Annual Report 2017

From April 1,2016 to March 31,2017

DAISHINKU CORP.

Financial Section

Consolidated Balance Sheets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 6)*
	March 31,		*March 31,*
	2017	2016	*2017*
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2 (c), 7 and 21)	¥17,304	¥20,410	*$154,238*
Trade notes and accounts receivable (Note 21)	7,381	6,888	*65,790*
Short term investment (Note 9)	260	52	*2,316*
Inventories (Note 8 and 11)	9,434	8,447	*84,089*
Deferred income taxes (Note 5 and 16)	307	65	*2,734*
Other current assets	2,301	1,040	*20,515*
Allowance for doubtful accounts	(12)	(10)	*(108)*
Total current assets	36,975	36,892	*329,574*
Investments and other assets:			
Investment securities (Notes 9 and 21)	1,717	1,688	*15,303*
Deferred income taxes (Note 5 and 16)	217	178	*1,936*
Other assets	1,386	1,392	*12,359*
Total investments and other assets	3,320	3,258	*29,598*
Property, plant and equipment, at cost:(Notes 12)			
Land	5,705	5,675	*50,849*
Buildings and structures	19,348	20,297	*172,458*
Machinery and equipment	50,043	49,884	*446,053*
Lease assets	825	830	*7,356*
Construction in progress	1,219	491	*10,865*
Total property, plant and equipment	77,140	77,177	*687,581*
Less: accumulated depreciation (Notes 3)	(56,739)	(56,900)	*(505,740)*
Property, plant and equipment, net(Notes 12 and 23)	20,401	20,277	*181,841*
Total assets	¥60,696	¥60,427	*$541,013*

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

Consolidated Balance Sheets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 6)*
	March 31,		*March 31,*
	2017	2016	*2017*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 12 and 21)	¥1,525	¥1,788	*$13,596*
Current portion of long-term debt (Notes 12 and 21)	5,089	5,094	*45,363*
Current portion of long-term lease obligations	68	70	*610*
Trade notes and accounts payable (Note 21)	3,225	2,645	*28,742*
Accounts payable (Note 21)	1,536	2,708	*13,687*
Accrued income taxes (Note 16)	528	192	*4,711*
Accrued employees' bonuses	461	471	*4,111*
Reserve for director's and corporate auditor's bonuses (Note 2(k))	15	-	*134*
Other current liabilities	780	712	*6,948*
Total current liabilities	13,227	13,680	*117,902*
Long-term liabilities:			
Long-term debt (Notes 12 and 21)	12,851	12,444	*114,551*
Long-term lease obligations	641	713	*5,710*
Net defined benefit liability(Note 13)	1,692	2,115	*15,080*
Deferred income taxes (Note 16)	866	740	*7,715*
Long-term accounts payable (Note 21)	173	222	*1,538*
Asset retirement obligations	25	25	*225*
Other long-term liabilities	107	122	*955*
Total long-term liabilities	16,355	16,381	*145,774*
Total liabilities	29,582	30,061	*263,676*
Commitments and contingent liabilities (Note 19)			
Net Assets:			
Shareholders’ equity			
Common stock:(Note 18)			
Authorized: 26,000,000 shares			
Issued: 9,049,242 shares at March 31, 2017 and 45,246,212 shares at March 31, 2016	19,345	19,345	*172,430*
Additional paid-in capital	7,158	7,158	*63,808*
Retained earnings (Note 18 and 24)	556	(19)	*4,950*
Less: treasury stock, at cost: 973,573 shares at March 31, 2017 and 4,854,810 shares at March 31, 2016, respectively	(1,918)	(1,914)	*(17,091)*
Total shareholders’ equity	25,141	24,570	*224,097*
Accumulated other comprehensive income			
Net unrealized holding gains (losses) on available-for-sale securities (Note 9)	424	288	*3,779*
Foreign currency translation adjustments	840	1,054	*7,492*
Remeasurements of defined benefit plans	(22)	(178)	*(200)*
Total accumulated other comprehensive income	1,242	1,164	*11,071*
Non-controlling interests	4,731	4,632	*42,169*
Total net assets	31,114	30,366	*277,337*
Total liabilities and net assets	¥60,696	¥60,427	*$541,013*

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

Consolidated Statements of Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 6)*
	For the years ended March 31,		*For the year ended March 31,*
	2017	2016	*2017*
Net sales (Note 23)	¥30,959	¥32,182	*$275,955*
Cost of sales	23,450	25,287	*209,024*
Gross profit	7,509	6,895	*66,931*
Selling, general and administrative Expenses (Note 14)	6,114	6,202	*54,493*
Operating income (Note 23)	1,395	693	*12,438*
Other income (expenses):			
Interest and dividend income	83	80	*743*
Interest expenses	(133)	(165)	*(1,182)*
Foreign currency exchange loss, net	(256)	(536)	*(2,280)*
Gain on contribution of securities to retirement benefit trust	125	-	*1,109*
Gain (loss) on sales or disposal of property, plant and equipment, net	41	(29)	*365*
Impairment loss (Note 10)	(293)	(13)	*(2,613)*
Loss on abandonment of inventories (Note 11)	(219)	-	*(1,950)*
Subsidy income	314	401	*2,795*
Other, net	136	225	*1,212*
Income before income taxes	1,193	656	*10,637*
Income taxes (Note 16):			
Current	542	314	*4,833*
Deferred	(217)	0	*(1,937)*
	325	314	*2,896*
Income	868	342	*7,741*
Income attributable to non-controlling interests	172	202	*1,540*
Income attributable to owners of parent	¥696	¥140	*$6,201*

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

Consolidated Statements of Comprehensive Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 6)*
	For the years ended March 31,		*For the year ended March 31,*
	2017	2016	*2017*
Income	¥868	¥342	*$7,741*
Other comprehensive income (Note 17)			
Unrealized holding loss on available-for-sale securities	136	(239)	*1,207*
Foreign currency transaction adjustments	(168)	(1,373)	*(1,495)*
Remeasurements of defined benefit plans	153	(540)	*1,359*
Total other comprehensive income, net	121	(2,152)	*1,071*
Comprehensive income	¥989	¥(1,810)	*$8,812*
Comprehensive income attributable to:			
Shareholders of DAISHINKU Corporation	¥774	¥(1,465)	*$6,893*
Non-controlling interests of consolidated subsidiaries	215	(345)	*1,919*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total Net assets
Balance at April 1, 2015	¥ 19,345	¥ 12,413	¥ (5,310)	¥ (1,910)	¥ 527	¥ 1,891	¥ 351	¥ 5,149	¥ 32,456
Deficit disposition	-	(5,255)	5,255	-	-	-	-	-	-
Net income attributable to owners of parent	-	-	140	-	-	-	-	-	140
Changes in retained earnings based on generally accepted international accounting standards used for foreign subsidiaries	-	-	(104)	-	-	-	-	-	(104)
Acquisition of treasury stock	-	-	-	(4)	-	-	-	-	(4)
Disposal of treasury stock	-	0	-	0	-	-	-	-	0
Other changes	-	-	-	-	(239)	(837)	(529)	(517)	(2,122)
Balance at April 1, 2016	19,345	7,158	(19)	(1,914)	288	1,054	(178)	4,632	30,366
Dividends	-	-	(121)	-	-	-	-	-	(121)
Net income attributable to owners of parent	-	-	696	-	-	-	-	-	696
Acquisition of treasury stock	-	-	-	(4)	-	-	-	-	(4)
Disposal of treasury stock	-	0	-	0	-	-	-	-	0
Other changes	-	-	-	-	136	(214)	156	99	177
Balance at March 31, 2017	¥ 19,345	¥ 7,158	¥ 556	¥ (1,918)	¥ 424	¥ 840	¥ (22)	¥ 4,731	¥ 31,114

(Thousands of U.S. dollars)
(note 6)

	Common stock	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Net unrealized holding gains (losses) on available-for-sale securities*	*Foreign currency translation adjustment*	*Remeasurements of defined benefit plans*	*Non-controlling interests*	*Total Net assets*
Balance at April 1, 2016	*$ 172,430*	*$ 63,809*	*$ (171)*	*$ (17,062)*	*$ 2,572*	*$ 9,394*	*$ (1,587)*	*$ 41,282*	*$ 270,667*
Dividends	-	-	*(1,080)*	-	-	-	-	-	*(1,080)*
Net income attributable to owners of parent	-	-	*6,201*	-	-	-	-	-	*6,201*
Acquisition of treasury stock	-	-	-	*(31)*	-	-	-	-	*(31)*
Disposal of treasury stock	-	*(1)*	-	*2*	-	-	-	-	*1*
Other changes	-	-	-	-	*1,207*	*(1,902)*	*1,387*	*887*	*1,579*
Balance at March 31, 2017	*$ 172,430*	*$ 63,808*	*$ 4,950*	*$ (17,091)*	*$ 3,779*	*$ 7,492*	*$ (200)*	*$ 42,169*	*$ 277,337*

Consolidated Statements of Cash Flows

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 6)*
	For the years ended March 31,		*For the year ended March 31*
	2017	2016	*2017*
OPERATING ACTIVITIES:			
Income before income taxes	¥1,193	¥656	*$10,637*
Adjustments for:			
Depreciation and amortization	2,584	2,459	*23,035*
Impairment loss on fixed assets	293	13	*2,613*
Amortization of long-term prepaid expenses	73	35	*647*
Allowance for doubtful accounts, net	3	(2)	*25*
Increase (decrease) in provision for bonuses	(9)	(5)	*(82)*
Increase (decrease) in provision for director's and corporate auditor's bonuses	15	-	*134*
Net defined benefit liability	4	(56)	*37*
Loss (Gain) on sales or disposal of property, plant and equipment, net	(41)	29	*(366)*
Interest and dividend income	(83)	(80)	*(743)*
Interest expenses	133	165	*1,182*
Foreign currency exchange gains (losses) , net	(145)	460	*(1,296)*
Gain on contribution of securities to retirement benefit trust	(124)	-	*(1,109)*
Loss on abandonment of inventories	219	-	*1,950*
Changes in assets and liabilities:			
Increase (decrease) in trade notes and accounts receivable	(482)	(250)	*(4,294)*
Increase (decrease) in inventories	(1,220)	911	*(10,870)*
Increase (decrease) in trade notes and accounts payable	639	523	*5,700*
Other-net	(148)	337	*(1,315)*
Sub-total	2,904	5,195	*25,885*
Interest and dividends-received	83	80	*743*
Interest-paid	(131)	(168)	*(1,167)*
Income taxes-paid	(271)	(259)	*(2,421)*
Net cash provided by operating activities	2,585	4,848	*23,040*
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits, net	4	-	*31*
Decrease (increase) in short-term investment securities, net	(189)	(56)	*(1,687)*
Payments for purchase of property, plant and equipment	(4,763)	(1,705)	*(42,453)*
Proceeds from sales of property, plant and equipment	108	96	*962*
Purchase of long-term prepaid expenses	-	(822)	*-*
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(141)	-	*(1,256)*
Other-net	(90)	68	*(796)*
Net cash used in investing activities	(5,071)	(2,419)	*(45,199)*
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	(274)	(2,146)	*(2,440)*
Proceeds from long -term debt	5,664	10,009	*50,486*
Repayments of long-term debt	(5,393)	(5,034)	*(48,069)*
Proceeds from sales and leasebacks	-	829	*-*
Repayments of finance lease	(74)	(52)	*(660)*
Cash dividends-paid	(121)	0	*(1,075)*
Cash dividends paid to non-controlling shareholders	(118)	(168)	*(1,052)*
Other- net	(3)	(4)	*(29)*
Net cash provided by financing activities	(319)	3,434	*(2,839)*
Effect of exchange rate changes on cash and cash equivalents	(301)	(601)	*(2,688)*
Net increase (decrease) in cash and cash equivalents	(3,106)	5,262	*(27,686)*
Cash and cash equivalents at beginning of year	20,410	15,148	*181,924*
Cash and cash equivalents at end of year(Note 7)	¥17,304	¥20,410	*$154,238*

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daishinku Corp. (the "Company") and its consolidated subsidiaries. The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act. Overseas consolidated subsidiaries maintain their records in conformity with accounting principles and practices generally accepted in their respective countries. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in conformity with Japanese accounting principles and practices followed by the Company as allowed under accounting principles generally accepted in Japan.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau have been reclassified for the convenience of readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in certain subsidiaries which are not consolidated and in affiliates are, due to immaterial, accounted for at cost.

(Changes in the scope of consolidation)

HARMONY ELECTRONICS (Suzhou) Co., Ltd. was excluded from the consolidation scope due to sale of all shares during the year ended March 31, 2017.

Generally, shareholdings in companies of more than 50% fall into the category of subsidiaries and shareholdings in companies of between 20% and 50% fall into the category of affiliates. However, shareholdings of between 40% and 50% may also fall into the category of subsidiaries, if the Company either substantially controls the investee company or has significant influence and relationship with the investees, respectively.

All significant intercompany accounts and transactions and unrealized inter-company profits are eliminated upon consolidation. The excess of the investment cost over the fair value of underlying net equity in subsidiaries and affiliates which are consolidated or accounted for by the equity method at the date of an acquisition is amortized on a straight-line basis within mainly five years or less.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd., HARMONY ELECTRONICS (Thailand) Co., Ltd., SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. use a fiscal year ending December 31. DAISHINKU（H.K）Ltd., DAISHINKU（AMERICA）CORP., DAISHINKU (SINGAPORE) PTE. Ltd., DAISHINKU（DEUTSCHLAND）GmbH.,　PT KDS INDONESIA and KYUSYU DAISHINKU CORP use a fiscal year ending March 31.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd.，HARMONY ELECTRONICS (Thailand) Co., Ltd., SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. have performed a hard close as of March 31, 2017.

(b) TRANSLATION OF FOREIGN CURRENCIES

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period when incurred.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.　The shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the net assets and included in non-controlling interests in the net assets.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated financial statements are composed of cash in hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present a low risk of fluctuation in value.

(d) INVENTORIES

Inventories are mainly stated at cost determined by the average method. (The write-downs of inventories due to decreased profitability shall be recognized as cost of sales, in the case that the net selling value falls below the acquisition cost at the end of period, in the same manner as if these inventories were stated at the lower of cost or market.)

(e) SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

All securities held by the Company and its consolidated subsidiaries are classified into Available-for-sale securities.

Available-for-sale securities with readily determinable fair values are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the valuation and translation adjustments in the net assets at a net-of-tax amount.

Available-for-sale securities without readily determinable fair values are stated at cost, except as stated in the paragraph below.

When the market price of available-for-sale securities falls below 50% of the price of the securities at the time of acquisition, a realized loss is recognized with the new cost basis being the current market price. If the market price falls 30% or more but less than 50%, a judgment is made about the likelihood of a recovery in price and decision is taken whether to write down to fair value.

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (EXCEPT FOR LEASED ASSETS UNDER FINANCE LEASES)

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method (excluding buildings acquired on or after April 1, 1998 and structures and facilities attached to buildings acquired on or after April 1, 2016, for which the straight-line method are applied), except that the foreign consolidated subsidiaries mainly compute depreciation by the straight-line method.

The principal estimated useful lives used for computing depreciation are as follows:

Building and structures	3 to 60 years
Machinery and equipment	2 to 17 years

The cost of maintenance, repairs and minor renewals is charged to income when incurred; major renewals and betterments are capitalized.

(g) FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases. Leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

For lease assets in finance lease transactions that do not transfer ownership, the straight-line method is employed, depreciating these assets down to their remaining guaranteed amount over the lease period, which is used as the service life.

(h)GOODWILL

Goodwill is amortized by the straight-line method over periods of no more than 5 years. Negative goodwill recognized on or after April 1, 2010 is credited to income as incurred.

(i) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is computed based on historical write-off experience from a certain reference period plus estimated uncollectible amounts based on the analysis of individual accounts.

(j) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided for the estimated amounts which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(k) RESERVE FOR DIRECTOR'S AND CORPORATE AUDITOR'S BONUSES

Reserve for director's and corporate auditor's bonuses are provided for the estimated amounts which the Company is obligated to pay to director and corporate auditor after the fiscal year-end, based on services provided during the current period.

(l) RETIREMENT BENEFITS AND PENSION PLAN

The provision for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the balance sheet date. Unrecognized prior service costs are amortized based on the straight-line method over a period of ten years beginning at the date of adoption of the plan amendment. Unrecognized actuarial gains and losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(m) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income when incurred.

(n) INCOME TAXES

The provision for income taxes is computed based on income before income taxes and non-controlling interests in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(o) DERIVATIVES AND HEDGING ACTIVITIES

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(p) DISTRBUTION OF RETAINED EARNINGS

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions. Refer to Note 24.

3. CHANGE IN ACCOUNTING POLICY

(Adoption of the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes)

Following the revision of the Corporation Tax Act, the Company applied the "Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (PITF No.32 of June 17, 2016)," to the year ended March 31, 2017. Accordingly, the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 was changed from declining-balance method to straight-line method. The impact on the consolidated financial statements of the year ended March 31, 2017 is immaterial.

4. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's consolidated financial statements in order to conform to the current year presentations.

5. SUPPLEMENTARY INFORMATION

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the year ended March 31, 2017.

6. U.S. DOLLAR AMOUNTS

The United States dollar amounts are included solely for convenience and represent translations of Japanese yen amounts, as a matter of arithmetical computation only, at the rate of ¥112= US$1, the exchange rate prevailing on March 31, 2017. This translation should not be construed as a representation that Japanese yen amounts have been, could have been or could be realized or converted into United States dollars at the above or any other rate.

7. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents between the consolidated statements of cash flows for the years ended March 31, 2017 and 2016 and the consolidated balance sheets as of March 31, 2017 and 2016 has been omitted since there were no reconciliation items.

8. INVENTORIES

Inventories at March 31, 2017 and 2016 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Finished goods	¥3,145	¥2,717	*$28,036*
Work in process	3,074	3,103	*27,401*
Materials and supplies	3,215	2,627	*28,652*
	¥9,434	¥8,447	*$84,089*

9. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2017 and 2016 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Short-term investments			
Time deposits	¥-	¥-	*$-*
Other	260	52	*2,316*
Total	¥260	¥52	*$2,316*
Investment securities:			
Marketable equity securities and investment trust	¥1,568	¥1,545	*$13,979*
Investment in unconsolidated subsidiaries	30	30	*268*
Other	119	113	*1,056*
Total	¥1,717	¥1,688	*$15,303*

Information regarding marketable securities at March 31, 2017 and 2016 were as follows:

	(Millions of yen)			
	March 31,			
	2017			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥965	¥609	¥(6)	¥1,568
Others	-	-	-	-
Total	¥965	¥609	¥(6)	¥1,568

	(Millions of yen)			
	March 31,			
	2016			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,143	¥427	¥(25)	¥1,545
Others	-	-	-	-
Total	¥1,143	¥427	¥(25)	¥1,545

	(Thousands of U.S. dollars)			
	March 31,			
	2017			
	Cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Equity securities	*$8,599*	*$5,429*	*$(49)*	*$13,979*
Others	-	-	-	-
Total	*$8,599*	*$5,429*	*$(49)*	*$13,979*

Unlisted equity securities of ¥148 million ($1,323 thousand) and ¥143 million as of March 31, 2017 and 2016, respectively, that do not have market value and for which it is difficult to determine the fair value are not included in the above table.

10. LOSS ON IMPAIRMENT OF FIXED ASSETS

			(Millions of yen)	*(Thousands of U.S. dollars)*
Location	Use	Classification	2017	*2017*
Kanzaki Plant Kanzaki County, Hyogo Prefecture	Idle assets	Construction in progress	¥5	*$48*
Tottori Business Place Tottori City, Tottori Prefecture	Idle assets	Machinery and equipment	121	*1,079*
Tokushima Business Place Yoshinogawa City, Tokushima Prefecture	Idle assets	Machinery and equipment etc.	86	*761*
HARMONY ELECTRONICS CORP. Kaohsiung City, Taiwan	Idle assets	Machinery and equipment	17	*152*
HARMONY ELECTRONICS (Suzhou) Co., Ltd. Suzhou, P.R. China	Potential disposal assets	Buildings and structures	64	*573*
Total			¥293	*$2,613*

The company and its consolidated subsidiaries categorize business assets by business segmentation and lease property, idle assets, and assets to be disposed are categorized by separately.

The book values of idle assets, which are not expected to be utilized in the future, are written down to the recoverable amount and such written-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices, calculated using the market price in Tokushima Business Place, and as zero in others.

The book values of assets to be disposed are written down to the recoverable amounts and such write-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices, calculated using appraisal report by a third-party real-estate appraiser in HARMONY ELECTRONICS (Suzhou) Co., Ltd. .

			(Millions of yen)
Location	Use	Classification	2016
TIANJIN KDS CORP. Tianjin, P.R. China	Idle assets	Machinery and equipment etc.	¥13
Total			¥13

The company and its consolidated subsidiaries categorize business assets by business segmentation and lease property, idle assets, and assets to be disposed are categorized by separately. The book values of idle assets, which are not expected to be utilized in the future, are written down to the recoverable amount and such written-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices.

11. LOSS ON ABANDONMENT OF INVENTORIES

The Company group had put business structural change at the year ended March 31 2015. Based of which, the Company have finished partial withdrawal of optical business (Single lens reflex product business) at the year ended March 31 2017. As a result, the Company recognized the loss on abandonment of inventories.

12. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans with a weighted average interest rate of 0.9% and 0.7% at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Loans principally from banks, due from 2017 to 2022, with weighted average interest of 0.6% and 0.6% at March 31, 2017 and 2016, respectively.	¥17,940	¥17,538	*$159,914*
Less; current portion	(5,089)	(5,094)	*(45,363)*
	¥12,851	¥12,444	*$114,551*

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

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year ending March 31,		
2018	¥5,089	*$45,363*
2019	3,562	*31,753*
2020	4,577	*40,793*
2021	3,502	*31,220*
2022 and thereafter	1,210	*10,785*
	¥17,940	*$159,914*

Repayment schedule 5 years subsequent to March 31, 2017 for long-term debt and other debt is as above:

The following assets were pledged as collateral for bonds and loans principally from banks at March 31, 2017 and 2016:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Land	¥467	¥442	*$4,163*
Buildings and structures	322	318	*2,872*
	¥789	¥760	*$7,035*

Long-term debt with pledged assets at March 31, 2017and 2016 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Current portion of long –term debt	¥77	¥104	*$684*
Long-term debt	115	181	*1,026*
	¥192	¥285	*$1,710*

13. RETIREMENT BENEFITS TO EMPLOYEES

The Company and consolidated subsidiaries have defined benefit pension plans. The plans comprise funded pension plans and unfunded pension plans. Additionally the Company has defined contribution plans. The Company has instituted retirement benefit trusts since September 2016.

Under defined benefit pension plans, the reconciliation of opening and ending balances for project benefit obligation for the year ended March 31, 2017and 2016were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Project benefit obligation at beginning of year	¥5,116	¥4,615	*$45,600*
Service cost	216	192	*1,928*
Interest cost	66	105	*587*
Actuarial differences	63	573	*560*
Retirement benefits paid	(300)	(286)	*(2,674)*
Other	11	(83)	*94*
Project benefit obligation at ending of year	¥5,172	¥5,116	*$46,095*

Under defined benefit pension plans, the reconciliation of opening and ending balances for pension assets for the year ended March 31, 2017 and 2016 were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Plan assets at beginning of year	¥3,001	¥3,121	*$26,751*
Expected return on plan assets	45	47	*402*
Actuarial differences	164	(108)	*1,465*
Contribution paid by the business proprietor	218	218	*1,939*
Contribution of securities to retirement benefit trust	280	-	*2,496*
Retirement benefits paid	(234)	(261)	*(2,090)*
Other	6	(16)	*52*
Plan assets at ending of year	¥3,480	¥3,001	*$31,015*

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company’s and the consolidated subsidiaries’ defined benefit pension plan;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Funded retirement benefit obligations	¥4,368	¥4,408	*$38,933*
Plan assets at fair value	(3,480)	(3,001)	*(31,015)*
	888	1,407	*7,918*
Unfunded retirement benefit obligations	804	708	*7,162*
Net defined benefit liability in the balance sheet	¥1,692	¥2,115	*$15,080*
Net defined benefit liability	1,692	2,115	*15,080*
Net defined benefit liability in the balance sheet	¥1,692	¥2,115	*$15,080*

The components of retirement benefit expenses for the year ended March 31, 2017 and 2016 were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Service cost	¥216	¥192	*$1,928*
Interest cost	66	104	*587*
Expected return on plan assets	(45)	(47)	*(403)*
Amortization of actuarial differences	36	(50)	*325*
Amortization of prior service costs	-	0	*-*
Other	3	(3)	*27*
Retirement benefit expenses	¥276	¥196	*$2,464*

Remeasurements of defined benefit plans, before income-tax effect, at March 31, 2017 and 2016 consisted of;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Prior service cost	¥-	¥0	*$-*
Actuarial differences	(138)	569	*(1,232)*
Total	¥(138)	¥569	*$(1,232)*

Amortization of remeasurements of defined benefit plans, before income-tax effect, at March 31, 2017 and 2016 consisted of;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Unrecognized actuarial gain/loss	¥73	¥211	*$647*

The major categories of plan assets as of March 31, 2017 and 2016 were as follows;

	March 31,	
	2017	2016
Bonds	36 %	38 %
Stocks	42	35
General accounts controlled by insurance companies	17	20
Other	5	7
Total	100 %	100 %

The above includes contribution of securities to retirement benefit trust by 10%.

The expected return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the year ended March 31, 2017 and 2016 were as follows;

	March 31,	
	2017	2016
Discount rate	0.3 %	0.3 %
Expected rate of return on plan assets	1.5	1.5

Total contributions paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥ 57 million ($505 thousand) and ¥61 million for the year ended March 31, 2017 and 2016 respectively.

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 amounted to ¥1,739 million ($15,501 thousand) and ¥1,818 million respectively.

15. LEASES

Finance leases other than those deemed to transfer the ownership of leased property to the lessee mainly consist of production equipment for application product of crystal.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2017 and 2016 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Due within one year	¥49	¥107	*$435*
Due after one year	29	71	*259*
Future lease payments	¥78	¥178	*$694*

Future lease payments for non-cancelable operating leases as a lessor at March 31, 2017and 2016 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Due within one year	¥3	¥3	*$27*
Due after one year	17	20	*153*
Future lease payments	¥20	¥23	*$180*

16. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, result in an effective tax rate approximately equal to 30.8% and 33.0% for the years ended March 31, 2017 and 2016.

Reconciliation between the Japanese statutory income tax rate and the effective tax rate for the year ended March 31, 2017 and 2016 were as follows.

	2017	2016
Japanese statutory tax rate	30.8 %	33.0 %
Valuation allowances	(19.8)	(46.6)
Expenses not deductible for tax purposes	14.3	18.0
Per capital inhabitant tax	1.4	3.1
Deficit of consolidated subsidiaries	-	40.6
Undistributed profit of foreign subsidiaries	2.7	(6.8)
Income of foreign subsidiaries taxed at lower than statutory tax rates	1.1	6.3
Others	(3.3)	0.3
Effective income tax rate	27.2 %	47.9 %

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Deferred tax assets:			
Write-down of property, plant and equipment	¥782	¥785	*$6,969*
Net defined benefit liability	489	568	*4,360*
Write-down of inventories	224	146	*1,999*
Unrealized profit	170	27	*1,518*
Other	534	598	*4,755*
Gross deferred tax assets	2,199	2,124	*19,601*
Less: valuation allowance	(1,557)	(1,794)	*(13,879)*
Total deferred tax assets	¥642	¥330	*$5,722*
Deferred tax liabilities:			
Temporary difference of investment in subsidiaries	(390)	(356)	*(3,480)*
Depreciation of foreign subsidiaries	(118)	(127)	*(1,052)*
Net unrealized holding gains(losses) on available-for- sale securities	(180)	(120)	*(1,601)*
Other	(297)	(226)	*(2,644)*
Gross deferred tax liabilities	(985)	(829)	*(8,777)*
Net deferred tax assets (liabilities)	¥(343)	¥(499)	*$(3,055)*

17. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2017 and 2016 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31		*March 31*
	2017	2016	*2017*
Net unrealized holding gain on securities			
Gains (Losses) arising during the year	¥241	¥(361)	*$2,148*
Reclassification adjustments to profit or loss	(46)	(1)	*(408)*
Amount before income tax effect	195	(362)	*1,740*
Income tax effect	(60)	123	*(533)*
Total	135	(239)	*1,207*
Translation adjustments			
Gains (Losses) arising during the year	(168)	(1,373)	*(1,495)*
Remeasurements of defined benefit plans			
Gains (Losses) arising during the year	102	(521)	*907*
Reclassification adjustments to profit or loss	36	(48)	*325*
Amount before income tax effect	138	(569)	*1,232*
Income tax effect	15	29	*127*
Total	153	(540)	*1,359*
Total other comprehensive income	¥120	¥(2,152)	*$1,071*

18. NET ASSETS

The Japanese Companies Act ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid–in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and remained earnings, respectively, which are potentially available for dividends.

Movements in common stock and treasury stock for the year ended March 31, 2017 was as follows:

	Thousands of shares			
	April 1, 2016	Increase in the year	Decrease in the year	March 31, 2017
Shares outstanding				
Common stock	45,246	-	(36,197)	9,049
Total	45,246	-	(36,197)	9,049
Treasury stock				
Common stock	4,855	8	(3,889)	974
Total	4,855	8	(3,889)	974

Effective October 1, 2016, the Company consolidated its common stocks at the ratio of five shares to one share.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2017 and 2016 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Trade notes endorsed	¥83	¥102	*$744*

20. NET INCOME PER SHARE

Amounts per share at March 31, 2017 and 2016 and were as follows:

	(Yen)		*(U.S. dollars)*
	March 31,		*March 31,*
	2017	2016	*2017*
Net assets	¥3,267.04	¥3,185.66	*$29.12*
Net income (loss)	86.13	17.31	*0.77*
Cash dividends applicable to the year	-	2.00	-

Diluted net income per share for the years ended March 31, 2017 and 2016 has not been disclosed because no potential for dilution exited at March 31, 2017 and 2016. Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end. Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years.

Effective October 1, 2016, the Company consolidated its common shares at the ratio of five shares to one share. Accordingly, the net assets per share and earnings per share have been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year. Dividends prior to the share consolidation are ¥1 per share and dividends after the share consolidation are ¥ 25 per share. Based on this, the annual dividend for the fiscal year ended March 2017 is shown as "－".

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2017 and 2016, and the differences between the two were as follows. It should be noted that financial instruments for which it is considered extremely difficult to assets fair values are not included in the following table.

	March 31, 2017					
	(Millions of yen)			*(Thousands of U.S. dollars)*		
	Amounts on consolidated balance sheet	Fair Value	Difference	*Amounts on consolidated balance sheet*	*Fair Value*	*Difference*
(1)Cash and cash equivalent	¥17,304	¥17,304	-	*$154,238*	*$154,238*	-
(2)Trade notes and accounts receivable	7,381	7,381	-	*65,790*	*65,790*	-
(3)Investment securities	1,828	1,828	-	*16,295*	*16,295*	-
Assets total	26,513	26,513	-	*236,323*	*236,323*	-
(1)Trade notes and accounts payable	3,225	3,225	-	*28,742*	*28,742*	-
(2)Short-term borrowings	1,525	1,525	-	*13,596*	*13,596*	-
(3) Accounts payable	1,536	1,536	-	*13,687*	*13,687*	-
(4)Long-term debt	17,940	17,968	28	*159,914*	*160,161*	*247*
Liabilities total	24,226	24,254	28	*215,939*	*216,186*	*247*
Derivative transactions(*)	2	2	-	*16*	*16*	-

	March 31, 2016		
	(Millions of yen)		
	Amounts on consolidated balance sheet	Fair Value	Difference
(1)Cash and cash equivalent	¥20,410	¥20,410	-
(2)Trade notes and accounts receivable	6,888	6,888	-
(3)Investment securities	1,597	1,597	-
Assets total	28,895	28,895	-
(1)Trade notes and accounts payable	2,645	2,645	-
(2)Short-term borrowings	1,788	1,788	-
(3) Accounts payable	2,708	2,708	-
(4)Long-term debt	17,538	17,548	10
Liabilities total	24,679	24,689	10
Derivative transactions(*)	33	33	-

*Derivative assets and (liabilities) are on a net basis.

Assets

(1) Cash and cash equivalents and (2) Trade notes and accounts receivable

All of these are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above. Additionally, foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(3) Investment securities

The fair value of equity securities equals quoted market price, if available.

Information on securities by category is described in Note 9.

Liabilities

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Accounts payable

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(4) Long-term debt

The fair value of accounts payable and long-term borrowings are based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rate for long-term borrowings is hedged by interest rate swap contract and accounted for as debt with interest rate. The fair value of long-term borrowings with variable interest is reasonably based on the present value of the total of principal, interest and net cash flow of interest rate swap contract discounted by reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

22. DERIVATIVE TRANSACTIONS

1. Derivative transactions that do not adopt hedge accounting

(1) Currency-related derivatives

	(Millions of yen)			
	March 31, 2017			
	Contract amounts			Realized gain
Off-market transactions	Total	Due after one year	Fair value	(losses)
Currency options:				
Selling call US dollar	¥228	¥-	¥(2)	¥(2)
Buying put US dollar	228	-	4	4
Currency swaps:				
Receive Japanese yen / Pay US dollar	204	204	6	6
Forward foreign exchange contracts:				
Selling US dollar	1,924	-	(3)	(3)
Selling Japanese yen	40	-	(1)	(1)
Buying US dollar	60	-	(2)	(2)
Total	¥2,684	¥204	¥2	¥2

	(Thousands of U.S. dollars)			
	March 31, 2017			
	Contract amounts			*Realized gain*
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*(losses)*
Currency options:				
Selling call US dollar	*$2,032*	*$-*	*$(14)*	*$(14)*
Buying put US dollar	*2,032*	*-*	*37*	*37*
Currency swaps:				
Receive Japanese yen / Pay US dollar	*1,817*	*1,817*	*51*	*51*
Forward foreign exchange contracts:				
Selling US dollar	*17,150*	*-*	*(31)*	*(31)*
Selling Japanese yen	*357*	*-*	*(6)*	*(6)*
Buying US dollar	*531*	*-*	*(20)*	*(20)*
Total	*$23,919*	*$1,817*	*$17*	*$17*

	(Millions of yen)			
	March 31, 2016			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥574	-	¥32	¥32
Total	¥574	-	¥32	¥32

Fair value is based on information provided by financial institutions at the end of the fiscal year.

2. Derivative transactions that adopt hedge accounting

(1) Currency-related derivatives

			(Millions of yen)		
			March 31, 2017		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Allocation method for forward foreign exchange contract	Selling US dollar	Account receivable	¥2,606	¥-	*1
Total			¥2,606	¥-	

			(Thousands of U.S. dollars)		
			March 31, 2017		
			Contract amounts		
Hedge accounting method	*Type*	*Main hedge item*	*Total*	*Due after one year*	*Fair values*
Allocation method for forward foreign exchange contract	*Selling US dollar*	*Account receivable*	*$23,230*	*$-*	**1*
Total			*$23,230*	*$-*	

			(Millions of yen)		
			March 31, 2016		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Allocation method for forward foreign exchange contract	Selling US dollar	Account receivable	There were not applicable		
Total					

*1. Foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(2) Interest rate-related derivatives

Hedge accounting method	Type	Main hedge item	(Millions of yen) March 31, 2017 Contract amounts Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥120	¥40	*1
Total			¥120	¥40	

Hedge accounting method	*Type*	*Main hedge item*	*(Thousands of U.S. dollars) March 31, 2017 Contract amounts Total*	*Due after one year*	*Fair values*
Interest rate swaps	*Receive variable / Pay fixed*	*Long-term debt*	*$1,070*	*$357*	**1*
Total			*$1,070*	*$357*	

Hedge accounting method	Type	Main hedge item	(Millions of yen) March 31, 2016 Contract amounts Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥160	¥40	*1
Total			¥160	¥40	

*1. Since these interest rate swaps that are subject to special treatment accounted for with long-term debt, which are hedged items, their fair value is included in the fair value of said long-term debt.

23. SEGMENT INFORMATION

(1) Overview of reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purpose of determining the allocation of resources and evaluating performance.

The Company undertakes production and sales activities in the quartz crystal. Within Japan, these operations are mainly handled by the Company. Overseas, operations are handled by DAISHINKU (AMERICA) CORP. in America, DAISHINKU (DEUTSULAND) GmbH in Europe, DAISHINKU (HK) LTD. and TIANJIN KDS CORP. in China, HARMONY ELECTRONICS CORP. and its subsidiaries in Taiwan, and DAISHINKU (SINGAPORE) PTE.LTD., DAISHINKU (THAILAND) Co., Ltd. and PT. KDS INDONESIA in Asia. These affiliates each operate as autonomous business units, forming comprehensive strategies in each region and developing business activities for the products and services they undertake.

Accordingly, the Company's basic production and sales structure comprises the six regional reportable segments of Japan, North America, Europe, China, Taiwan, and Asia.

(2) Calculation methods for net sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting methods by reportable business segment herein are almost the same as the description of the "summary of significant accounting policies (Note 2)". Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

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

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2017									
Sales:									
Sales to outside customers	¥ 7,105	¥ 1,653	¥ 2,572	¥ 10,227	¥ 7,295	¥ 2,107	¥ 30,959	¥ -	¥ 30,959
Inter-segment sales	19,189	54	3	2,040	2,921	5,574	29,781	(29,781)	-
Total	26,294	1,707	2,575	12,267	10,216	7,681	60,740	(29,781)	30,959
Segment profit (loss)	¥ 1,107	¥ 15	¥ 76	¥ (378)	¥ 672	¥ 107	¥ 1,599	¥ (204)	¥ 1,395
Segment assets	39,017	789	886	7,262	15,117	6,501	69,572	(8,876)	60,696
Others:									
Depreciation	1,158	2	2	98	699	462	2,421	(18)	2,403
Impairment loss	244	-	-	-	81	-	325	(32)	293
Increase in tangible and Intangible fixed assets	1,687	0	1	117	761	1,178	3,744	(73)	3,671

(Thousands of U.S. dollars)

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2017									
Sales:									
Sales to outside customers	*$ 63,330*	*$ 14,735*	*$ 22,926*	*$ 91,160*	*$ 65,023*	*$ 18,781*	*$ 275,955*	*$ -*	*$ 275,955*
Inter-segment sales	*171,039*	*481*	*31*	*18,181*	*26,038*	*49,685*	*265,455*	*(265,455)*	*-*
Total	*234,369*	*15,216*	*22,957*	*109,341*	*91,061*	*68,466*	*541,410*	*(265,455)*	*275,955*
Segment profit (loss)	*$ 9,867*	*$ 135*	*$ 678*	*$ (3,373)*	*$ 5,995*	*$ 953*	*$ 14,255*	*$ (1,817)*	*$ 12,438*
Segment assets	*347,778*	*7,028*	*7,893*	*64,733*	*134,746*	*57,947*	*620,125*	*(79,112)*	*541,013*
Others:									
Depreciation	*10,325*	*19*	*15*	*869*	*6,227*	*4,121*	*21,576*	*(155)*	*21,421*
Impairment loss	*2,177*	*-*	*-*	*-*	*725*	*-*	*2,902*	*(289)*	*2,613*
Increase in tangible and Intangible fixed assets	*15,041*	*3*	*8*	*1,041*	*6,789*	*10,496*	*33,378*	*(654)*	*32,724*

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2016									
Sales:									
Sales to outside customers	¥ 6,385	¥ 2,076	¥ 2,441	¥ 10,417	¥ 8,095	¥ 2,768	¥ 32,182	¥ -	¥ 32,182
Inter-segment sales	19,526	46	2	3,640	2,531	5,648	31,393	(31,393)	-
Total	25,911	2,122	2,443	14,057	10,626	8,416	63,575	(31,393)	32,182
Segment profit (loss)	¥ 731	¥ 27	¥ 50	¥ (714)	¥ 528	¥ 152	¥ 774	¥ (81)	¥ 693
Segment assets	38,492	815	762	7,894	14,120	5,732	67,815	(7,388)	60,427
Others:									
Depreciation	650	4	3	172	871	523	2,223	(1)-	2,222
Impairment loss	-	-	-	13	-	-	13	-	13
Increase in tangible and Intangible fixed assets	2,628	0	2	50	482	277	3,439	(82)	3,357

Note: 1. (1) Adjustments on segment profit (loss) are eliminations of transactions in intersegment transactions, amortization of goodwill, and other adjustments.

(2) Adjustments on segment assets are eliminations of receivables and payables in intersegment debtors and creditors, and other adjustments.

(3) Adjustment on depreciation is eliminations of transactions in intersegment transactions.

2. Segment profit (loss) is reconciled to operating income on the consolidated statements of income.

3. Major countries and regions located in areas outside of Japan, China and Taiwan are as follows:

(1) North-America: The United States

(2) Europe: Germany

(3) Asia: Indonesia, Singapore, Thailand

Amortization of goodwill presented in the above table is included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2016.

(Related information)

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the Consolidated Statements of Income. The Company, therefore, has not provided information by product and service.

(2) Information by region

a. Sales

	Millions of Yen				*Thousands of U.S. dollars*	
Nets sales		2017		2016		*2017*
Japan	¥	5,151	¥	4,556	$	*45,916*
North-America		1,653		2,112		*14,733*
Europe		2,572		2,445		*22,927*
China		10,255		10,396		*91,407*
Taiwan		7,319		8,103		*65,234*
Asia		4,009		4,570		*35,738*
Total	¥	30,959	¥	32,182	$	*275,955*

Note: Net sales are classified by country and region based on customer location.

b. Tangible assets

	Millions of Yen				*Thousands of U.S. dollars*	
		2017		2016		*2017*
Japan	¥	11,843	¥	11,723	$	*105,559*
North-America		1		1		*6*
Europe		3		4		*27*
China		1,322		1,421		*11,785*
Taiwan		4,791		5,360		*42,700*
Indonesia		2,423		1,746		*21,601*
Asia		18		22		*163*
Total	¥	20,401	¥	20,277	$	*181,841*

(Loss on impairment of fixed assets by each reportable segment)

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	*2017*
Japan	¥ 244	¥ -	*$ 2,177*
North-America	-	-	-
Europe	-	-	-
China	-	13	-
Taiwan	81	-	*725*
Asia	-	-	-
Adjustment	(32)	-	*(289)*
Total	¥ 293	¥ 13	*$ 2,613*

(Amortization and remaining balance of goodwill by each reportable segment)

	(Millions of yen)								
	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2016									
Amortization	¥ -	-	-	-	-	-	-	¥ 8	¥ 8
Remaining balance	-	-	-	-	-	-	-	¥ -	¥ -

There were not applicable for the year ended March 31, 2017.

(Negative goodwill by each reportable segment)

As there is no negative goodwill, the disclosure of information on negative goodwill has been omitted.

24. SUBSEQUENT EVENTS

(Reversal of reserve for director’s and corporate auditor's bonuses)

The Company has decided not to pay director’s and corporate auditor’s bonuses at the board meeting on May 15, 2017. Accordingly, the Company plans to record as non-operating income for reversal of reserve for director’s and corporate auditor’s bonuses at the year ending March 31, 2018.

(Cash Dividends)

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at a meeting of the shareholders of the Company held on June 29, 2017:

	(Millions of yen)	*(Thousands of U.S dollars)*
Cash dividends (¥1=U.S.$0.01 per share)	¥ 202	$ *1,800*

Independent Auditor's Report

To the Board of Directors of DAISHINKU Corporation

We have audited the accompanying consolidated financial statements of DAISHINKU Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of operations, 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 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, we consider 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 objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 6 to the consolidated financial statements.

Other Matter

The consolidated financial statements of the Company and its consolidated subsidiaries for the year ended March 31, 2016, were audited by another auditor who expressed an unmodified opinion those statements on June 29, 2016.

SCS Global LLC

June 29, 2017
Tokyo, Japan