CONSOLIDATED FINANCIAL STATEMENTS

TAMURA CORPORATION

AS OF MARCH 31, 2017 AND 2016

Independent Auditor's Report

The Board of Directors
TAMURA CORPORATION

We have audited the accompanying consolidated financial statements of TAMURA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of TAMURA CORPORATION and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

June 28, 2017
Tokyo, Japan

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2017	2016	2017
ASSETS			
Current Assets:			
Cash on hand and in banks (Notes 3 and 4)	¥ 19,463	¥ 15,133	$ 173,777
Trade notes and accounts receivable (Note 4)	19,896	21,518	177,643
Inventories (Note 6)	10,689	12,532	95,438
Deferred tax assets (Note 13)	625	578	5,580
Other current assets	2,164	1,987	19,320
Allowance for doubtful accounts	(178)	(101)	(1,589)
Total current assets	52,659	51,647	470,169
Property, Plant and Equipment: (Notes 14 and 18)			
Buildings and structures	16,887	18,018	150,777
Machinery and equipment	25,752	27,258	229,928
Lease assets	791	1,522	7,063
	43,430	46,798	387,768
Accumulated depreciation	(32,323)	(34,321)	(288,598)
	11,107	12,477	99,170
Land	5,710	6,056	50,982
Construction in progress	138	470	1,232
Property, plant and equipment, net	16,955	19,003	151,384
Investments and Other Assets:			
Investment securities in other than non-consolidated subsidiaries and affiliates (Notes 4 and 5)	2,041	1,784	18,223
Investment securities in non-consolidated subsidiaries and affiliates	2,090	2,149	18,661
Net defined benefit asset (Note 8)	956	245	8,536
Deferred tax assets (Note 13)	128	122	1,143
Intangible assets	858	1,195	7,661
Other assets	711	780	6,348
Allowance for doubtful accounts	(45)	(137)	(402)
Total investments and other assets	6,739	6,138	60,170
Total assets	¥ 76,353	¥ 76,788	$ 681,723

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2017	2016	2017
LIABILITIES AND NET ASSET			
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥ 11,098	¥ 10,844	$ 99,089
Short-term loans (Notes 4 and 7)	3,189	4,864	28,473
Current portion of long-term debt (Notes 4 and 7)	3,544	5,492	31,643
Lease obligations (Notes 4 and 7)	225	344	2,009
Accrued bonuses	1,097	1,024	9,795
Accrued bonuses for directors	70	61	625
Other current liabilities (Note 13)	3,964	3,388	35,392
Total current liabilities	23,187	26,017	207,026
Long-term Liabilities:			
Long-term debt (Notes 4 and 7)	9,832	9,421	87,786
Lease obligations (Notes 4 and 7)	456	487	4,071
Deferred tax liabilities (Note 13)	426	395	3,804
Net defined benefit liability (Note 8)	3,236	3,251	28,893
Other long-term liabilities	628	768	5,607
Total long-term liabilities	14,578	14,322	130,161
Net Assets			
Shareholders' Equity:			
Common stock:	11,829	11,829	105,616
Authorized - 252,000,000 shares			
Issued and outstanding – 82,771,473 shares			
Additional paid-in capital	17,037	17,037	152,116
Retained earnings	10,454	7,357	93,340
Treasury stock (Note 10)	(281)	(283)	(2,509)
Total shareholders' equity	39,039	35,940	348,563
Accumulated Other Comprehensive Income:			
Unrealized holding gain (loss) on securities	321	156	2,866
Deferred gain (loss) from hedging instruments (Notes 4 and 15)	(1)	0	(9)
Translation adjustments	866	2,351	7,732
Retirement benefits liability adjustments (Note 8)	(1,837)	(2,194)	(16,402)
Total accumulated other comprehensive income	(651)	313	(5,813)
Share Subscription Rights	127	121	1,134
Non-controlling Interests	73	75	652
Total net assets	38,588	36,449	344,536
Total liabilities and net assets	¥ 76,353	¥ 76,788	$ 681,723

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONSOLIDATED STATEMENT OF INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2017	2016	2017
Net Sales	¥ 79,607	¥ 84,642	$ 710,777
Cost of Sales (Note 12)	55,408	60,962	494,714
Gross profit	24,199	23,680	216,063
Selling, general and administrative expenses			
(Notes 11, 12 and 19)	19,082	19,414	170,375
Operating income	5,117	4,266	45,688
Other Income (Expenses):			
Interest and dividend income	132	124	1,179
Equity in earnings of affiliates	175	267	1,563
Interest expense	(247)	(309)	(2,205)
Foreign exchange loss	(110)	(488)	(982)
Other income	832	358	7,428
Other expenses (Note 18)	(1,114)	(660)	(9,948)
	(332)	(708)	(2,965)
Profit before income taxes	4,785	3,558	42,723
Income Taxes (Note 13)			
Current	1,076	1,134	9,607
Deferred	(21)	641	(188)
	1,055	1,775	9,419
Profit	3,730	1,783	33,304
Proft attributable to:			
Non-controlling interests	3	(0)	27
Owners of parent	¥ 3,727	¥ 1,783	$ 33,277
	Yen		U.S. dollars
Per Share:			
Basic profit attributable to owners of parent	¥ 45.44	¥ 21.75	$ 0.41
Diluted profit attributable to owners of parent	45.19	21.62	0.40
Cash dividends per share	9.00	7.00	0.08

The accompanying notes are an integral part of these statements.

(CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME)

	Millions of yen				Thousands of U.S. dollars (Note 1(a))	
	Year ended March 31,				Year ended March 31,	
	2017		2016		2017	
Profit	¥	3,730	¥	1,783	$	33,304
Other Comprehensive Income (Note 9):						
Unrealized holding gain (loss) on securities		165		(281)		1,473
Deferred gain (loss) from hedging instruments		(1)		(2)		(9)
Translation adjustments		(1,363)		(868)		(12,170)
Retirement benefits liability adjustments		356		(1,577)		3,179
Share of other comprehensive income of affiliates accounted for by the equity method		(130)		(79)		(1,161)
Total other comprehensive income		(973)		(2,807)		(8,688)
Comprehensive income	¥	2,757	¥	(1,024)	$	24,616
Total comprehensive income attributable to:						
Owners of parent	¥	2,758	¥	(1,017)	$	24,625
Non-controlling interests		(1)		(7)		(9)

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2017

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 10)	Total shareholders' equity
Balance at April 1, 2016	82,771,473	¥ 11,829	¥ 17,037	¥ 7,357	¥ (283)	¥ 35,940
Changes during the year						
Cash dividends paid				(656)		(656)
Profit attributable to owners of parent for the period				3,727		3,727
Purchases of treasury stock					(5)	(5)
Disposal of treasury stock				(3)	7	4
Changes in the scope of consolidation				29		29
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	—	3,097	2	3,099
Balance as of March 31, 2017	82,771,473	¥ 11,829	¥ 17,037	¥ 10,454	¥ (281)	¥ 39,039

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 8)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥ 156	¥ —	¥ 2,351	¥ (2,194)	¥ 313	¥ 121	¥ 75	¥ 36,449
Changes during the year								
Cash dividends paid								(656)
Profit attributable to owners of parent for the period								3,727
Purchases of treasury stock								(5)
Disposal of treasury stock								4
Changes in the scope of consolidation								29
Net changes in items other than those in shareholders' equity	165	(1)	(1,485)	357	(964)	6	(2)	(960)
Total changes during the year	165	(1)	(1,485)	357	(964)	6	(2)	2,139
Balance as of March 31, 2017	¥ 321	¥ (1)	¥ 866	¥ (1,837)	¥ (651)	¥ 127	¥ 73	¥ 38,588

For the year ended March 31, 2016

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 10)	Total shareholders' equity
		Millions of yen				
		Shareholders' equity				
Balance at April 1, 2015	82,771,473	¥ 11,829	¥ 17,173	¥ 6,139	¥ (288)	¥ 34,853
Cumulative effects of changes in accounting principle			(136)	12		(124)
Restated balance		11,829	17,037	6,151	(288)	34,729
Changes during the year						
Cash dividends paid				(574)		(574)
Profit attributable to owners of parent for the period				1,783		1,783
Purchases of treasury stock					(8)	(8)
Disposal of treasury stock			(0)	(3)	13	10
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	(0)	1,206	5	1,211
Balance as of March 31, 2016	82,771,473	¥ 11,829	¥ 17,037	¥ 7,357	¥ (283)	¥ 35,940

	Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 8)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
	Millions of yen							
	Accumulated other comprehensive income							
Balance at April 1, 2015	¥ 437	¥ 2	¥ 3,292	¥ (617)	¥ 3,114	¥ 115	¥ 82	¥ 38,164
Cumulative effects of changes in accounting principle								(124)
Restated balance	437	2	3,292	(617)	3,114	115	82	38,040
Changes during the year								
Cash dividends paid								(574)
Profit attributable to owners of parent for the period								1,783
Purchases of treasury stock								(8)
Disposal of treasury stock								10
Net changes in items other than those in shareholders' equity	(281)	(2)	(941)	(1,577)	(2,801)	6	(7)	(2,802)
Total changes during the year	(281)	(2)	(941)	(1,577)	(2,801)	6	(7)	(1,591)
Balance as of March 31, 2016	¥ 156	¥ 0	¥ 2,351	¥ (2,194)	¥ 313	¥ 121	¥ 75	¥ 36,449

For the year ended March 31, 2017

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 10)	Total shareholders' equity
		Thousands of U.S. dollars (Note 1(a))				
		Shareholders' equity				
Balance at April 1, 2016	82,771,473	$ 105,616	$ 152,116	$ 65,688	$ (2,527)	$ 320,893
Changes during the year						
Cash dividends paid				(5,857)		(5,857)
Profit attributable to owners of parent for the period				33,277		33,277
Purchases of treasury stock					(45)	(45)
Disposal of treasury stock				(27)	63	36
Changes in the scope of consolidation				259		259
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	—	27,652	18	27,670
Balance as of March 31, 2017	82,771,473	$ 105,616	$ 152,116	$ 93,340	$ (2,509)	$ 348,563

	Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 8)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 1(a))							
	Accumulated other comprehensive income							
Balance at April 1, 2016	$ 1,393	$ —	$ 20,991	$ (19,589)	$ 2,795	$ 1,080	$ 670	$ 325,438
Changes during the year								
Cash dividends paid								(5,857)
Profit attributable to owners of parent for the period								33,277
Purchases of treasury stock								(45)
Disposal of treasury stock								36
Changes in the scope of consolidation								259
Net changes in items other than those in shareholders' equity	1,473	(9)	(13,259)	3,187	(8,608)	54	(18)	(8,572)
Total changes during the year	1,473	(9)	(13,259)	3,187	(8,608)	54	(18)	19,098
Balance as of March 31, 2017	$ 2,866	$ (9)	$ 7,732	$ (16,402)	$ (5,813)	$ 1,134	$ 652	$ 344,536

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2017	2016	2017
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 4,785	¥ 3,558	$ 42,723
Depreciation	2,259	2,659	20,170
Changes in accrued bonuses	73	12	652
Changes in accrued bonuses for directors	8	(0)	71
Changes in allowance for doubtful accounts	(8)	(13)	(71)
Changes in net defined benefit liability	(357)	(413)	(3,188)
Interest and dividend income	(132)	(124)	(1,179)
Interest expense	247	309	2,205
Foreign exchange loss (gain)	(39)	480	(348)
Equity in earnings of affiliates	(175)	(267)	(1,563)
Loss on sales of investment securities	6	—	54
Changes in trade receivable	460	1,120	4,107
Changes in inventories	1,283	1,416	11,455
Changes in trade payable	115	(413)	1,027
Other	547	1,215	4,885
Subtotal	9,072	9,539	81,000
Interest and dividends received	173	284	1,545
Interest paid	(270)	(311)	(2,411)
Income taxes paid	(835)	(1,167)	(7,455)
Net cash provided by operating activities	8,140	8,345	72,679
Cash Flows from Investing Activities:			
Purchase of tangible fixed assets	(1,387)	(2,156)	(12,384)
Proceeds from sale of tangible fixed assets	999	192	8,920
Purchase of investment securities	(241)	(213)	(2,152)
Proceeds from sale of investment securities	22	—	196
Other	(170)	(22)	(1,518)
Net cash used in investing activities	(777)	(2,199)	(6,938)
Cash Flows from Financing Activities:			
Changes in short-term loans	(1,394)	(824)	(12,446)
Increase in long-term debt	4,203	—	37,527
Repayment of long-term debt	(5,754)	(873)	(51,376)
Repayment of lease obligations	(364)	(398)	(3,250)
Purchase of treasury stock	(5)	(8)	(45)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(652)	(572)	(5,821)
Cash dividends paid to non-controlling shareholders	(0)	(0)	(0)
Net cash used in financing activities	(3,966)	(2,675)	(35,411)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	817	(143)	7,295
Net Increase (Decrease) in Cash and Cash Equivalents	4,214	3,328	37,625
Cash and Cash Equivalents at the Beginning of the Year	15,017	11,689	134,080
Increase due to inclusion in consolidation	39	—	348
Cash and Cash Equivalents at the End of the Year (Note 3)	¥ 19,270	¥ 15,017	$ 172,053

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements of TAMURA CORPORATION (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Local Finance Bureau in Japan as required by the Financial Instruments and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112=U.S. $1, the approximate rate of exchange on March 31, 2017 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

(b) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and, with the exception of entities which are not material, those of its 32 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Effective from the year ended March 31, 2017, TAMURA CORPORATION VIETNAM Co., Ltd. has been included in consolidation because of increase in financial importance.

Investments in non-consolidated subsidiaries and affiliates are carried at cost since their total assets, net sales and the Company’s interests in their net income (loss), or retained earnings, in aggregate, do not have a material effect on the consolidated financial statements.

The fiscal year end of the foreign consolidated subsidiaries is December 31. The necessary adjustments for significant transactions between the fiscal year end of the Company and the fiscal year end of the foreign consolidated subsidiaries, if any, are made in the preparation of the consolidated financial statements.

(c) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives designated as “hedging instruments” (see Note 1(c)(3) Hedge accounting below).

(2) Securities

Securities held by the Companies are classified as follows:

Available-for-sale securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax amount.

Available-for-sale securities without market values are stated at cost determined by the moving average method, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates, or available-for-sale securities, has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to their fair value and the resulting losses are included in net profit or loss for the period.

(3) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred as a component of net assets.

The derivatives designated as hedging instruments by the Companies are principally forward exchange contracts and interest rate swaps. The underlying hedged items are trade accounts receivable and trade accounts payable denominated in foreign currencies, forecast transactions denominated in foreign currencies and interest on long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuations. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

(e) Inventories

Inventories are principally stated at cost determined by the following methods:

・Finished goods and work-in-process:
Electronic Components business, Electronic Chemicals business and Information Equipment business: Mainly periodic average method (Inventories with lower profitability are written down)
FA Systems business: Specific identification method (Inventories with lower profitability are written down)

・Merchandise and raw materials: Mainly periodic average method (Inventories with lower profitability are written down)
・Supplies: Mainly last purchase price method (Inventories with lower profitability are written down)

(f) Property, plant and equipment, and depreciation (excluding lease assets)

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost and are principally depreciated using the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred. Intangible assets are amortized by the straight-line method over their respective estimated useful lives.

(g) Accrued bonuses

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of bonus to employees.

(h) Reserve for directors' bonus

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of directors' bonus as a reserve for directors' bonus.

(i) Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets.

The unrecognized prior service costs are amortized on a straight-line basis over a period of 5 to 12 years from the year in which they arise. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 5 to 12 years from the year following the year in which they arise.

(j) Reserve for loss of transfer

Reserve for loss on office transfer, etc. for consolidated subsidiaries is provided at the estimated amount of future loss related to non-cancelable periods of real estate leasing contracts.

(k) Amortization of goodwill

Goodwill is amortized on a straight-line basis over 10 years.

(l) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(m) Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheets dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenue and expenses are translated using the average exchange rates for the respective periods.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. Revenue accounts and expense accounts of the foreign consolidated subsidiaries are translated into yen at the average exchange rate for the year. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(n) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Profit per share

Basic profit per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years, and diluted profit per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options. Cash dividends per share represent the dividends declared as applicable to the respective period.

The basis of the calculation of basic profit per share and diluted profit per share for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Year ended March 31,				Year ended March 31,	
	2017		2016		2017	
Basic profit per share						
Profit attributable to owners of parent for the period	¥	3,727	¥	1,783	$	33,277
Amount not attributable to common stock	¥	—	¥	—	$	—
Total profit attributable to common stock	¥	3,727	¥	1,783	$	33,277
Average number of shares outstanding during the year [thousands of shares]		82,027		81,995		82,027
Diluted profit per share						
Increase in common stock:						
Subscription rights to shares [thousands of shares]		466		466		466

2. Accounting Changes

(Application of Practical Solution on accounting for change in depreciation method due to TAX Reform 2016)
Effective beginning the fiscal year ended March 31, 2017, the Company and its domestic consolidated subsidiaries adopted the "Practical Solution on accounting for change in depreciation method due to TAX Reform 2016 (ASBJ PITF No.32 of June 17, 2016)," as a result of revisions to the Corporation Tax Act of Japan. Accordingly, the depreciation method of structures and facilities attached to buildings acquired on or after April 1, 2016 was changed from declining-balance method to straight-line method. The impact on the consolidated financial statements for the fiscal year ended March 31, 2017 is immaterial.

3. Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
Effective beginning the fiscal year ended March 31, 2017, the Company and its domestic consolidated subsidiaries adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26 of March 28, 2016)."

(Business Divestiture)
At the Board of Directors' meeting held on October 27, 2017, the Company resolved to transfer the thermal business (thermal-links and resistors) and equity of its consolidated sub-subsidiary company, Anzen Dengu (Huizhou) Co., Ltd., to Uchihashi Estec Co., Ltd. The Company concluded the transfer agreement for the business and equity on October 27, 2017 (originally scheduled date: March 31, 2017). Although the Company made strict preparations to execute said transfer, the schedule was postponed to September 30, 2018 on the agreement of both parties because of a lack of time.
The Company continues to proceed with its preparations for the execution of the transfer.

(a) Overview of business divestiture
  (1) Business transfer
    i. Name of acquirer:
       Uchihashi Estec Co., Ltd.

ii. Details of divested business:
Assets, know-how, contractual rights and obligations, etc., related to the thermal business

iii. Date of the business divestiture
September 30, 2018 (scheduled)

iv. Overview of the business divestiture including legal form:
The Company will receive a cash consideration in return for the transfer of the business.

v. Name of reportable segments in which divested businesses is included:
Electronic components

(2) Transfer of subsidiary's equity

i. Name of acquirer:
Uchihashi Hong Kong Limited

ii. Details of divested businesses:
Entire shares of Anzen Dengu (Huizhou) Co., Ltd., sub-subsidiary of the Company

iii. Date of the business divestiture
September 30, 2018 (scheduled)

iv. Overview of the business divestiture including legal form
The Company will receive a cash consideration in return for the transfer of shares.

v. Name of reportable segments in which divested businesses is included:
Electronic components

(b) Reasons for carrying out the business divestiture

In line with the Company's profit structure reform activities in accordance with the previous medium-term management plan, effective as of April 1, 2016, TAMURA THERMAL DEVICE Corporation, which had expanded into the thermal business, was absorbed and merged into the Company.
The Company is now setting its new medium-term management plan, "Biltrite Tamura GROWING," aiming to improve its profitability, enhance its capital efficiency and provide the best products to its customers.
Although the Company is striving for further strengthened competitiveness and management efficiency, the thermal market still continues to be impacted by severe business conditions. Under the same business conditions, Uchihashi Estec Co., Ltd., the acquirer, is a competitor in the thermal market.
Considering the above business conditions, the Company decided to carry out the business divestiture based on its judgment that the respective acquirers, through the integration of the know-how and management resources, would be better able to provide stable and continuous supplies to customers and thus grow the thermal business.

4. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits with a maturity of 3 months or less and which represent a minor risk of fluctuation in value.
As of March 31, 2017 and 2016, cash and cash equivalents consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	Year ended March 31,				Year ended March 31,	
	2017		2016		2017	
Cash on hand and in banks	¥	19,463	¥	15,133	$	173,777
Time deposits with maturities of over 3 months		(193)		(116)		(1,724)
Cash and cash equivalents	¥	19,270	¥	15,017	$	172,053

5. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies obtain necessary funding in accordance with their capital expenditure planning. The Companies obtain medium and long-term operating funds and funds for the purchase of equipment from banks and utilize highly liquid financial instruments for fund management purposes.
The Companies also utilize derivative financial instruments to hedge various risks as described in detail below and do not enter into derivatives for trading or speculative purposes.

(b) Types of financial instruments and related risk

Operating receivables, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Operating receivables in foreign currencies are exposed to foreign currency exchange risk. Forward foreign exchange contracts are principally used to hedge this risk.
Investment securities, the issuers of which have business relationships with the Companies, are exposed to stock market fluctuation risk.
Maturities of operating debts, such as notes and accounts payable-trade, are mostly within six months. Though operating debts in foreign currencies are exposed to foreign currency exchange risk, they are limited to the balances of operating receivables in the same foreign currency on an ongoing basis.
Loans and lease obligations related to finance leases are used mainly for operating funds and for equipment purposes, respectively. Maturities of loans and lease obligations recorded as of the closing date of the fiscal year are within 8 years.
Almost all long-term loans are variable interest rate loans, and are exposed to interest rate risk. Interest rate swaps are used for certain loans in order to hedge this risk.
In order to hedge foreign currency exchange risk associated with operating debts and receivables in foreign currencies and interest rate risk associated with interest expense, derivative transactions such as forward foreign exchange contracts and interest rate swap transactions are used.
Hedging instruments, hedged items, hedging policy and effectiveness of hedge transactions are described in “Note 1. Significant Accounting Policies, (c) Financial instruments, (3) Hedge accounting.”

(c) Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

To screen and reduce unrecoverable risk of operating receivables, the Company regularly monitors major customers' credit status and manages the due dates and balances for each customer in accordance with customer credit management rules at the sales section in each operating division. Consolidated subsidiaries also act based on the Company's customer credit management rules.
The Companies do not anticipate losses resulting from default of counterparties to derivative transactions as these are limited to major financial institutions with sound credit ratings.

(2) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company and certain consolidated subsidiaries principally use forward foreign exchange contracts to hedge the foreign currency exchange risk of operating debts and receivables in foreign currencies, which are evaluated monthly for each currency. The Company uses interest rate swap transactions to hedge interest rate risk associated with interest expense.
The Company regularly monitors the financial condition of stock issuers and stock market fluctuations and continuously reviews shareholdings considering the market status and business relationship with the Company.
Derivative transactions entered into by the Company are implemented and controlled based on internal rules established by the board of directors. The rules which stipulate transaction purpose, nature of transaction, name of counterparty, transaction item, loss limitation and reporting system of risk amount. A derivative transaction which exceeds the limitation amount under the rule requires the approval of the board meeting.

(3) Monitoring of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

The Company timely formulates and updates the financing plan and controls liquidity risk by managing ready liquidity on the basis of reports from each division to the accounting department of the head office.

(d) Supplementary explanation of the fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or a reasonably assessed value if a quoted market price is not available. Fair value of financial instruments is calculated based on certain valuation assumptions and the fair value might differ if different factors are used. In addition, the contract amount of the derivative transactions described below in "Derivative Transactions" does not represent the market risk of the derivative transactions.

Fair value of financial instruments

The book value on the consolidated balance sheets, fair value and difference as of March 31, 2017 and 2016 were as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included (see "2. Financial instruments for which the fair value is extremely difficult to measure").

	As of March 31, 2017		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 19,463	¥ 19,463	¥ —
Trade notes and accounts receivable	19,896	19,896	—
Investment securities			
Other securities	2,030	2,030	—
Total assets	¥ 41,389	¥ 41,389	¥ —
Trade notes and accounts payable	¥ 11,098	¥ 11,098	¥ —
Short-term loans	3,189	3,189	—
Current portion of long-term debt	3,544	3,567	23
Long-term debt	9,832	9,908	76
Lease obligations	681	660	(21)
Total liabilities	¥ 28,344	¥ 28,422	¥ 78
Derivatives (*)			
Hedge accounting is not applied	¥ 0	¥ 0	¥ —
Hedge accounting is applied	(1)	(1)	—
Total derivatives	¥ (1)	¥ (1)	¥ —

	As of March 31, 2016		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 15,133	¥ 15,133	¥ —
Trade notes and accounts receivable	21,518	21,518	—
Investment securities			
Other securities	1,772	1,772	—
Total assets	¥ 38,423	¥ 38,423	¥ —
Trade notes and accounts payable	¥ 10,844	¥ 10,844	¥ —
Short-term loans	4,864	4,864	—
Current portion of long-term debt	5,492	5,524	32
Long-term debt	9,421	9,570	149
Lease obligations	831	815	(16)
Total liabilities	¥ 31,452	¥ 31,617	¥ 165
Derivatives (*)			
Hedge accounting is not applied	¥ —	¥ —	¥ —
Hedge accounting is applied	0	0	—
Total derivatives	¥ 0	¥ 0	¥ —

	As of March 31, 2017		
	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Cash on hand and in banks	$ 173,777	$ 173,777	$ –
Trade notes and accounts receivable	177,643	177,643	–
Investment securities			
Other securities	18,125	18,125	–
Total assets	$ 369,545	$ 369,545	$ –
Trade notes and accounts payable	$ 99,089	$ 99,089	$ –
Short-term loans	28,473	28,473	–
Current portion of long-term debt	31,643	31,848	205
Long-term debt	87,786	88,464	678
Lease obligations	6,080	5,893	(187)
Total liabilities	$ 253,071	$ 253,767	$ 696
Derivatives (*)			
Hedge accounting is not applied	$ 0	$ 0	$ –
Hedge accounting is applied	(9)	(9)	–
Total derivatives	$ (9)	$ (9)	$ –

(*) The amount is the net balance of total transactions. Amounts reported as liabilities are shown in parentheses.

Notes:

1. Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and bank deposits and notes and accounts receivable-trade

The book value approximates fair value because of the short maturity of these instruments.

Investment securities

The fair value of investment securities equals quoted market price. The fair value of debt securities is measured at the price provided by financial institutions. Investment securities based on holding purpose are described in "Note 5. Securities".

Liabilities

Notes and accounts payable-trade and short-term loans

The book value approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt and long-term debt

The fair value of current portion of long-term debt and long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt contracts of comparable maturity.

Lease obligations

The fair value of lease obligations is based on the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturity and contract conditions.

Derivative transactions

See "Note 15. Derivative Financial Instruments".

2. Financial instruments for which the fair value is extremely difficult to measure as of March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Available-for-sale securities without market quotations:						
Unlisted securities	¥	2,101	¥	2,160	$	18,759
Total	¥	2,101	¥	2,160	$	18,759

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

3. The aggregate maturities of monetary claims and held-to-maturity securities as of March 31, 2017 and 2016 were as follows:

	As of March 31, 2017			
	Millions of yen			
	Due within 1 year		Due after 1 year through 5 years	
Cash on hand and in banks	¥	19,463	¥	—
Trade notes and accounts receivable		19,896		—
	¥	39,359	¥	—

	As of March 31, 2016			
	Millions of yen			
	Due within 1 year		Due after 1 year through 5 years	
Cash on hand and in banks	¥	15,133	¥	—
Trade notes and accounts receivable		21,518		—
	¥	36,651	¥	—

	As of March 31, 2017			
	Thousands of U.S. dollars			
	Due within 1 year		Due after 1 year through 5 years	
Cash on hand and in banks	$	173,777	$	—
Trade notes and accounts receivable		177,643		—
	$	351,420	$	—

4. The redemption schedules for long-term debt and lease obligations were disclosed in “Note 7. Short-term Loans and Long-term Debt”.

6. Securities

(a) As of March 31, 2017 and 2016, securities consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Available-for-sale securities for which market quotations are available						
Acquisition cost	¥	1,549	¥	1,458	$	13,830
Book value		2,030		1,772		18,125
Unrealized gain	¥	481	¥	314	$	4,295

(b) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Sales proceeds						
Available-for-sale securities	¥	22	¥	—	$	196
Aggregate gain						
Available-for-sale securities	¥	0	¥	—	$	0
Aggregate loss						
Available-for-sale securities	¥	7	¥	—	$	63

7. Inventories

As of March 31, 2017 and 2016, inventories consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Merchandise	¥	3,342	¥	4,215	$	29,840
Finished goods		1,077		1,325		9,616
Work in process		1,536		1,805		13,714
Raw materials and supplies		4,734		5,187		42,268
Total	¥	10,689	¥	12,532	$	95,438

8. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2017 and 2016 were principally bank overdrafts and short-term notes bearing interest at annual average interest rates of 1.05% and 1.08%, respectively.

As of March 31, 2017 and 2016, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Long-term loans, principally from banks (*)	¥ 13,376	¥ 14,913	$ 119,429
Lease obligations	681	831	6,080
	14,057	15,744	125,509
Less: current portion - Long-term loans	(3,544)	(5,492)	(31,643)
Less: current portion - Lease obligations	(225)	(344)	(2,009)
Total	¥ 10,288	¥ 9,908	$ 91,857

(*) As of March 31, 2017 and 2016, long-term loans and lease obligations consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Long-term loans, at an annual average rate of 1.18	¥ 9,832	¥ 9,421	$ 87,786
Lease obligations, at an annual average rate of 2.02	456	487	4,071
Current portion- Long-term loans, at an annual average rate of 1.20	3,544	5,492	31,643
Current portion- Lease obligations, at an annual average rate of 1.97	225	344	2,009
	¥ 14,057	¥ 15,744	$ 125,509

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term	Lease	Long-term	Lease obligations
Year ending March 31,				
2019	¥ 5,969	¥ 181	$ 53,295	$ 1,616
2020	303	95	2,705	848
2021	—	67	—	598
2022	3,560	44	31,786	393
After above year	—	69	—	616

9. Retirement Benefit Plan

(a) Outline of employee retirement benefits

The Company and certain consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Defined Benefit Corporate Pension Law and the other is a severance indemnity by the Companies.

KOHA Co., Ltd. (KOHA) also has defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by three plans. One is an employees' pension fund, the second is governed by the regulations of the Defined Benefit Corporate Pension Law, and the third is a severance indemnity by KOHA.
Certain foreign consolidated subsidiaries have defined benefit pension plans and defined benefit lump-sum payment plans. The Company also has employee retirement benefit trusts.
During the year ended March 31, 2011, the Company and some of its domestic consolidated subsidiaries have changed a part of their retirement benefit plans from defined benefit plans to defined contribution plans.
Certain foreign consolidated subsidiaries have introduced their own defined contribution plans.

(b) Contributory defined benefit retirement plan

(1) The changes in the defined benefit obligation and fair value of plan assets except plans for which the simplified method is applied for calculating retirement benefit obligations adopted by certain consolidated subsidiaries, during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Change in benefit obligations:			
Benefit obligation, the beginning of the year	¥ 12,751	¥ 11,658	$ 113,848
Service cost	464	426	4,143
Interest cost	75	175	670
Actuarial loss (gain)	517	1,117	4,616
Benefit payments	(634)	(580)	(5,661)
Effects of changes in foreign exchange rates	(434)	(78)	(3,875)
Other	1	33	9
Benefit obligation, the end of the year	¥ 12,740	¥ 12,751	$ 113,750
Change in fair value of plan assets:			
Plan assets, the beginning of the year	¥ 9,853	¥ 9,916	$ 87,973
Expected return on plan assets	213	224	1,902
Actuarial gain	568	(565)	5,071
Employer contributions	741	771	6,617
Benefit payments	(483)	(447)	(4,313)
Effects of changes in foreign exchange rates	(322)	(46)	(2,875)
Other	(0)	—	(0)
Plan assets, the end of the year	¥ 10,570	¥ 9,853	$ 94,375

(2) Changes in the defined benefit obligation and fair value of plan assets estimated by the simplified method for calculating retirement benefit obligations for the years ended March 31, 2017 and 2016.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Change in net defined benefit liability						
Net defined benefit liability, the beginning of the year	¥	107	¥	118	$	955
Service cost		13		12		116
Benefit payments		(10)		(7)		(89)
Other		—		(16)		—
Benefit obligation, the end of the year	¥	110	¥	107	$	982

(3) Reconciliation of the projected benefit obligation and plan assets with net defined benefit liability and asset reflected on the consolidated balance sheets as of march 31, 2017 and 2016.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Funded projected benefit obligation	¥	12,389	¥	12,366	$	110,616
Plan assets		(10,570)		(9,853)		(94,375)
	¥	1,819	¥	2,513	$	16,241
Unfunded projected benefit obligation		461		493		4,116
Net of liability and asset reported on the consolidated balance sheets	¥	2,280	¥	3,006	$	20,357
Net defined benefit liability	¥	3,236	¥	3,251	$	28,893
Net defined benefit asset		(956)		(245)		(8,536)
Net of liability and asset reported on the consolidated balance sheets	¥	2,280	¥	3,006	$	20,357

(4) Components of pension expense for the years ended March 31, 2017 and 2016.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Service cost	¥	478	¥	439	$	4,268
Interest cost		75		175		670
Expected return on plan assets		(213)		(224)		(1,902)
Amortization of actuarial differences		302		78		2,696
Amortization of prior service cost		(29)		(29)		(259)
Other		111		211		991
Net pension expense	¥	724	¥	650	$	6,464

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income and other comprehensive income were as follows for the years ended march 31, 2017 and 2016.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Prior service cost	¥	29	¥	29	$	259
Net actuarial difference		(381)		1,558		(3,402)
Total	¥	(352)	¥	1,587	$	(3,143)

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Unrecognized prior service cost	¥	(164)	¥	(193)	$	(1,464)
Unrecognized actuarial difference		2,001		2,383		17,866
Total	¥	1,837	¥	2,190	$	16,402

(6) Matters related to pension assets

i. Major components of pension assets

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 were as follows.

	2017	2016
Bonds	32 %	35 %
Equity securities	46	44
Life insurance company general accounts	12	12
Cash and cash equivalents	1	1
Other	9	8
	100 %	100 %

*Of total plan assets, 22% and 19% were included in a retirement benefit trust (stocks, cash and bank deposits) established for the corporate pension plan as of March 31, 2017 and 2016, respectively.

ii. Method for expected long-term rate of return on pension plan

The Companies determine the expected long-term rate of return on pension plan assets based on the current and expected asset allocation, as well as the current and expected long-term rate of return from various assets which constitute the plan assets.

(7) Assumptions used in actuarial calculations

The assumptions used in accounting for the above plans for the years ended March 31, 2017 and 2016 were as follows.

	2017	2016
Discount rates	0.0 ~ 5.3 %	0.0 ~ 5.3 %
Expected rate of long-term return on plan assets	1.8 ~ 3.3	1.8 ~ 3.1
Expected rates of salary	3.9 ~ 5.0	3.9 ~ 5.0

(c) Defined contribution plans

The required contributions by the Companies were ¥171 million ($1,527 thousand) and ¥185 million as of March 31, 2017 and 2016, respectively.

10. Other Comprehensive Income

Reclassification adjustments and the related tax effects for components of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized holding gain (loss) on securities			
Amount arising during the period	¥ 174	¥ (336)	$ 1,554
Reclassification adjustments for gains and losses included in net income	(7)	—	(63)
Before tax effect	167	(336)	1,491
Tax effect	(2)	55	(18)
Unrealized holding gain (loss) on securities	165	(281)	1,473
Deferred gain (loss) from hedging instruments			
Amount arising during the period	(1)	(3)	(9)
Reclassification adjustments for gains and losses included in net income	—	—	—
Before tax effect	(1)	(3)	(9)
Tax effect	0	1	0
Deferred gain (loss) from hedging instruments	(1)	(2)	(9)
Translation adjustments			
Amount arising during the period	(1,356)	(868)	(12,107)
Reclassification adjustments for gains and losses included in net income	—	—	—
Before tax effect	(1,356)	(868)	(12,107)
Tax effect	(7)	—	(63)
Translation adjustments	(1,363)	(868)	(12,170)
Retirement benefits liability adjustments			
Amount arising during the period	34	(1,636)	304
Reclassification adjustments for gains and losses included in net income	318	48	2,839
Before tax effect	352	(1,588)	3,143
Tax effect	4	11	36
Retirement benefits liability adjustments	356	(1,577)	3,179
Share of other comprehensive income of affiliates accounted for by the equity method Amount arising during the period	(130)	(79)	(1,161)
Total amount of other comprehensive income	¥ (973)	¥ (2,807)	$ (8,688)

11. Treasury Stock

The Company had 759 thousand shares and 775 thousand shares of treasury stock as of March 31, 2017 and 2016, respectively, in order to prepare for the exercise of stock options granted to certain directors and executive officers, subject to the approval of the General Meeting of Shareholders.

The amount of treasury stock is stated at cost and is presented as a separate component of shareholders' equity.

12. Selling, General and Administrative Expenses

For the years ended March 31, 2017 and 2016, the significant components of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Salaries	¥ 5,888	¥ 5,941	$ 52,571
Pension expense	597	449	5,330
Research and development expense	1,166	1,182	10,411
Freight	1,843	1,942	16,455
Reserve for directors' bonuses	64	65	571
Accrued bonuses	717	637	6,402

13. Research and Development Expenses

Total research and development expenses included in manufacturing costs and selling, general and administrative expenses amounted to ¥1,209 million ($10,795thousand) and ¥1,240 million for the years ended March 31, 2017 and 2016, respectively.

14. Income Taxes

As of March 31, 2017 and 2016, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Accrued enterprise taxes	¥ 62	¥ 53	$ 554
Accrued bonuses	348	318	3,107
Net defined benefit liability	915	969	8,170
Tax loss carryforwards	2,229	2,374	19,902
Loss on valuation of investment securities	334	280	2,982
Loss on impairment of fixed assets	99	142	884
Other	604	504	5,392
Total	4,591	4,640	40,991
Valuation allowance	(3,674)	(3,778)	(32,804)
Total deferred tax assets	¥ 917	¥ 862	$ 8,187
Deferred tax liabilities:			
Unrealized holding gain (loss) on securities	¥ 119	¥ 117	$ 1,063
Other	479	440	4,276
Total deferred tax liabilities	598	557	5,339
Net deferred tax assets	¥ 319	¥ 305	$ 2,848

The reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2017 and 2016 was as follows:

	2017	2016
Statutory tax rate	30.9 %	33.0 %
Effect of:		
Non-deductible expenses	1.3	2.0
Non-taxable items	(4.1)	(0.3)
Inhabitant tax on per capita basis	0.6	0.9
Amortization of goodwill	0.5	1.0
Equity in earnings of affiliates	(1.1)	(2.5)
Tax rate difference applied for foreign subsidiaries	(5.8)	(2.2)
Change in valuation allowance	(4.8)	(1.6)
Foreign income taxes	1.4	8.7
Adjustment on deferred tax assets due to change in income tax rate	—	1.2
Others	3.2	9.7
Effective tax rate	22.1 %	49.9 %

15. Leases

Finance lease transactions (lessee)

(a) Finance lease transactions with ownership transfer
Lease assets;
・Property, plant and equipment: Not applicable
・Intangible fixed assets: Software
Lease assets are depreciated using the same method as fixed assets.

(b) Finance lease transactions without ownership transfer
Lease assets;
・Property, plant and equipment: Building and structures, machinery and equipment in connection with Electronic Components business, tools and fixtures in connection with IT, and warehouse facilities
・Intangible fixed assets: Software
Lease assets are depreciated by the straight-line method over the respective lease terms, assuming no residual value.

Operating lease transactions (lessee)

The future payments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 179	¥ 239	$ 1,598
Due after one year	328	516	2,929
	¥ 507	¥ 755	$ 4,527

16. Derivative Financial Instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies' policy to use derivatives only for the purpose of reducing exposure to market risks and financing costs in accordance with internal policies.
The Companies do not anticipate any losses resulting from default of the counterparties as these are limited to major financial institutions with sound credit ratings.

As of March 31, 2016, there was no derivative transaction outstanding for which hedge accounting has not been applied. As of March 31, 2017, for which hedge accounting has not been applied is summarized as follows:

(a) Foreign currency-related transactions

	As of March 31, 2017			
	Millions of yen			
Derivative transactions	Contract amount	Portion maturing over one year	Fair value	Difference
Transactions outside the market:				
Forward foreign exchange contracts:				
Buy				
USD	¥ 186	¥ —	¥ 0	¥ 0

	As of March 31, 2017			
	Thousands of U.S. dollars			
Derivative transactions	Contract amount	Portion maturing over one year	Fair value	Difference
Transactions outside the market:				
Forward foreign exchange contracts:				
Buy				
USD	$ 1,661	$ —	$ 0	$ 0

The notional amounts and the fair value of the derivative instruments outstanding as of March 31, 2017 and 2016, for which hedge accounting has been applied are summarized as follows:

Derivative transactions	Main hedged items	As of March 31, 2017 Millions of yen Contract amount	 Portion maturing over one year	 Fair value
Foreign exchange allocation method:				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	¥ 2,169	¥ —	¥ [*1]
EUR		45	—	[*1]
Buy				
USD	Trade accounts payable	1,688	—	[*1]
Deferral hedge accounting:				
Forward foreign exchange contracts:				
Sell				
USD	Contracts outstanding	5	—	(0)
Buy				
USD	Contracts outstanding	137	—	(1)
Total		¥ 4,044	¥ —	¥ (1)

Derivative transactions	Main hedged items	As of March 31, 2016		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
Foreign exchange allocation method:				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	¥ 1,860	¥ —	¥ [*1]
EUR		45	—	[*1]
Buy				
USD	Trade accounts payable	1,368	—	[*1]
Deferral hedge accounting:				
Forward foreign exchange contracts:				
Sell				
USD	Contracts outstanding	9	—	0
Buy				
USD	Contracts outstanding	12	—	(0)
Total		¥ 3,294	¥ —	¥ 0

Derivative transactions	Main hedged items	As of March 31, 2017		
		Thousands of U.S. dollars		
		Contract amount	Portion maturing over one year	Fair value
Foreign exchange allocation method:				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	$ 19,366	$ —	$ [*1]
EUR		402	—	[*1]
Buy				
USD	Trade accounts payable	15,071	—	[*1]
Deferral hedge accounting:				
Forward foreign exchange contracts:				
Sell				
USD	Contracts outstanding	45	—	(0)
Buy				
USD	Contracts outstanding	1,223	—	(9)
Total		$ 36,107	$ —	$ (9)

[*1] The fair value is included in the fair value of the accounts receivable-trade since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method for hedge accounting.

[*2] Price provided by financial institutions.

[*1] The fair value is included in the fair value of the accounts receivable-trade and the accounts payable-trade since the forward foreign exchange contracts are accounted for as part of accounts receivable and payable under the allocation method for hedge accounting.

[*2] Price provided by financial institutions.

(b) Interest rate-related transactions

Derivative transactions	Main hedged items	As of March 31, 2017		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps:				
Pay fixed and receive variable	Long-term debt	¥ 8,522	¥ 5,691	¥ [*]

Derivative transactions	Main hedged items	As of March 31, 2016 Millions of yen Contract amount		Portion maturing over one year		Fair value	
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	¥	11,862	¥	7,022	¥	[*]

Derivative transactions	Main hedged items	As of March 31, 2017 Thousands of U.S. dollars Contract amount		Portion maturing over one year		Fair value	
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	$	76,089	$	50,813	$	[*]

[*] The fair value is included in the fair value of long-term debt since the short-cut method is applied.

17. Contingent Liabilities

(a) Financial guarantees

As of March 31, 2017, the Company is contingently liable as a guarantor of borrowings for non-consolidated subsidiaries (TE Energy Co., Ltd. and Novel Crystal Technology, Inc.) in the amounts of ¥297 million ($2,652 thousand) and ¥27 million ($241 thousand), respectively.
As of March 31, 2017, the Company was contingently liable as a guarantor of borrowings for non-consolidated subsidiaries (TE Energy Co., Ltd. and Novel Crystal Technology, Inc.) in the amounts of ¥300 million and ¥30 million, respectively.

(b) Litigation

Bombardier Transportation Sweden AB (“BT”) made a request for arbitration against Tamura Europe Limited (“Tamura-Europe”), consolidated subsidiary of the Company, in the International Chamber of Commerce for damages concerning malfunctions of certain products ordered by said company. Tamura-Europe received notice of the acceptance of the request for arbitration on January 16, 2017.
Tamura-Europe believes that it is not liable against BT for damages and is currently investigating the situation. Tamura-Europe intends to clearly state its claims during the arbitration process.

An outline of the arbitration is as follows;

(1) Location of request for arbitration and others
- Location: Zurich (Switzerland)
- Rules governing arbitration:
  Rules of Arbitration of the International Chamber of Commerce
- Governing laws: Laws of Switzerland
- Date of request for arbitration: December 23, 2016

(2) Name of entity requesting arbitration
Bombardier Transportation Sweden AB (Vasteras, Sweden)

(3) Details of the request for arbitration and amount of damage claims
- Details of request:
Payment for damages concerning malfunctioning products delivered by Tamura-Europe
- Amount claimed: 7,630,816 Euro (¥936 million as of December 31, 2016)

(4) Outlook
Tamura-Europe believes that it is not liable against BT for damages and intends to clearly state its claims during the arbitration process. Although it is conceivable that a loss or other impact may occur as a result of this matter, at this stage it is not possible to make a realistic assessment of what any such impact may be, and as such no effect is included in the consolidated financial statements.

18. Loan Commitment

In order to achieve more efficient and flexible financing, the Company has concluded loan commitment contracts with five financial institutions.

The status of these contracts as of March 31, 2017 and 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Maximum overdraft amount and total amount of loan commitment	¥ 2,500	¥ 2,500	$ 22,321
Executed loan amounts	—	—	—
Net amount	¥ 2,500	¥ 2,500	$ 22,321

19. Loss on Impairment of Fixed Assets

The Companies recognized impairment losses for the following group of assets during the year ended March 31, 2016.

For the year ended March 31, 2016

Business division	Location	Use	Category	Millions of yen
Electronic Components	Hamamatsu-shi, Shizuoka, Japan	Facilities	Buildings and structures, machinery and equipment, investments and other assets	¥ 76

Loss on impairment of fixed assets:
At the Board of Directors meeting held on January 27, 2016, the Company resolved to close a factory of a consolidated subsidiary, Koha, in Hamamatsu.
As a result an impairment loss was recognized on certain fixed assets.

(Asset categories)
Machinery and vehicles: ¥8million
Equipment: ¥1million
Investment: ¥57million
Relocation expenses and other: ¥10 million

Asset grouping:
Assets are generally grouped by the smallest level that generates independent cash flows, based on the business segmentation.

Estimation of the recoverable amount:
The amount recoverable is measured by the net selling amount based on appraisal value.

The Companies recognized impairment losses for the following group of assets during the year ended March 31, 2017.

For the year ended March 31, 2017

Business division	Location	Use	Category		Millions of yen		Thousands of U.S. dollars
Electronic Components	Sakado-shi, Saitama, Japan	Facilities	Buildings and structures, machinery and equipment	¥	246	$	2,197
Electronic Components	Kurihara-shi, Miyagi, Japan	Facilities	Buildings and structures		80		714
Electronic Chemicals / FA Systems	Taipei City, Taiwan	Facilities	Buildings and structures		65		580
Electronic Components	Sakado-shi, Saitama, Japan	Business assets	Goodwill		61		545
Electronic Components	Selangor, Malaysia	Business assets	Goodwill		52		464
Electronic Components	Numata-shi, Gunma, Japan	Idle properties	Land		93		830
Electronic Components	Hamamatsu-shi, Shizuoka, Japan	Investment properties	Investments and other assets		34		304
			Total	¥	631	$	5,634

Loss on impairment of fixed assets:
The Company resolved the project of rebuilding factories in Saitama and Miyagi. As a result, an impairment loss was recognized on certainfacilities.

The Company resolved to dispose a factory in Taiwan due to aging. As a result, an impairment loss was recognized on certainfacilities.

The Company found it difficult to achieve the assumed earnings due to the reconsideration of the business plan, an impairment loss was recognized on certain business assets.

As the idle properties significantly decreased inmarket value, a loss on impairment was also recognized by writing-down the book value to a recoverable amount.

As the investment properties decided to be sold, a loss on impairment was recognized by writing-down the book value to a recoverable amount.

(Asset categories)
Buildings and structures: ¥385 million ($3,438 thousand)
Equipment: ¥6 million ($54 thousand)
Land: ¥93 million ($830 thousand)
Goodwill: ¥113 million ($1,009thousand)
Investment: ¥33 million ($295 thousand)
Expense of real estate appraiser: ¥1 million ($8 thousand)

Asset grouping:
Assets are generally grouped by the smallest level that generates independent cash flows, based on the business segmentation.

Estimation of the recoverable amount:
The amount recoverable is measured by the net selling amount based on appraisal value.

20. Stock Options

(a) Stock options expenses recognized in selling, general and administrative expenses for the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Selling, general and administrative expenses	¥ 11	¥ 15	$ 98

(b) Outline of stock options and changes

a. Outline of stock options

Date of resolution	TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005	TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006	TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 9	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 7
Number of stock options	Common shares 35,000	Common shares 28,000	Common shares 30,000
Grant date	July 1, 2005	July 1, 2006	July 1, 2007
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	For the period of five years from the next day of retirement of director and executive officer	July 1, 2006 to June 30, 2036	July 1, 2007 to June 30, 2037

Date of resolution	TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008	TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009	TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 4	Directors 6 (Exclude outside director) Executive officers 6
Number of stock options	Common shares 42,000	Common shares 77,000	Common shares 52,000
Grant date	July 1, 2008	July 1, 2009	July 1, 2010
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2008 to June 30, 2038	July 1, 2009 to June 30, 2039	July 1, 2010 to June 30, 2040

Date of resolution	TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011	TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012	TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 6
Number of stock options	Common shares 65,000	Common shares 72,000	Common shares 78,000
Grant date	July 1, 2011	July 1, 2012	July 1, 2013
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2011 to June 30, 2041	July 1, 2012 to June 30, 2042	July 1, 2013 to June 30, 2043

Date of resolution	TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014	TAMURA CORPORATION The 12th Stock Option Plan June 26, 2015	TAMURA CORPORATION The 13th Stock Option Plan June 28, 2016
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 7 (Exclude outside director) Executive officers 5	Directors 6 (Exclude outside director) Executive officers 5
Number of stock options	Common shares 52,000	Common shares 36,000	Common shares 50,000
Grant date	July 1, 2014	July 1, 2015	July 1, 2016
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2014 to June 30, 2044	July 1, 2015 to June 30, 2045	July 1, 2016 to June 30, 2046

The Company's stock option plans were designed as stock compensation to directors and executive officers after the directors’ retirement benefit plan was abolished in June 2005.

b. Stock options granted and changes

The movement in stock options for the year ended Mach 31, 2017 is presented after conversion to number of shares.

Number of stock options (Shares)

Date of resolution	TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005	TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006	TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007
Before vested			
Previous fiscal year-end	13,000	13,000	16,000
Granted	―	―	―
Forfeited	―	―	―
Vested	―	―	―
Outstanding	13,000	13,000	16,000
After vested			
Previous fiscal year-end	―	―	―
Vested	―	―	―
Exercised	―	―	―
Forfeited	―	―	―
Exercisable	―	―	―

Date of resolution	TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008	TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009	TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010
Before vested			
Previous fiscal year-end	23,000	59,000	42,000
Granted	―	―	―
Forfeited	―	―	―
Vested	―	―	―
Outstanding	23,000	59,000	42,000
After vested			
Previous fiscal year-end	―	―	―
Vested	―	―	―
Exercised	―	―	―
Forfeited	―	―	―
Exercisable	―	―	―

Date of resolution	TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011	TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012	TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013
Before vested			
Previous fiscal year-end	46,000	61,000	74,000
Granted	―	―	―
Forfeited	―	―	―
Vested	―	―	―
Outstanding	46,000	61,000	74,000
After vested			
Previous fiscal year-end	9,000	4,000	4,000
Vested	―	―	―
Exercised	9,000	4,000	4,000
Forfeited	―	―	―
Exercisable	―	―	―

Date of resolution	TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014	TAMURA CORPORATION The 12th Stock Option Plan June 26, 2015	TAMURA CORPORATION The 13th Stock Option Plan June 28, 2016
Before vested			
Previous fiscal year-end	50,000	35,000	―
Granted	―	―	50,000
Forfeited	―	―	―
Vested	―	2,000	―
Outstanding	50,000	33,000	50,000
After vested			
Previous fiscal year-end	2,000	―	―
Vested	―	2,000	―
Exercised	2,000	2,000	―
Forfeited	―	―	―
Exercisable	―	―	―

Price information (Yen)

Date of resolution	TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005	TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006	TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007
Exercise price	1	1	1
Average stock price at exercise	—	—	—
Fair value at the grant date	—	464	653

Date of resolution	TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008	TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009	TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010
Exercise price	1	1	1
Average stock price at exercise	—	—	—
Fair value at the grant date	426	348	203

Date of resolution	TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011	TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012	TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013
Exercise price	1	1	1
Average stock price at exercise	275	258	258
Fair value at the grant date	203	151	163

Date of resolution	TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014	TAMURA CORPORATION The 12th Stock Option Plan June 26, 2015	TAMURA CORPORATION The 13th Stock Option Plan June 28, 2016
Exercise price	1	1	1
Average stock price at exercise	258	280	—
Fair value at the grant date	321	423	229

(c) Valuation technique used to determine the fair value of stock options

TAMURA CORPORATION The 13th plan stock options granted in the fiscal year were valued using the following valuation technique.

Valuation technique: Black-Scholes option-pricing model

Principal assumptions used in the option-pricing model:

Date of resolution	TAMURA CORPORATION The 13th Stock Option Plan June 28, 2016
Expected volatility(*1)	44.34%
Average expected life(*2)	10 years
Expected dividends(*3)	7 yen per share
Risk-free interest rate(*4)	-0.24%

(*1) Calculated based on the actual stock prices from April 2006 to June 2016.

(*2) The average expected life could not be estimated rationally as data was insufficient. Therefore, it was estimated assuming that the options were exercised at the 1/3 point of the exercise period.

(*3) Calculated based on actual dividends on common stock for the year ended March 31, 2016, the dividend policy of the Company and prior years’ actual dividends.

(*4) Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options forfeited

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

21. Segment Information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which separate financial information is available and which are reviewed regularly by the board of directors in deciding resource allocation and in assessing performance.
Each business division develops comprehensive business strategies for products in Japan and overseas and conducts business activities.

Accordingly, the Company consists of three reportable segments, identified by the products and based on the business divisions, which are classified as the “Electronic Components” business, the “Electronic Chemicals / FA Systems” business and the “Information Equipment” business.
The “Electronic Components” business manufactures transformers, AC adaptors, switching supply units, piezoceramic products and LED products. The “Electronic Chemicals / FA Systems” business manufactures flux, solder paste, solder resist and automatic soldering equipment. The “Information Equipment” business manufactures network equipment, broadband equipment, wireless microphone and information equipment.

(b) Calculation method for net sales, segment income or loss, and other items of the reportable segments

The accounting policies of the segments are substantially the same as those described in Significant Accounting Policies.
Segment income is based on operating income.
Inter-segment sales are recorded at the same prices used in transactions with third parties.

(c) Information on net sales, income or loss, assets and liabilities, and other items by the reportable segment

Year ended March 31, 2017

Millions of yen

	Reportable segments: Electronic Components	Reportable segments: Electronic Chemicals / FA Systems	Reportable segments: Information Equipment	Reportable segments: Subtotal	Other (*1)	Total	Adjustments (*2)	Consoli－dated (*3)
Net Sales								
Sales-								
Customers	¥ 51,949	¥ 23,568	¥ 4,031	¥ 79,548	¥ 59	¥ 79,607	¥ －	¥ 79,607
Inter-segment	6	137	23	166	615	781	(781)	－
	51,955	23,705	4,054	79,714	674	80,388	(781)	79,607
Segment income (loss)	¥ 2,445	¥ 2,970	¥ 321	¥ 5,736	¥ (48)	¥ 5,688	¥ (571)	¥ 5,117
Other items								
Depreciation and amortization	¥ 1,255	¥ 841	¥ 126	¥ 2,222	¥ 20	¥ 2,242	¥ 17	¥ 2,259
Amortization of goodwill	¥ 76	¥ －	¥ －	¥ 76	¥ －	¥ 76	¥ －	¥ 76
Increase in tangible and intangible fixed assets	¥ 1,217	¥ 366	¥ 26	¥ 1,609	¥ 13	¥ 1,622	¥ 36	¥ 1,658

Year ended March 31, 2016

Millions of yen

	Reportable segments: Electronic Components	Reportable segments: Electronic Chemicals / FA Systems	Reportable segments: Information Equipment	Reportable segments: Subtotal	Other (*1)	Total	Adjustments (*2)	Consoli－dated (*3)
Net Sales								
Sales-								
Customers	¥ 54,602	¥ 24,742	¥ 5,251	¥ 84,595	¥ 47	¥ 84,642	¥ －	¥ 84,642
Inter-segment	24	130	32	186	627	813	(813)	－
	54,626	24,872	5,283	84,781	674	85,455	(813)	84,642
Segment income (loss)	¥ 974	¥ 3,183	¥ 678	¥ 4,835	¥ (14)	¥ 4,821	¥ (555)	¥ 4,266
Other items								
Depreciation and amortization	¥ 1,377	¥ 1,071	¥ 135	¥ 2,583	¥ 27	¥ 2,610	¥ 49	¥ 2,659
Amortization of goodwill	¥ 105	¥ －	¥ －	¥ 105	¥ －	¥ 105	¥ －	¥ 105
Increase in tangible and intangible fixed assets	¥ 1,539	¥ 631	¥ 159	¥ 2,329	¥ 53	¥ 2,382	¥ 7	¥ 2,389

	Year ended March 31, 2017							
	Thousands of U.S. dollars							
	Reportable segments							
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Subtotal	Other (*1)	Total	Adjustments (*2)	Consoli－dated (*3)
Net Sales								
Sales-								
Customers	$ 463,830	$ 210,429	$ 35,991	$ 710,250	$ 527	$ 710,777	$ －	$ 710,777
Inter-segment	54	1,223	205	1,482	5,491	6,973	(6,973)	－
	463,884	211,652	36,196	711,732	6,018	717,750	(6,973)	710,777
Segment income (loss)	$ 21,830	$ 26,518	$ 2,866	$ 51,214	$ (428)	$ 50,786	$ (5,098)	$ 45,688
Other items								
Depreciation and amortization	$ 11,205	$ 7,509	$ 1,125	$ 19,839	$ 179	$ 20,018	$ 152	$ 20,170
Amortization of goodwill	$ 679	$ －	$ －	$ 679	$ －	$ 679	$ －	$ 679
Increase in tangible and intangible fixed assets	$ 10,866	$ 3,268	$ 232	$ 14,366	$ 116	$ 14,482	$ 322	$ 14,804

(*1) "Other" includes businesses not included in the reportable segments, which includes the transportation, warehouse businesses in the years ended March 31, 2017 and 2016.

(*2) Adjustments for segment income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Inter-segment eliminations	¥ 78	¥ 62	$ 697
Corporate costs (*)	(649)	(616)	(5,795)
Total	¥ (571)	¥ (554)	$ (5,098)

* Corporate costs are mainly future R&D expenses at the head office, which are not allocated to the reportable segments.

(*3) Segment income is adjusted with operating income in the consolidated statement of income.

(*4) Adjustments for "Depreciation and amortization" and "Increase in tangible and intangible fixed assets" are mainly capital investment and depreciation relating to future R&D assets at the head office, which are not allocated to the reportable segments.

(*5) Assets of the Company are not allocated to the business segments.

(d) Related information

(1) Information by product and service

	Year ended March 31, 2017				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	¥ 51,949	¥ 23,568	¥ 4,031	¥ 59	¥ 79,607

	Year ended March 31, 2016				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	¥ 54,602	¥ 24,742	¥ 5,251	¥ 47	¥ 84,642

	Year ended March 31, 2017				
	Thousands of U.S. dollars				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	$ 463,830	$ 210,429	$ 35,991	$ 527	$ 710,777

(2) Information by geographical area

i. Sales

	Year ended March 31, 2017					
	Millions of yen					
	Japan	Asia	Europe	North and South America	Other	Consoli－dated
Net Sales	¥ 35,467	¥ 34,650	¥ 5,804	¥ 3,360	¥ 326	¥ 79,607

	Year ended March 31, 2016					
	Millions of yen					
	Japan	Asia	Europe	North and South America	Other	Consoli－dated
Net Sales	¥ 36,563	¥ 38,554	¥ 5,881	¥ 3,643	¥ 1	¥ 84,642

	Year ended March 31, 2017											
	Thousands of U.S. dollars											
	Japan		Asia		Europe		North and South America		Other		Consoli－dated	
Net Sales	$	316,670	$	309,375	$	51,821	$	30,000	$	2,911	$	710,777

ii. Property, plant and equipment

	Year ended March 31, 2017									
	Millions of yen									
	Japan		Asia		Europe		North and South America		Consoli－dated	
Property, plant and equipment	¥	10,689	¥	5,802	¥	275	¥	189	¥	16,955

	Year ended March 31, 2016									
	Millions of yen									
	Japan		Asia		Europe		North and South America		Consoli－dated	
Property, plant and equipment	¥	11,593	¥	6,826	¥	379	¥	205	¥	19,003

	Year ended March 31, 2017									
	Thousands of U.S. dollars									
	Japan		Asia		Europe		North and South America		Consoli－dated	
Property, plant and equipment	$	95,437	$	51,804	$	2,455	$	1,688	$	151,384

(3) Information by major customer

This information has been omitted because there is no specific customer representing 10% or more of net sales recorded in the consolidated statements of income for the years ended March 31, 2017 and 2016.

(e) Information about impairment loss on fixed assets for each reportable segment

	Year ended March 31, 2017				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Impairment loss	¥ 566	¥ 65	¥ —	¥ —	¥ 631

	Year ended March 31, 2016				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Impairment loss	¥ 76	¥ —	¥ —	¥ —	¥ 76

	Year ended March 31, 2017				
	Thousands of U.S. dollars				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Impairment loss	$ 5,054	$ 580	$ —	$ —	$ 5,634

(f) Information about amortization and balance of goodwill for each reportable segment:

	Year ended March 31, 2017				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Amortization	¥ 76	¥ —	¥ —	¥ —	¥ 76
Balance as of March 31	204	—	—	—	204

	Year ended March 31, 2016				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Amortization	¥ 105	¥ —	¥ —	¥ —	¥ 105
Balance as of March 31	462	—	—	—	462

	Year ended March 31, 2017				
	Thousands of U.S. dollars				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Amortization	$ 679	$ —	$ —	$ —	$ 679
Balance as of March 31	1,821	—	—	—	1,821

(g) Information about gains on negative goodwill for each reportable segment

Fiscal years ended March 31, 2017 and 2016: Not applicable

22. Related Party Transactions

Year ended March 31, 2017

Related Party	Name	Location	Capital	Business or Occupation	Ownership Ratio of Voting Rights	Relation-ship	Detail of Transaction	Transaction Amount
Close family member	Itsuya Tamura	–	–	Executive adviser	(Owened) Direct: 0.0%	–	Payment of advisory fee	¥14 million ($125 thousand)

Year ended March 31, 2016

Related Party	Name	Location	Capital	Business or Occupation	Ownership Ratio of Voting Rights	Relation-ship	Detail of Transaction	Transaction Amount
Close family member	Itsuya Tamura	–	–	Executive adviser	(Owened) Direct: 0.0%	–	Payment of advisory fee	¥10 million

(*1) Itsuya Tamura, the executive advisor of the Company, is the father of Naoki Tamura, the representative director of the Company. The Company believes that management systems can be further strengthened by receiving Mr. Itsuya Tamura's advice on overall management based on his long business experience, profound insight and strong connections gained through his involvement in management as the representative director and the chairman of the Company at past.
Remuneration is determined in accordance with the Company's internal rules.

(*2)" Amount of transaction" excludes consumption taxes, while "Ending balance" is reported inclusive of consumption taxes.

23. Subsequent Events

There were no significant subsequent events for the years ended March 31, 2017 and 2016.