted. These accounting standards will continue to be applied starting with the beginning of the current fiscal year. The application of these accounting standards had a negligible effect on the consolidated financial statements.

q. Accounting Standards issued but not yet effective —“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016)

(1) Overview

The accounting standard was revised mainly with a focus on the Auditing Treatment relating to Recoverability of Deferred Tax Assets (Report No. 66, the Audit Committee of the Japanese Institute of Certified Public Accountants) when transferring the guidelines for accounting and auditing practice in tax effect accounting (the portion concerning the accounting process) of the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. The accounting standard is the edition to which necessary revisions have been made in the treatment of part of the amount of deferred tax assets and requirements for company categorization by basically following the set framework. Under this framework, companies are categorized into five groups, and the amount of deferred tax assets is estimated based on these categories, which provides guidelines for the application of the Accounting Standards for Tax Effect Accounting (Business Accounting Council) for the recoverability of deferred tax assets.

(2) Effective Dates

The standards will be adopted from the beginning of the consolidated fiscal year that begins on April 1, 2016.

(3) Effects Arising from Applying New Standard and Guidance

Any impact of the adoption of the Guidance on Recoverability of Deferred Tax Assets on the consolidated financial statements is under review at this point.

r. Additional information

(Termination of discussions concerning a potential management integration)

UKC Holdings Corporation and KAGA ELECTRONICS Co., Ltd. signed a memorandum of understanding on November 18, 2015 concerning a potential management integration. Since then, the companies had been holding discussions regarding this integration. The companies agreed to terminate these discussions and the KAGA ELECTRONICS board of directors approved a resolution on April 22, 2016 to take this action.

Reason for decision to cancel the memorandum of understanding

Since the memorandum of understanding was signed on November 18, 2015, UKC Holdings and KAGA ELECTRONICS had been holding discussions for the purpose of completing this management integration. However, both companies reached the decision to cancel the memorandum of understanding and terminate these discussions because of the inability to agree on specific terms regarding the management integration.

3. NOTES TO CONSOLIDATED BALANCE SHEETS

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2016</u>	<u>2016</u>
Capital stock	¥ 0	¥ 0	\$ 0
Bonds	0	0	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>2015</u>	<u>2016</u>	<u>2016</u>
Time deposits	¥ 14	¥ —	\$ —
Investment securities	4	—	—
Buildings and structures	2,421	2,298	20,399
Land	<u>3,030</u>	<u>3,030</u>	<u>26,895</u>
Total	<u>¥ 5,471</u>	<u>¥ 5,329</u>	<u>\$ 47,294</u>

Details of liabilities with collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2016</u>	<u>2016</u>
Accounts payable – trade	¥ 6	¥ —	\$ —
Long-term loans including current portion of long-term loans payable	<u>1,181</u>	<u>753</u>	<u>6,682</u>
Total	<u>¥ 1,187</u>	<u>¥ 753</u>	<u>\$ 6,682</u>

3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥32 million and ¥32 million (\$292 thousand) at March 31, 2015 and 2016, respectively.

Contingent liabilities for guaranteed financing of SICOXS Corporation from an independent administrative institution was ¥57 million at March 31, 2015.

※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>2015</u>	<u>2016</u>	<u>2016</u>
Total limit of contract	¥ 10,000	¥ 10,000	\$ 88,746
Loan balances	—	—	—
Available amounts	<u>¥ 10,000</u>	<u>¥ 10,000</u>	<u>\$ 88,746</u>

4. NOTES TO CONSOLIDATED STATEMENTS 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>2015</u>	<u>2016</u>	<u>2016</u>
Salaries and bonuses	¥ 11,061	¥ 11,160	\$ 99,047
Retirement benefit expenses	688	673	5,973
Provision for directors' retirement benefits	90	46	411
Provision for directors' bonuses	188	185	1,645
Provision of allowance for doubtful accounts	275	53	477

※2. *Research and development costs*

Research and development costs charged to income are ¥458 million and ¥572 million (\$5,084 thousand) for the years ended March 31, 2015 and 2016, 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>2015</u>	<u>2016</u>	<u>2016</u>
Buildings and structures	¥ 1	¥ —	\$ —
Machinery, equipment and vehicles	2	3	27
Tools, furniture and fixtures	<u>2</u>	<u>1</u>	<u>13</u>
Total	<u>¥ 6</u>	<u>¥ 4</u>	<u>\$ 41</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>2015</u>	<u>2016</u>	<u>2016</u>
Buildings and structures	¥ 10	¥ 3	\$ 29
Machinery, equipment and vehicles	8	1	14
Tools, furniture and fixtures	4	3	29
Software	1	0	0
Other intangible assets	<u>—</u>	<u>0</u>	<u>7</u>
Total	<u>¥ 25</u>	<u>¥ 9</u>	<u>\$ 80</u>

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2016</u>	<u>2016</u>
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 880	¥ (157)	\$ (1,400)
Amount of reclassification	(20)	7	70
Net gain before income tax effect	859	(149)	(1,329)
Income tax effect	(229)	39	354
Net unrealized gain or loss on securities, net of Tax	630	(109)	(975)
Deferred gains or losses on hedges			
Amount arising during the period	35	8	74
Amount of reclassification	(1)	(35)	(316)
Net gain before income tax effect	34	(27)	(242)
Income tax effect	(10)	8	73
Deferred gains or losses on hedges	23	(19)	(168)
Foreign currency translation adjustment			
Amount arising during the period	2,457	(1,771)	(15,719)
Amount of reclassification	—	21	192
Foreign currency translation adjustment	2,457	(1,749)	(15,526)
Remeasurements of defined benefit plans			
Amount arising during the period	0	(230)	(2,042)
Amount of reclassification	104	112	999
Net gain before income tax effect	104	(117)	(1,043)
Income tax effect	(49)	29	263
Remeasurements of defined benefit plans	54	(87)	(780)
Total other comprehensive income	¥ 3,166	¥ (1,966)	\$ (17,451)

5. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2015

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

	Number of shares as of April 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2015
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	445,002	1,038	—	446,040

Note:

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

Increase as a result of fractional share repurchases: 1,038 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 27, 2014	Common stock	565	20	March 31, 2014	June 30, 2014
Board of Directors' meeting held on October 31, 2014	Common stock	423	15	September 30, 2014	December 5, 2014

(2) Dividends whose effective date is after March 31, 2015 and record date is included in the year ended March 31, 2015.

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 26, 2015	Common stock	706	Retained earnings	25	March 31, 2015	June 29, 2015

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 (US\$6,269 thousand)	25 (US\$0.22)	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 4, 2015	Common stock	565 (US\$5,015 thousand)	20 (US\$0.17)	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 (US\$8,776 thousand)	Retained earnings	35 (US\$0.31)	March 31, 2016	June 30, 2016

6. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2015 and 2016 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Cash and bank deposits	¥ 18,130	¥ 22,516	\$ 199,824
Time deposits with a deposit period of more than 3 months	(561)	(636)	(5,649)
Cash and cash equivalents	<u>¥ 17,569</u>	<u>¥ 21,879</u>	<u>\$ 194,175</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. However, the accounting standard permits leases without ownership transfer of the leased property to the lessees and whose lease inception dates were before March 31, 2008 to continue to be accounted for as operating lease transactions. The Company applied the accounting standard effective from April 1, 2008.

The information for the years ended March 31, 2015 and 2016 was omitted because it is not material.

Future lease payments under non-cancelable operating leases at March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Due within one year	¥ 128	¥ 160	\$ 1,428
Due after one year	27	86	764
Total	¥ 155	¥ 247	\$ 2,192

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, 2015</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 18,130	¥ 18,130	¥ —
Notes and accounts receivable-trade	58,167		
Allowance for doubtful accounts ※1	(131)		
	58,036	58,036	—
Short-term investment securities	127	127	—
Investment securities	5,410	5,410	—
Guarantee deposits	444	342	(101)
Total	¥ 82,150	¥ 82,048	¥ (101)
Notes and accounts payable-trade	¥ 40,543	¥ 40,543	¥ —
Short-term loans payable	5,925	5,925	—
Accrued expenses	3,377	3,377	—
Income taxes payable	1,286	1,286	—
Long-term loans payable	8,253	8,276	(23)
Total	¥ 59,386	¥ 59,410	¥ (23)
Derivatives ※2	¥ 30	¥ 30	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade.

※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, 2016</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 22,516	¥ 22,516	¥ —
Notes and accounts receivable-trade	54,795		
Allowance for doubtful accounts ※1	(179)		
	54,615	54,615	—
Short-term investment securities	166	166	—
Investment securities	5,616	5,616	—
Guarantee deposits	447	367	(79)
Total	¥ 83,362	¥ 83,282	¥ (79)
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)
Total	¥ 53,468	¥ 53,483	¥ (15)
Derivatives ※2	¥ 18	¥ 18	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade.

※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	\$ 199,824	\$ 199,824	\$ —
Notes and accounts receivable-trade	486,296		
Allowance for doubtful accounts ※1	(1,596)		
	484,699	484,699	—
Short-term investment securities	1,474	1,474	—
Investment securities	49,846	49,846	—
Guarantee deposits	3,967	3,263	(704)
Total	<u>\$ 739,812</u>	<u>\$ 739,108</u>	<u>\$ (704)</u>
Notes and accounts payable-trade	\$ 327,106	\$ 327,106	\$ —
Short-term loans payable	55,869	55,869	—
Accrued expenses	29,387	29,387	—
Income taxes payable	8,837	8,837	—
Long-term loans payable	53,313	53,453	(139)
Total	<u>\$ 474,513</u>	<u>\$ 474,653</u>	<u>\$ (139)</u>
Derivatives ※2	<u>\$ 165</u>	<u>\$ 165</u>	<u>\$ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade.

※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
	2015	2016	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥ 940	¥ 902	\$ 8,008
Guarantee deposits that do not have a quoted market price in an active market	401	292	2,599

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

March 31, 2015

	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	18,130	—	—	—
Notes and accounts receivable-trade	58,167	—	—	—
Investment securities with maturities	—	—	10	105
Guarantee deposits	8	3	129	222
Total	<u>¥ 76,306</u>	<u>¥ 3</u>	<u>¥ 139</u>	<u>¥ 327</u>

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		54,795	—	—	—
Investment securities with maturities		—	—	99	—
Guarantee deposits		9	1	129	224
Total	¥	77,321	¥ 1	¥ 229	¥ 224

		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	\$	199,824	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		486,296	—	—	—
Investment securities with maturities		—	—	884	—
Guarantee deposits		86	13	1,151	1,992
Total	\$	686,206	\$ 13	\$ 2,035	\$ 1,992

- (6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2015 and 2016 is as follows:*

March 31, 2015

		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	¥	4,497	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,428	2,428	1,448	1,247	1,247	1,882
Total	¥	5,925	¥ 2,428	¥ 1,448	¥ 1,247	¥ 1,247	¥ 1,882

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

		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	\$	34,321	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		21,547	12,854	11,066	11,066	11,066	7,258
Total	\$	55,869	\$ 12,854	\$ 11,066	\$ 11,066	\$ 11,066	\$ 7,258

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2016 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrealized gains included in net income for the year	¥ 13	¥ 38	\$ 341

(2) Investment securities with a readily determinable fair value

March 31, 2015

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 3,318	¥ 1,795	¥ 1,523
Government and corporate bonds	105	102	2
Others	370	354	16
Subtotal	¥ 3,793	¥ 2,251	¥ 1,542
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,160	¥ 1,380	¥ (220)
Government and corporate bonds	10	10	(0)
Others	447	468	(21)
Subtotal	¥ 1,617	¥ 1,859	¥ (242)
Total	¥ 5,410	¥ 4,110	¥ 1,300

Note:

Non-marketable equity securities of ¥844 million and Investments in associated companies of ¥95 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, 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

	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	\$ 31,512	\$ 18,128	\$ 13,383
Government and corporate bonds	94	88	5
Subtotal	<u>\$ 31,606</u>	<u>\$ 18,217</u>	<u>\$ 13,388</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	\$ 9,298	\$ 11,539	\$ (2,240)
Government and corporate bonds	790	909	(119)
Others	8,150	8,903	(752)
Subtotal	<u>\$ 18,240</u>	<u>\$ 21,352</u>	<u>\$ (3,112)</u>
Total	<u>\$ 49,846</u>	<u>\$ 39,569</u>	<u>\$ 10,276</u>

Note:

Non-marketable equity securities of ¥846 million (\$7,511 thousand), and Investments in associated companies of ¥56million (\$497 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 2015 and 2016

March 31, 2015

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 73	¥ 19	¥ —
Government and corporate bonds	100	—	4
Others	168	9	2
Total	<u>¥ 342</u>	<u>¥ 28</u>	<u>¥ 7</u>

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>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 176	\$ 13	\$ 56
Government and corporate bonds	—	—	—
Others	—	—	—
Total	<u>\$ 176</u>	<u>\$ 13</u>	<u>\$ 56</u>

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
	¥ 257	¥ 9	\$ 88

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, 2015</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,147	¥ —	¥ (1)
Buying US\$	Payables	2,924	—	37
Buying Euro	Payables	12	—	(0)
Total		<u>¥ 4,084</u>	<u>¥ —</u>	<u>¥ 35</u>
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2016</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 992	¥ —	¥ 24
Buying US\$	Payables	1,353	—	(16)
Buying Euro	Payables	12	—	0
Total		<u>¥ 2,358</u>	<u>¥ —</u>	<u>¥ 8</u>
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2016</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 8,804	\$ —	\$ 215
Buying US\$	Payables	12,012	—	(142)
Buying Euro	Payables	114	—	0
Total		<u>\$ 20,930</u>	<u>\$ —</u>	<u>\$ 74</u>

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

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, 2015

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, 2016

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 (\$ 13,755)	¥ 1,550 (\$ 13,755)	(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, 2015 and 2016 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Retirement benefit obligation at the beginning of the year	¥ 3,715	¥ 3,656	\$ 32,450
Cumulative effects of changes in accounting policies	(292)	—	—
Restated balance	3,422	3,656	32,450
Service cost	283	292	2,597
Interest cost	35	27	243
Actuarial gains (losses)	0	237	2,108
Benefits paid	(91)	(165)	(1,471)
Past service cost	—	(10)	(93)
Others	6	(5)	(46)
Retirement benefit obligation at the end of the year	¥ 3,656	¥ 4,032	\$ 35,788

(b) Changes in the plan assets for the years ended March 31, 2015 and 2016 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Plan assets at fair value at the beginning of the year	¥ 2,720	¥ 3,019	\$ 26,796
Expected return on plan assets	43	54	482
Actuarial gains (losses)	(0)	7	65
Contributions by the employer	344	344	3,055
Benefits paid	(91)	(165)	(1,471)
Others	2	(2)	(18)
Plan assets at fair value at the end of the year	¥ 3,019	¥ 3,257	\$ 28,911

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2015 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Net defined benefit liabilities at the beginning of the year	¥ 959	¥ 1,006	\$ 8,931
Retirement benefit expenses	153	137	1,222
Retirement benefits paid	(88)	(132)	(1,175)
Contribution to plan	(18)	(11)	(105)
Net defined benefit liabilities at the end of the year	¥ 1,006	¥ 999	\$ 8,873

(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, 2015 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Retirement benefit obligation of funded plans	¥ 3,792	¥ 4,276	\$ 37,952
Plan assets	(3,124)	(3,371)	(29,924)
	668	904	8,027
Retirement benefit obligation of unfunded plans	975	870	7,723
Net liabilities recorded in the consolidated balance sheet	¥ 1,643	¥ 1,774	\$ 15,751
Net defined benefit liabilities	1,643	1,774	15,751
Net liabilities recorded in the consolidated balance sheet	¥ 1,643	¥ 1,774	\$ 15,751

(e) Components of retirement benefit expenses for the years ended March 31, 2015 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Service cost	¥ 286	¥ 298	\$ 2,646
Interest cost	35	27	243
Expected return on plan assets	(43)	(53)	(479)
Amortization of actuarial loss	39	48	426
Amortization of prior service cost	64	54	482
Redundancy pay	3	—	—
Others	29	11	100
Retirement benefit expenses for defined benefit pension plans	¥ 416	¥ 385	\$ 3,421

(f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2015 and 2016 are as follows:

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Prior service cost	¥ 64	¥ 64	\$ 576
Actuarial gains and losses	39	(182)	(1,619)
Total	¥ 104	¥ (117)	\$ (1,043)

(g) Remeasurements of defined benefit plans as of March 31, 2015 and 2016 are as follows:

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2016</u>	<u>2016</u>
Unrecognized prior service cost	¥ 178	¥ 113	\$ 1,008
Unrecognized actuarial gains or losses	<u>191</u>	<u>373</u>	<u>3,315</u>
Total	<u>¥ 369</u>	<u>¥ 487</u>	<u>\$ 4,323</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2015</u>	<u>2016</u>
General accounts	96.00%	95.83%
Other	<u>4.00%</u>	<u>4.17%</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>2015</u>	<u>2016</u>
Discount rate	0.73%	0.38%
Expected long-term rate of return	1.80%	1.80%

(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>2015</u>	<u>2016</u>	<u>2016</u>
	¥ 168	¥ 190	\$ 1,694

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, 2015 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 286	¥ 267	\$ 2,377
Retirement benefits for directors and corporate auditors	491	373	3,311
Allowance for doubtful accounts	379	379	3,370
Accrued bonuses	582	520	4,617
Net defined benefit liability	538	559	4,969
Operating losses of subsidiaries	333	318	2,825
Tax loss carryforwards	3,091	3,000	26,630
Devaluation of inventories	231	254	2,262
Impairment loss	216	194	1,728
Excess depreciation	188	56	497
Others	803	870	7,721
Sub-total	7,144	6,795	60,311
Less valuation allowance	(5,134)	(4,997)	(44,349)
Deferred tax assets—total	2,009	1,798	15,961
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(1,161)	(1,147)	(10,181)
Unrealized gain on property and equipment	(91)	(86)	(770)
Unrealized gain on available-for-sale securities	(504)	(464)	(4,120)
Advanced depreciation on fixed assets	(204)	(183)	(1,631)
Others	(76)	(56)	(500)
Deferred tax liabilities—total	(2,039)	(1,938)	(17,204)
Net deferred tax assets	¥ (29)	¥ (140)	\$ (1,243)

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Current assets-Deferred tax assets	¥ 929	¥ 849	\$ 7,539
Non-current assets-Deferred tax assets	274	257	2,284
Current liabilities-Deferred tax liabilities	(2)	(0)	(0)
Non-current liabilities-Deferred tax liabilities	(1,231)	(1,246)	(11,066)

(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, 2015 and 2016 is as follows:

	2015	2016
Effective statutory tax rate	35.6%	33.1%
Expenses not deductible for income tax purposes	1.5	1.4
Tax benefits not recognized on operating losses of subsidiaries	2.4	(0.8)
Difference in tax rates of foreign subsidiaries	(8.6)	(6.8)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	4.8	1.8
Others, net	3.4	(0.3)
Actual effective tax rate	39.2%	28.3%

(3) Change in corporate tax rate

Following the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Taxation Act, etc." (Act No. 13 of 2016) by the National Diet of Japan on March 29, 2016, a revised corporation tax rate will be imposed from the consolidated fiscal year beginning on or after April 1, 2016.

Accordingly, the effective tax rate applied to the calculation of deferred tax assets and liabilities was lowered from 32.3% to 30.9% for temporary differences expected to be reversed in the fiscal year that began April 1, 2016, as well as in the fiscal year beginning April 1, 2017. The rate applied to temporary differences expected to be reversed from the fiscal year beginning April 1, 2018 onward will be lowered to 30.6%.

The effect of the announced reduction of the corporate tax rate was to increase deferred tax assets (after offsetting deferred tax liabilities), valuation difference on available-for-sale securities and deferred gains on hedges by ¥33 million (\$295 thousand), ¥24 million (\$221 thousand) and ¥0 million (\$1 thousand), respectively, and decrease deferred income tax and accumulated remeasurements of the net defined benefit liability by ¥16 million (\$144 thousand) and ¥7 million (\$70 thousand), respectively, as of and for the fiscal year ended March 31, 2016.

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							
2015							
	Reportable Segment					Recon- ciliations (Note)1.	Consoli- dated (Note)2.
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	¥ 197,188	¥ 42,024	¥ 2,889	¥ 13,040	¥ 255,143	¥ —	¥ 255,143
Inter segment sales or transfers	1,134	611	4,145	2,301	8,192	(8,192)	—
Total sales	¥ 198,322	¥ 42,635	¥ 7,035	¥ 15,342	¥ 263,336	¥ (8,192)	¥ 255,143
Segment profit	¥ 4,852	¥ 707	¥ 442	¥ 169	¥ 6,171	¥ 190	¥ 6,362
Segment assets	112,749	15,106	2,601	7,362	137,819	(9,870)	127,948
Others:							
Depreciation	1,085	82	342	93	1,603	(21)	1,581
Increase in-property, plant and equipment and intangible assets	1,824	42	123	240	2,230	(575)	1,655

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	¥ 190,456	¥ 41,482	¥ 6,340	¥ 14,348	¥ 252,628	¥ (7,240)	¥ 245,387
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

Thousands of U.S. Dollars							
2016							
Reportable Segment						Recon- ciliations (Note)1.	Consoli- dated (Note)2.
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 1,681,632	\$ 362,802	\$ 25,714	\$ 107,590	\$ 2,177,740	\$ —	\$ 2,177,740
Inter segment sales or transfers	8,612	5,343	30,552	19,746	64,255	(64,255)	—
Total sales	<u>\$ 1,690,244</u>	<u>\$ 368,146</u>	<u>\$ 56,267</u>	<u>\$ 127,337</u>	<u>\$ 2,241,995</u>	<u>\$ (64,255)</u>	<u>\$ 2,177,740</u>
Segment profit (loss)	\$ 57,819	\$ 7,204	\$ 6,170	\$ (3,044)	\$ 68,149	\$ 969	\$ 69,118
Segment assets	979,030	129,410	24,642	51,750	1,184,834	(81,878)	1,102,956
Others:							
Depreciation	9,254	606	947	916	11,725	(135)	11,589
Increase in-property, plant and equipment and intangible assets	9,370	667	1,102	5,372	16,512	(1,820)	14,692

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Elimination of inter-segment trade	¥ 190	¥ 147	\$ 1,308
Amortization of goodwill	—	(38)	(339)
Total	<u>¥ 190</u>	<u>¥ 109</u>	<u>\$ 969</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Elimination of inter-segment trade	¥ (12,615)	¥ (11,363)	\$ (100,849)
Reconciliations	2,744	2,137	18,971
Total	<u>¥ (9,870)</u>	<u>¥ (9,226)</u>	<u>\$ (81,878)</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
	2015	2016	2016
Elimination of inter-segment trade	¥ (21)	¥ (15)	\$ (135)
Total	<u>¥ (21)</u>	<u>¥ (15)</u>	<u>\$ (135)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Elimination of inter-segment trade	¥ (575)	¥ (205)	\$ (1,820)
Total	¥ (575)	¥ (205)	\$ (1,820)

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

Associated Information

For the year ended March 31, 2015

(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				
2015				
Japan	North America	Europe	East Asia	Total
¥ 173,048	¥ 5,363	¥ 2,506	¥ 74,225	¥ 255,143

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

(b) Property, plant and equipment

Millions of Yen				
2015				
Japan	North America	Europe	East Asia	Total
¥ 9,406	¥ 41	¥ 71	¥ 3,206	¥ 12,725

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, and India

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, 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				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 167,914	¥ 5,840	¥ 2,662	¥ 68,970	¥ 245,387

Thousands of U.S. Dollars				
2016				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,490,185	\$ 51,834	\$ 23,628	\$ 612,091	\$ 2,177,740

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

(b) Property, plant and equipment

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

Thousands of U.S. Dollars				
2016				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 82,034	\$ 338	\$ 582	\$ 24,061	\$ 107,015

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, 2015

Millions of Yen					
2015					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ —	¥ 12	¥ —	¥ 12	¥ 25

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

Thousands of U.S. Dollars					
2016					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	\$ —	\$ 47	\$ 222	\$ 4	\$ 275

Information of amortization of goodwill and balance of goodwill of reportable segments
For the year ended March 31, 2015

Millions of Yen							
Reportable Segment							
	Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations	Consoli-dated
Amortization of goodwill for fiscal year	¥ 126	¥ 0	¥ 1	¥ —	¥ 129	—	¥ 129
Balance of goodwill at the end of fiscal year	592	—	15	—	607	—	607

For the year ended March 31, 2016

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

Thousands of U.S. Dollars							
Reportable Segment							
	Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations	Consoli-dated
Amortization of goodwill for fiscal year	\$ 971	\$ —	\$ 30	\$ —	\$ 1,001	\$ 339	\$ 1,341
Balance of goodwill at the end of fiscal year	4,288	—	106	—	4,395	—	4,395

Information of gain on bargain purchase by reportable segments

For the year ended March 31, 2015

No significant items to be reported.

For the year ended March 31, 2016

Not applicable.

15. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2015

Principal transactions between the Company and its related party for the year ended March 31, 2015 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, 2015
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)	¥11,363	Accounts receivable	¥4,526

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, 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, 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, 2016
Major stockholder	SANKYO CO., LTD.	Shibuya-ku, Tokyo	¥14,840 (\$131,700)	Manufacturing and sales of game machines	Owned directly 13.57%	Sales of finished products	Sales of finished products (Note)	¥10,686 (\$94,838)	Accounts receivable	¥3,870 (\$34,346)

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.

16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2015	2016	2016
Net assets per share	¥ 2,108.04	¥ 2,185.94	\$ 19.40
Net income per share	156.28	192.43	1.71

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
	2015	2016	2016
Net income per share			
Profit attributable to owners of the parent	¥ 4,416	¥ 5,437	\$ 48,252
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	4,416	5,437	48,252
Average number of common stock outstanding during the fiscal year (Share)	28,256,695	28,255,634	
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
	2015	2016	2016
Net assets per share			
Total net assets	¥ 59,603	¥ 61,808	\$ 548,529
Amount deducted from total net assets	38	44	390
(Non-controlling interests)	(38)	(44)	(390)
Net assets corresponding to common stock at the end of the fiscal year	59,564	61,764	548,139
Number of common stock shares used for the calculation of net assets per share (Share)	28,256,078	28,255,294	

17. SIGNIFICANT SUBSEQUENT EVENT

(Acquisition of its own shares)

The Company resolved to acquire its own shares under Article 156, as applied pursuant to paragraph 3, Article 165, of the Corporate Law of Japan at the meeting of its Board of Directors on November 1, 2016.

1. Reason for acquisition of its own shares

To improve capital efficiency and carry out an agile capital policy.

2. Details

- | | |
|---|---|
| (1) Type of stock to be acquired | Common stock |
| (2) Total number of shares to be acquired | Up to 1,000,000 shares
(3.54% of total number of shares issued excluding treasury stock) |
| (3) Total acquisition cost | Up to ¥1,500 million (\$13,312 thousand) |
| (4) Period | From November 8, 2016 to March 30, 2017 |
| (5) Method | Market transactions on Tokyo Stock Exchange |

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, 2015	Balance as of March 31, 2016	Balance as of March 31, 2016		
Short-term loans payable	¥ 4,497	¥ 3,867	\$ 34,321	0.66%	—
Current portion of long-term loans payable	1,428	2,428	21,547	0.75%	—
Current portion of lease obligations	79	106	947	2.79%	—
Long-term loans payable (excluding current portion)	8,253	6,007	53,313	0.71%	2017 to 2021
Lease obligations (excluding current portion)	315	329	2,926	2.49%	2017 to 2023
Other interest-bearing debt	—	—	—	—	—
Total	¥ 14,573	¥ 12,739	\$ 113,056		

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, 2016 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	¥ 1,448	¥ 1,247	¥ 1,247	¥ 1,247
Lease obligations	133	85	57	40
Total	¥ 1,582	¥ 1,332	¥ 1,304	¥ 1,287

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	\$ 12,855	\$ 11,067	\$ 11,067	\$ 11,067
Lease obligations	1,185	758	510	358
Total	\$ 14,040	\$ 11,825	\$ 11,577	\$ 11,424

(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.