

2017

INABATA

Financial
Statements



Independent Auditor's Report

To the Board of Directors of Inabata & Co., Ltd.:

We have audited the accompanying consolidated financial statements of Inabata & Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 our judgement, 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 present fairly, in all material respects, the financial position of Inabata & Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 7, 2017
Osaka, Japan

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<u>ASSETS</u>			
Current assets:			
Cash and time deposits (Notes 12 and 15)	¥ 27,366	¥ 21,316	\$ 243,924
Notes and accounts receivable - trade (Note 15):	157,375	145,565	1,402,756
Merchandise and finished goods	43,293	41,473	385,893
Work in Process	580	527	5,169
Raw materials and supplies	3,020	2,825	26,920
Deferred tax assets (Note 6)	735	899	6,550
Other current assets	7,345	11,031	65,460
Allowance for doubtful accounts (Note 15)	(1,272)	(1,189)	(11,334)
Total current assets	<u>238,442</u>	<u>222,447</u>	<u>2,125,338</u>
Property, plant and equipment:			
Land	2,879	3,108	25,658
Buildings and structures	13,573	12,958	120,980
Machinery and equipment	14,615	14,520	130,274
Construction in progress	51	466	453
Other property, plant and equipment	3,010	2,937	26,835
	<u>34,128</u>	<u>33,989</u>	<u>304,200</u>
Less accumulated depreciation	(22,747)	(22,723)	(202,754)
Property, plant and equipment, net	<u>11,381</u>	<u>11,266</u>	<u>101,446</u>
Investments and other assets:			
Investment securities (Notes 4, 7 and 15):	81,106	62,715	722,938
Long-term loans receivable (Note 15):	660	1,057	5,880
Intangible assets	3,473	3,586	30,960
Net defined benefit asset (Note 11)	2,721	2,503	24,258
Deferred tax assets (Note 6)	675	586	6,017
Other assets	2,680	1,956	23,883
Allowance for doubtful accounts (Note 15)	(991)	(680)	(8,835)
Total investments and other assets	<u>90,324</u>	<u>71,723</u>	<u>805,101</u>
Total assets	<u>¥ 340,147</u>	<u>¥ 305,436</u>	<u>\$ 3,031,885</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable - trade (Note 15):	¥ 87,777	¥ 83,265	\$ 782,397
Short-term loans payable (Notes 10 and 15)	51,801	44,384	461,725
Income taxes payable	3,252	2,047	28,985
Accrued expenses	1,045	1,227	9,314
Provision for bonuses	1,123	1,123	10,012
Other current liabilities	5,520	6,102	49,197
Total current liabilities	150,518	138,148	1,341,630
Long-term liabilities:			
Long-term loans payable (Notes 10 and 15)	19,275	23,993	171,811
Deferred tax liabilities (Note 6)	19,725	13,588	175,815
Provision for directors' retirement benefits	34	32	301
Allowance for investment loss	115	-	1,022
Provision for loss on guarantees	319	19	2,839
Net defined benefit liability (Note 11)	1,192	1,292	10,623
Other non-current liabilities	1,340	1,340	11,954
Total non-current liabilities	42,000	40,264	374,365
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 16)			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 63,499,227 shares in 2017 and 63,499,227 shares in 2016	9,364	9,364	83,470
Capital surplus	7,709	7,709	68,710
Retained earnings (Note 20)	83,206	75,909	741,652
Treasury stock, at cost: (Note 17)			
2,002,305 shares in 2017 and 1,402,268 shares in 2016	(2,069)	(1,178)	(18,446)
Total shareholders' equity	98,210	91,804	875,386
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	45,641	31,859	406,823
Deferred gains (losses) on hedges	(19)	(69)	(167)
Foreign currency translation adjustments	2,702	3,056	24,084
Remeasurements of defined benefit plans	(276)	(613)	(2,458)
Total accumulated other comprehensive income	48,048	34,233	428,282
Non-controlling interests	1,371	987	12,222
Total net assets	147,629	127,024	1,315,890
Total liabilities and net assets	¥ 340,147	¥ 305,436	\$ 3,031,885

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales	¥ 586,630	¥ 577,037	\$ 5,228,898
Cost of sales	543,890	535,973	4,847,934
Gross profit	42,740	41,064	380,964
Selling, general and administrative expenses (Note 9)	30,123	29,693	268,507
Operating income	12,617	11,371	112,457
Other income (expenses):			
Interest and dividend income	1,552	1,865	13,832
Interest expenses (Note 10)	(1,294)	(1,276)	(11,536)
Foreign exchange gains (losses)	57	(874)	508
Share of profit of entities accounted for using equity method	401	601	3,579
Impairment loss (Note 8)	(714)	-	(6,365)
Gain on sales of non-current assets	109	332	974
Loss on sales of non-current assets	(132)	-	(1,173)
Gain on sales of investment securities	4,457	834	39,731
Gain on reversal of loss on valuation of investment securities	296	-	2,640
Loss on valuation of investment securities	(1,702)	-	(15,169)
Provision of allowance for investment loss	(111)	-	(987)
Provision for loss on guarantees	(300)	-	(2,674)
Other, net	341	569	3,026
Income before income taxes	15,577	13,422	138,843
Income taxes (Note 6)			
Income taxes - current	5,432	4,228	48,414
Income taxes - deferred	0	(554)	4
Net income	10,145	9,748	90,425
Net income attributable to non-controlling interests	457	238	4,072
Net income attributable to owners of parent	¥ 9,688	¥ 9,510	\$ 86,353
Amounts per share:			U.S. dollars (Note 1)
	Yen		2017
	2017	2016	
Basic net income per share	¥ 156.25	¥ 151.91	\$ 1.39
Cash dividends per share applicable to the year	40.00	36.00	0.36

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	¥ 10,145	¥ 9,748	\$ 90,425
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	13,670	(2,959)	121,851
Deferred gains (losses) on hedges	76	(14)	678
Foreign currency translation adjustment	(360)	(3,823)	(3,208)
Remeasurements of defined benefit plans, net of tax	337	(1,075)	3,004
Share of other comprehensive income of entities accounted for using equity method	106	(178)	944
Total other comprehensive income	<u>13,829</u>	<u>(8,049)</u>	<u>123,269</u>
Comprehensive income	<u>¥ 23,974</u>	<u>¥ 1,699</u>	<u>\$ 213,694</u>
Comprehensive income attributable to:			
Owners of parent	¥ 23,479	¥ 1,513	\$ 209,279
Non-controlling interests	495	186	4,415

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2017 and 2016

		Millions of yen									
		2017									
		Shareholders' equity		Accumulated other comprehensive income							
		Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total	
Balance at April 1, 2016	¥	9,364	7,709	-	(1,178)	31,859	(69)	3,056	(613)	987	127,024
Net income attributable to owners of parent		-	9,688	-	-	-	-	-	-	-	9,688
Dividends of surplus		-	(2,360)	-	-	-	-	-	-	-	(2,360)
Purchase of treasury stock		-	-	(891)	-	-	-	-	-	-	(891)
Change of scope of consolidation		-	-	-	-	-	-	-	-	-	(31)
Net changes in items other than shareholders' equity		-	-	-	-	13,782	50	(354)	337	384	14,199
Balance at March 31, 2017	¥	9,364	7,709	-	(2,069)	45,641	(19)	2,702	(276)	1,371	147,629
		2016									
		Shareholders' equity		Accumulated other comprehensive income							
		Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total	
Balance at April 1, 2015	¥	9,364	7,709	-	(470)	34,934	(79)	6,911	464	855	128,526
Net income attributable to owners of parent		-	9,510	-	-	-	-	-	-	-	9,510
Dividends of surplus		-	(2,132)	-	-	-	-	-	-	-	(2,132)
Purchase of treasury stock		-	-	(708)	-	-	-	-	-	-	(708)
Change of scope of consolidation		-	-	-	-	-	-	-	-	-	(307)
Net changes in items other than shareholders' equity		-	-	-	-	(3,075)	10	(3,855)	(1,077)	132	(7,865)
Balance at March 31, 2016	¥	9,364	7,709	-	(1,178)	31,859	(69)	3,056	(613)	987	127,024

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Thousands of U.S. dollars (Note 1)									
	2016				2017					
	Shareholders' equity			Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2016	\$ 83,470	\$ 68,710	\$ 676,615	\$ (10,496)	\$ 283,970	\$ (612)	\$ 27,238	\$ (5,462)	\$ 8,798	\$ 1,132,231
Net income attributable to owners of parent	-	-	86,353	-	-	-	-	-	-	86,353
Dividends of surplus	-	-	(21,033)	-	-	-	-	-	-	(21,033)
Purchase of treasury stock	-	-	-	(7,950)	-	-	-	-	-	(7,950)
Change of scope of consolidation	-	-	(283)	-	-	-	-	-	-	(283)
Net changes in items other than shareholders' equity	-	-	-	-	122,853	445	(3,154)	3,004	3,424	126,572
Balance at March 31, 2017	\$ 83,470	\$ 68,710	\$ 741,652	\$ (18,446)	\$ 406,823	\$ (167)	\$ 24,084	\$ (2,458)	\$ 12,222	\$ 1,315,890

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes	¥ 15,577	¥ 13,422	\$ 138,843
Adjustments to reconcile income before income taxes to cash provided by operating activities:			
Depreciation and amortization	2,067	2,270	18,424
Impairment loss	714	-	6,365
Increase (decrease) in allowance for doubtful accounts	415	(193)	3,700
Interest and dividend income	(1,552)	(1,865)	(13,832)
Interest expenses	1,294	1,276	11,536
Share of (profit) loss of entities accounted for using equity method	(401)	(601)	(3,579)
Increase (decrease) in allowance for investment loss	111	-	987
Increase (decrease) in provision for loss on guarantees	300	-	2,674
Loss (gain) on sales of non-current assets	22	(332)	199
Loss (gain) on sales of investment securities	(4,457)	(834)	(39,731)
Loss (gain) on valuation of investment securities	1,702	-	15,169
Gain on reversal of loss on valuation of investment securities	(296)	-	(2,640)
Decrease (increase) in notes and accounts receivable - trade	(12,176)	3,617	(108,526)
Decrease (increase) in inventories	(2,321)	947	(20,691)
Decrease (increase) in other current assets	1,089	(1,139)	9,709
Decrease (increase) in other non-current assets	(713)	387	(6,354)
Increase (decrease) in notes and accounts payable - trade	4,451	(4,290)	39,674
Increase (decrease) in other current liabilities	(311)	1,438	(2,774)
Other, net	203	797	1,811
Subtotal	5,718	14,900	50,964
Interest and dividend income received	1,771	2,100	15,789
Interest expenses paid	(1,291)	(1,295)	(11,508)
Income taxes paid	(4,357)	(3,839)	(38,837)
Net cash provided by (used in) operating activities	1,841	11,866	16,408
Cash flows from investing activities:			
Payments into time deposits	(3,905)	(4,310)	(34,805)
Proceeds from withdrawal of time deposits	3,898	5,849	34,746
Purchase of property, plant and equipment	(1,817)	(2,392)	(16,199)
Proceeds from sales of property, plant and equipment	1,976	781	17,609
Purchase of intangible assets	(615)	(676)	(5,478)
Purchase of investment securities	(603)	(431)	(5,377)
Proceeds from sales of investment securities	5,151	1,535	45,910
Purchase of shares of subsidiaries	(502)	(442)	(4,478)
Net decrease (increase) in short-term loans receivable	311	104	2,775
Payments of long-term loans receivable	(197)	(253)	(1,752)
Collection of long-term loans receivable	853	229	7,602
Other, net	(45)	(156)	(400)
Net cash provided by (used in) investing activities	4,505	(162)	40,153

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 2,850	¥ (9,731)	\$ 25,405
Proceeds from long-term loans payable	3,787	3,955	33,752
Repayments of long-term loans payable	(3,679)	(2,370)	(32,789)
Purchase of treasury stock	(892)	(708)	(7,950)
Cash dividends paid	(2,367)	(2,138)	(21,098)
Dividends paid to non-controlling interests	(109)	(55)	(974)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(20)	-
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	20	-
Other - net	(72)	(82)	(639)
Net cash provided by (used in) financing activities	<u>(482)</u>	<u>(11,129)</u>	<u>(4,293)</u>
Effect of exchange rate change on cash and cash equivalents	(200)	(931)	(1,779)
Net increase (decrease) in cash and cash equivalents	<u>5,664</u>	<u>(356)</u>	<u>50,489</u>
Cash and cash equivalents at beginning of year	17,088	17,394	152,314
Increase in cash and cash equivalents resulting from change of scope of consolidation	184	50	1,635
Cash and cash equivalents at end of year (Note 12)	<u>¥ 22,936</u>	<u>¥ 17,088</u>	<u>\$ 204,438</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated foreign subsidiaries are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified four items as applicable in compliance with ASBJ Practical Solution No. 18, “Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements.”

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to US\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 42 (41 in 2016) significant domestic and foreign subsidiaries (together “the Companies”), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 5 affiliates (1 unconsolidated subsidiary and 5 affiliates in 2016) accounted for by the equity method. Intercompany transactions and accounts are eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For 6 consolidated subsidiaries, including SHANGHAI INABATA TRADING CO., LTD., the consolidation method under which tentative financial statements as of March 31 (the consolidated balance sheet date) were prepared in the same manner as the regular year-end financial statements are used for consolidation purposes due to the regulations regarding the accounting period in the respective countries.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivable - trade, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount is individually estimated. With respect to doubtful receivables of foreign consolidated subsidiaries, the allowance is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with fair market values are stated at fair market value on the last day of the year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivative transactions are measured at fair value. Hedging instruments which meet the criteria for hedge accounting are accounted for using deferral hedge accounting, which requires that the unrealized gain or loss to be deferred as a component of net assets until the loss or gain on the related hedged item is recognized.

Certain forward foreign exchange contracts, certain currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method. The allocation method requires that foreign currency monetary receivables and payables covered by forward foreign exchange contracts are translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying loans.

With regard to forward foreign exchange contracts and currency swap transactions, the evaluation of the hedge effectiveness is omitted if the significant terms of the hedging instruments and those of the hedged items are the same and the risk of change in foreign exchange rates is effectively hedged. With regard to interest rate swap transactions which meet the criteria for the special method, the evaluation of hedge effectiveness is omitted.

The Companies enter into forward foreign exchange contracts, interest rate swap transactions and currency swap transactions to control risks related to fluctuations in the exchange rates of foreign currencies and interest rates. Forward foreign exchange contracts and currency swap transactions are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables, payables and forecasted transactions denominated in foreign currencies. Interest rate swap transactions are used to hedge the risk of fluctuations in interest rates with respect to long-term loans payable.

The Companies use these derivative transactions in connection with managing their market risk and not for speculation or dealing purposes. The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into in accordance with risk management policies.

(f) Inventories

Inventories are stated mainly at the lower of cost determined by the moving average method or net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated by the straight-line method. Software is depreciated by the straight-line

method over its estimated useful life.

(j) Goodwill

Goodwill is depreciated by the straight-line method over five years.

(k) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants' taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates. Revenue and expense accounts are translated into Japanese yen at the average exchange rates during the year. The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in non-controlling interests.

(m) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are recognized mainly in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

The estimated amount of all retirement benefits to be paid at future retirement dates is attributed to each period using a benefit formula basis.

Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years.

Prior service cost is recognized in the income statement using the straight-line method over 14 years.

Directors, corporate auditors and executive officers of certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed as of the balance sheet date.

Directors' retirement benefits for officers of the Company's subsidiaries had been made at an estimated

amount based on the Company's internal rules for retirement allowances.

(n) Provision for bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(o) Allowance for investment loss

To cover possible losses exceeding acquisition costs associated with securities with no fair market values, the Companies assess the financial condition of each invested company and record an estimated allowance for such losses based on the estimated exposure.

(p) Provision for loss on guarantees

To cover possible losses associated with guarantees that the Companies provide to third parties, the Companies assess the financial condition of each guaranteed party and record an estimated allowance for such losses based on the estimated exposure.

(q) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the years ended March 31, 2016 have been made to conform to the 2017 presentation. These reclassifications had no impact on the previously reported results of operations or retained earnings.

(r) Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

3. Accounting changes

Year ended March 31, 2016

Change in accounting policies

(Accounting standard for business combinations)

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year.

As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred.

In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

The Company also changed the presentation of net income and the term “non-controlling interests” is used instead of “minority interests.” Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.

These changes had no effect on profit and loss for the consolidated financial statements of the year ended March 31, 2016.

Accounting standards issued but not yet applied

(“Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, “Guidance No. 26”)))

(a) Overview

Following the framework in Auditing Committee Report No. 66 “Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets,” which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

- (1) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
- (2) Criteria for types 2 and 3;
- (3) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
- (4) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
- (5) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(c) Effects of application of the Guidance

The Companies are currently in the process of determining the effects of this new standards on the consolidated financial statements

Year ended March 31, 2017

Additional information

(Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, “Guidance No.26”)) from the current fiscal year.

4. Securities

(a) The following summarizes information on securities with fair values as of March 31, 2017 and 2016.

(1) Trading securities:

At March 31, 2017 and 2016, there were no trading securities with fair market values.

(2) Marketable available-for-sale securities as of March 31, 2017 and 2016:

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Equity securities:			
Acquisition costs	¥ 6,960	¥ 6,658	\$ 62,038
Book values	71,661	51,824	638,745
Differences	¥ 64,701	¥ 45,166	\$ 576,707
Bonds:			
Acquisition costs	¥ -	¥ -	\$ -
Book values	-	-	-
Differences	¥ -	¥ -	\$ -

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Equity securities:			
Acquisition costs	¥ 153	¥ 733	\$ 1,365
Book values	140	699	1,249
Differences	¥ (13)	¥ (34)	\$ (116)
Bonds:			
Acquisition costs	¥ -	¥ 120	\$ -
Book values	-	115	-
Differences	¥ -	¥ (5)	\$ -
Others:			
Acquisition costs	¥ 68	¥ 46	\$ 605
Book values	68	46	605
Differences	¥ -	¥ -	\$ -

(b) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total sales of available-for-sale securities:	¥ 5,151	¥ 1,422	\$ 45,910
Amount of related gains	4,457	834	39,731
Amount of related losses	-	30	-

(c) The loss on valuation of investment securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loss on valuation of investment securities	¥ 1,702	¥ 61	\$ 15,169

The Companies recognize impairment loss when at the end of the period the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30%, if necessary, considering the possibility of market value recovery and other factors.

5. Derivatives

(a) Derivative transactions for which hedge accounting is not applied

(1) Currency related

		Millions of yen			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 3	¥ -	¥ 0	¥ 0
	Japanese yen	19	-	(0)	(0)
	Euro	7	-	0	0
	Buying:				
	U.S. dollars	659	-	(6)	(6)
	Japanese yen	397	-	(3)	(3)
	Total	¥ 1,085	¥ -	¥ (9)	¥ (9)

		Millions of yen			
		March 31, 2016			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 44	¥ -	¥ 0	¥ 0
	Japanese yen	70	-	(1)	(1)
	Buying:				
	U.S. dollars	381	-	(2)	(2)
	Japanese yen	380	-	5	5
	Total	¥ 875	¥ -	¥ 2	¥ 2

		Thousands of U.S. dollars			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	\$ 30	\$ -	\$ 0	\$ 0
	Japanese yen	166	-	(3)	(3)
	Euro	66	-	2	2
	Buying:				
	U.S. dollars	5,869	-	(54)	(54)
	Japanese yen	3,542	-	(29)	(29)
	Total	\$ 9,673	\$ -	\$ (84)	\$ (84)

(2) Interest rate related

		Millions of yen			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps: (Pay fixed rate, receive floating rate)	¥ 1,234	¥ 1,234	¥ 2	¥ 2
	Total	<u>¥ 1,234</u>	<u>¥ 1,234</u>	<u>¥ 2</u>	<u>¥ 2</u>

		Millions of yen			
		March 31, 2016			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps: (Pay fixed rate, receive floating rate)	¥ 2,813	¥ 2,813	¥ (18)	¥ (18)
	Total	<u>¥ 2,813</u>	<u>¥ 2,813</u>	<u>¥ (18)</u>	<u>¥ (18)</u>

		Thousands of U.S. dollars			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps: (Pay fixed rate, receive floating rate)	\$ 11,000	\$ 11,000	\$ 22	\$ 22
	Total	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 22</u>	<u>\$ 22</u>

(3) Stock related

		Millions of yen			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Market transaction	Options: (Buy)	¥ -	¥ -	¥ 105	¥ 105
	Total	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 105</u>	<u>¥ 105</u>

		Millions of yen			
		March 31, 2016			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Market transaction	Options: (Buy)	¥ -	¥ -	¥ 109	¥ 109
	Total	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 109</u>	<u>¥ 109</u>

		Thousands of U.S. dollars			
		March 31, 2017			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Market transaction	Options: (Buy)	\$ -	\$ -	\$ 941	\$ 941
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 941</u>	<u>\$ 941</u>

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2017 and 2016, respectively.

(b) Derivative transactions for which hedge accounting is applied

(1) Currency related

		Millions of yen			
		March 31, 2017			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 1,021	¥ -	¥ (13)
	Euro	Accounts	9	-	0
	Swiss franc	receivable	1	-	0
Deferral hedge accounting (*1)	China yuan	- trade	118	-	(2)
	Thai baht		108	-	(2)
	Buying:				
	U.S. dollars		3,011	-	7
	Euro	Accounts	420	-	(1)
	China yuan	payable	9	-	(0)
	Thai baht	- trade	413	-	6
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 4,696	¥ -	
	G.B. pound		37	-	
	Euro	Accounts	2,561	-	
	Swiss franc	receivable	2	-	
	China yuan	- trade	130	-	
	Thai baht		58	-	
Allocation method for forward foreign exchange contracts, etc.					(*2)
	Buying:				
	U.S. dollars		1,159	-	
	Euro	Accounts	76	-	
	China yuan	payable	20	-	
	Thai baht	- trade	65	-	
	Currency swaps:	Long-term loans payable	1,500	-	
	Total		<u>¥ 15,414</u>	<u>¥ -</u>	<u>¥ (5)</u>

		Millions of yen			
		March 31, 2016			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 2,780	¥ -	¥ 17
	G.B. pound		0	-	0
	Euro	Accounts receivable	29	-	(0)
	Swiss franc	- trade	1	-	(0)
	China yuan		10	-	(0)
	Thai baht		2	-	(0)
	Buying:				
	U.S. dollars		5,024	-	(135)
	Euro	Accounts payable	494	-	(5)
	China yuan	- trade	211	-	(1)
	Thai baht		421	-	(13)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 3,466	¥ -	
	G.B. pound		26	-	
	Euro	Accounts receivable	1,128	-	
	Swiss franc	- trade	7	-	
	China yuan		13	-	
	Thai baht		35	-	
	Buying:				
	U.S. dollars		835	-	(*2)
	G.B. pound	Accounts payable	5	-	
	Euro	- trade	90	-	
	China yuan		77	-	
	Thai baht		50	-	
	Currency swaps:	Long-term loans payable	2,409	1,500	
	Total		<u>¥ 17,113</u>	<u>¥ 1,500</u>	<u>¥ (137)</u>

		Thousands of U.S. dollars			
		March 31, 2017			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 9,103	\$ -	\$ (112)
	Euro	Accounts	77	-	0
	Swiss franc	receivable	7	-	0
Deferral hedge accounting (*1)	China yuan	- trade	1,054	-	(17)
	Thai baht		964	-	(15)
	Buying:				
	U.S. dollars		26,842	-	59
	Euro	Accounts	3,740	-	(10)
	China yuan	payable	79	-	(1)
	Thai baht	- trade	3,683	-	53
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 41,863	\$ -	
	G.B. pound		328	-	
	Euro	Accounts	22,828	-	
	Swiss franc	receivable	18	-	
Allocation method for forward foreign exchange contracts, etc.	China yuan	- trade	1,156	-	
	Thai baht		521	-	(*2)
	Buying:				
	U.S. dollars		10,328	-	
	Euro	Accounts	674	-	
	China yuan	payable	175	-	
	Thai baht	- trade	581	-	
	Currency swaps:	Long-term loans payable	13,370	-	
	Total		<u>\$ 137,391</u>	<u>\$ -</u>	<u>\$ (43)</u>

(*1) Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2017 and 2016, respectively.

(*2) Since forward foreign exchange contracts, etc., are accounted for by the allocation method (refer to Note 2(e)), their fair value is included in that of the account receivable - trade, account payable - trade and long-term loans payable disclosed in Note 15, "Financial instruments".

(2) Interest rate related

		Millions of yen			
		March 31, 2017			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting (*1)	Interest rate swaps: (Pay fixed rate, receive floating rate)	Long-term loans payable	¥ 1,571	¥ 1,571	¥ (17)
Special method	Interest rate swaps: (Pay fixed rate, receive floating rate)	Long-term loans payable	3,087	1,596	(*)
	Total		<u>¥ 4,658</u>	<u>¥ 3,167</u>	<u>¥ (17)</u>

		Millions of yen			
		March 31, 2016			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
Special method	Interest rate swaps: (Pay fixed rate, receive floating rate)	Long-term loans payable	¥ 2,197	¥ 2,085	¥ (*)
	Total		<u>¥ 2,197</u>	<u>¥ 2,085</u>	<u>¥ -</u>

		Thousands of U.S. dollars			
		March 31, 2017			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting (*1)	Interest rate swaps: (Pay fixed rate, receive floating rate)	Long-term loans payable	\$ 14,000	\$ 14,000	\$ (156)
Special method	Interest rate swaps: (Pay fixed rate, receive floating rate)	Long-term loans payable	27,517	14,233	(*)
	Total		<u>\$ 41,517</u>	<u>\$ 28,233</u>	<u>\$ (156)</u>

(*) Since interest rate swaps are accounted for by the special method (refer to Note 2(e)), their fair value is included in that of the long-term loans payable disclosed in Note 15, "Financial instruments".

6. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

- (a) The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2017	2016
Statutory tax rate	30.9%	33.1%
Share of (profit) loss of entities accounted for using equity method	(0.8)	(1.5)
Expenses not deductible for income tax purposes	1.8	2.3
Dividends and other income deductible for income tax purposes	(3.6)	(10.2)
Net adjustment resulting from elimination of dividend income	2.1	8.8
Unrealized tax benefits, such as those on prior losses of consolidated subsidiaries	6.6	(2.0)
Different tax rates applied at foreign subsidiaries	(3.2)	(3.4)
Income taxes for prior periods	1.2	(0.3)
Foreign source taxes	0.3	0.7
Decrease in deferred tax assets (liabilities) resulting from changes in statutory tax rates	0.1	0.1
Other, net	(0.5)	(0.2)
Effective tax rate	<u>34.9%</u>	<u>27.4%</u>

- (b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for doubtful accounts	¥ 566	¥ 398	\$ 5,042
Loss carryforwards	311	255	2,773
Net defined benefit liability	319	338	2,845
Net defined benefit asset	119	189	1,060
Directors' retirement benefits	25	24	220
Unrealized profit on inventories	197	190	1,758
Unrealized profit on property, plant and equipment	315	317	2,811
Depreciation	225	158	2,002
Write-down of golf club memberships	12	12	111
Write-down of investment securities	775	225	6,909
Write-down of inventories	98	79	871
Provision for bonuses	293	298	2,610
Enterprise taxes payable	159	124	1,417
Allowance for investment loss	41	-	369
Provision for loss on guarantees	97	-	869
Other	643	642	5,724
Total deferred tax assets	<u>4,195</u>	<u>3,249</u>	<u>37,391</u>
Valuation allowance	(2,097)	(1,027)	(18,691)
Net deferred tax assets	<u>2,098</u>	<u>2,222</u>	<u>18,700</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(662)	(662)	(5,897)
Valuation difference on available-for-sale securities	(19,558)	(13,540)	(174,331)
Other	(193)	(123)	(1,720)
Total deferred tax liabilities	<u>(20,413)</u>	<u>(14,325)</u>	<u>(181,948)</u>
Net deferred tax liabilities	<u>¥ (18,315)</u>	<u>¥ (12,103)</u>	<u>\$ (163,248)</u>

Net deferred tax liabilities as of March 31, 2017 and 2016 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets (current assets)	¥ 735	¥ 899	\$ 6,550
Deferred tax assets (investment and other assets)	675	586	6,017
Deferred tax liabilities (current liabilities)	-	-	-
Deferred tax liabilities (non-current liabilities)	(19,725)	(13,588)	(175,815)
Net deferred tax liabilities	¥ (18,315)	¥ (12,103)	\$ (163,248)

(c) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 30.9% for years beginning on or after April 1, 2016 and 30.6% for years beginning on or after April 1, 2018.

Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates as of March 31, 2016, net deferred tax assets decreased by ¥33 million, net deferred tax liabilities decreased by ¥746 million, remeasurements of defined benefit plans decreased by ¥15 million, income taxes - deferred recognized for the year ended March 31, 2016 increased by ¥10 million and valuation difference on available-for-sale securities increased by ¥737 million.

7. Pledged assets

At March 31, 2017 and 2016, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investment securities	¥ 12,398	¥ 8,346	\$ 110,506

8. Impairment loss

Impairment loss on non-current assets for the year ended March 31, 2017 consisted of the following:

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
			2017	2017
Production facilities for plastic compounds	Buildings	Laguna Philippines	¥ 269	\$ 2,398
	Machinery and equipment		428	3,816
	Others		17	151
		Total	¥ 714	\$ 6,365

The Company and its subsidiaries grouped their assets principally by industry segment. Leased assets and idle assets were grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment loss of ¥714 million (\$6,365 thousand) due to the book value exceeding future cash flow as a result of a decrease in the profitability of the consolidated subsidiary. The recoverable amounts were determined based on the estimated utility value that discounted future cash flow by 17.46%.

There was no impairment loss on non-current assets for the year ended March 31, 2016.

9. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Research and development expenses	¥ 36	¥ 171	\$ 321

10. Short-term loans payable and long-term loans payable

Short-term loans payable at March 31, 2017 and 2016 consisted of bank loans bearing interest at average annual rates of 2.18% and 1.75%, respectively. Long-term loans payable due within one year at March 31, 2017 and 2016 consisted of bank loans bearing interest at average annual rates of 1.63% and 1.30%, respectively.

(a) Long-term loans payable at March 31, 2017 and 2016 consisted of the follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured loans from banks and insurance companies, due through 2025	¥ 27,822	¥ 27,356	\$ 247,991
Less amounts due within one year	(8,547)	(3,363)	(76,180)
Total	¥ 19,275	¥ 23,993	\$ 171,811

(b) The aggregate annual maturities of long-term loans payable at March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
2019	¥ 5,172	\$ 46,104
2020	7,414	66,082
2021	1,173	10,460
2022	2,000	17,827
2023 and thereafter	3,516	31,338
Total	¥ 19,275	\$ 171,811

(c) In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with 6 banks. The status of these lines of credit at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lines of credit	¥ 23,463	¥ 23,521	\$ 209,135
Credit utilized	-	-	-

11. Retirement and pension plans

(a) Defined benefit pension plans

- (1) The change in the retirement benefit obligation for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Balance at the beginning of the year	¥ 8,750	¥ 8,047	\$ 77,992
Service cost	451	408	4,030
Interest cost	55	93	491
Actuarial differences	188	543	1,675
Retirement benefits paid	(311)	(279)	(2,775)
Others	15	(62)	130
Balance at the end of the year	¥ 9,148	¥ 8,750	\$ 81,543

- (2) The change in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Balance at the beginning of the year	¥ 9,961	¥ 10,933	\$ 88,784
Expected return on plan assets	238	253	2,122
Actuarial differences	609	(1,007)	5,438
Contributions by the Company and its consolidated subsidiaries	79	5	702
Retirement benefits paid	(209)	(221)	(1,866)
Others	(0)	(2)	(3)
Balance at the end of the year	¥ 10,678	¥ 9,961	\$ 95,177

- (3) The following table sets forth the funded status of the plans and the amounts recognized in the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Funded projected benefit obligations	¥ 8,275	¥ 7,964	\$ 73,750
Plan assets	(10,678)	(9,961)	(95,177)
Subtotal	(2,403)	(1,997)	(21,427)
Unfunded projected benefit obligations	874	786	7,792
Net amount of liability and asset in consolidated balance sheet	(1,529)	(1,211)	(13,635)
Liabilities (net defined benefit liability)	1,192	1,292	10,623
Assets (net defined benefit asset)	(2,721)	(2,503)	(24,258)
Net amount of liability and asset in consolidated balance sheet	¥ (1,529)	¥ (1,211)	\$ (13,635)

- (4) The components of retirement benefit expense for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Service cost	¥ 452	¥ 408	\$ 4,030
Interest cost	55	93	491
Expected return on plan assets	(238)	(253)	(2,122)
Amortization of actuarial differences	61	(13)	545
Amortization of prior service cost	(0)	(5)	(3)
Retirement benefit expense	¥ 330	¥ 230	\$ 2,941

(5) Actuarial differences and prior service cost included in 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
Prior service cost	¥ (0)	¥ (5)	\$ (3)
Actuarial differences	483	(1,563)	4,312
Total	¥ 483	¥ (1,568)	\$ 4,309

(6) Unrecognized actuarial differences and unrecognized prior service cost included in accumulated other comprehensive income as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized prior service cost	¥ (21)	¥ (21)	\$ (188)
Unrecognized actuarial differences	419	901	3,739
Total	¥ 398	¥ 880	\$ 3,551

(7) The allocation of plan assets by major category as a percentage of total plan assets at the fair value as of March 31, 2017 and 2016 was as follows:

	2017	2016
Bonds	43.4%	36.3%
Equity securities	53.7	60.0
Cash and time deposits	2.6	3.4
Others	0.3	0.3
Total	100.0%	100.0%

Note: 1. The expected long-term rate of return on plan assets is determined with consideration for both the present and future portfolio allocation and the expected long-term rate of return on multiple plan assets at present and in the future.

2. Total plan assets include securities contributed to the retirement benefit trust (33.2% at March 31, 2017 and 30.2% at March 31, 2016).

(8) The assumptions used in accounting for the above plans were as follows:

	2017	2016
Discount rate	0.4%	0.4%
Expected long-term rate of return on plan assets	3.0%	3.0%

(b) Defined contribution pension plans

The required contribution to the defined contribution pension plans for the years ended March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Contribution to defined contribution pension plans by the Company and its consolidated subsidiaries	¥ 89	¥ 116	\$ 793

12. Cash and time deposits

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and time deposits	¥ 27,366	¥ 21,316	\$ 243,924
Time deposits with maturities of more than three months	(4,430)	(4,228)	(39,486)
Cash and cash equivalents	¥ 22,936	¥ 17,088	\$ 204,438

13. Other comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component 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
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 23,498	¥ (4,642)	\$ 209,451
Reclassification adjustments	(3,809)	(834)	(33,954)
Amount before tax effect	19,689	(5,476)	175,497
Tax effect	(6,019)	2,517	(53,646)
Subtotal, net of tax effect	13,670	(2,959)	121,851
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	115	(20)	1,026
Reclassification adjustments	-	-	-
Amount before tax effect	115	(20)	1,026
Tax effect	(39)	6	(348)
Subtotal, net of tax effect	76	(14)	678
Foreign currency translation adjustment:			
Increase (decrease) during the year	(374)	(3,889)	(3,337)
Reclassification adjustments	14	66	129
Amount before tax effect	(360)	(3,823)	(3,208)
Tax effect	-	-	-
Subtotal, net of tax effect	(360)	(3,823)	(3,208)
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	418	(1,545)	3,724
Reclassification adjustments	65	(23)	585
Amount before tax effect	483	(1,568)	4,309
Tax effect	(146)	493	(1,305)
Subtotal, net of tax effect	337	(1,075)	3,004
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	106	(177)	944
Reclassification adjustments	-	(1)	-
Subtotal	106	(178)	944
Total other comprehensive income	¥ 13,829	¥ (8,049)	\$ 123,269

14. Segment information

(a) General information about reportable segments.

Inabata Group's reportable segments represent the group's component divisions for which separate financial information is available. This information is regularly evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. Inabata Group is primarily engaged in the trading of merchandise, the manufacture and sale of various products and the provision of services in Japan and abroad and operates its business in line with a comprehensive strategy regarding merchandise, products and services for domestic and international markets. For effective business management purposes, Inabata Group has segmented its corporate sales and marketing functions into 5 divisions (reportable segments) based on merchandise, products and target markets/industries, namely: IT & Electronics, Chemicals, Life Industry, Plastics and Housing & Eco Materials.

The major merchandise, products and services covered by each reportable segment are as follows:

IT & Electronics:	Semiconductor manufacturing equipment Electronic materials, including parts Dyes for printing Raw materials for copying
Chemicals:	Motor parts and raw materials Raw materials for plastic resin Dyestuffs
Life Industry:	Pharmaceutical and agricultural chemicals and bulk raw materials Raw materials for insecticides Raw materials for toiletries Raw and processed agricultural products Raw and processed marine products
Plastics:	General purpose plastics Engineering plastics
Housing & Eco Materials:	Lumber Composite materials Wooden building materials Residential housing equipment

(b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

Accounting methods applied to the reportable business segments are generally the same as those described in Note 2, "Summary of significant accounting policies." Segment income derives from operating income. Inter-segment profits and transfers are based on prevailing market prices.

(c) Information about reportable segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen							
	Year ended March 31, 2017							
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥ 221,024	¥ 48,047	¥ 40,434	¥ 251,886	¥ 25,064	¥ 175	¥ -	¥ 586,630
Intersegment	-	-	-	-	-	-	-	-
Total	221,024	48,047	40,434	251,886	25,064	175	-	586,630
Segment income (loss)	¥ 3,992	¥ 1,003	¥ 1,821	¥ 5,397	¥ 261	¥ 143	¥ -	¥ 12,617
Total assets	¥ 95,295	¥ 28,894	¥ 22,429	¥ 112,384	¥ 10,153	¥ 397	¥ 70,595	¥ 340,147
Depreciation and amortization	¥ 374	¥ 176	¥ 227	¥ 1,211	¥ 63	¥ 16	¥ -	¥ 2,067
Amortization of goodwill	3	-	-	1	-	-	-	4
Investments in equity method affiliates	1,905	1,127	-	634	-	-	-	3,666
Increases in tangible and intangible assets	¥ 178	¥ 150	¥ 191	¥ 1,574	¥ 4	¥ -	¥ 335	¥ 2,432

	Millions of yen							
	Year ended March 31, 2016							
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥ 211,659	¥ 48,198	¥ 41,022	¥ 251,164	¥ 24,818	¥ 176	¥ -	¥ 577,037
Intersegment	-	-	-	-	-	-	-	-
Total	211,659	48,198	41,022	251,164	24,818	176	-	577,037
Segment income (loss)	¥ 3,835	¥ 1,011	¥ 1,524	¥ 4,434	¥ 421	¥ 146	¥ -	¥ 11,371
Total assets	¥ 86,532	¥ 25,369	¥ 21,511	¥ 106,576	¥ 10,321	¥ 399	¥ 54,728	¥ 305,436
Depreciation and amortization	¥ 590	¥ 145	¥ 257	¥ 1,220	¥ 58	¥ -	¥ -	¥ 2,270
Amortization of goodwill	40	-	-	-	-	-	-	40
Investments in equity method subsidiary and affiliates	1,797	950	-	875	-	-	-	3,622
Increases in tangible and intangible assets	¥ 818	¥ 146	¥ 103	¥ 1,324	¥ 0	¥ -	¥ 677	¥ 3,068

	Thousands of U.S. dollars							
	Year ended March 31, 2017							
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	\$ 1,970,081	\$ 428,265	\$ 360,409	\$ 2,245,171	\$ 223,408	\$ 1,564	\$ -	\$ 5,228,898
Intersegment	-	-	-	-	-	-	-	-
Total	1,970,081	428,265	360,409	2,245,171	223,408	1,564	-	5,228,898
Segment income (loss)	\$ 35,583	\$ 8,943	\$ 16,231	\$ 48,103	\$ 2,325	\$ 1,272	\$ -	\$ 112,457
Total assets	\$ 849,409	\$ 257,541	\$ 199,919	\$ 1,001,728	\$ 90,499	\$ 3,540	\$ 629,249	\$ 3,031,885
Depreciation and amortization	\$ 3,333	\$ 1,569	\$ 2,025	\$ 10,789	\$ 565	\$ 143	\$ -	\$ 18,424
Amortization of goodwill	27	-	-	6	-	-	-	33
Investments in equity method affiliates	16,985	10,042	-	5,654	-	-	-	32,681
Increases in tangible and intangible assets	\$ 1,592	\$ 1,339	\$ 1,699	\$ 14,028	\$ 37	\$ -	\$ 2,982	\$ 21,677

Note: 1. "Others" includes business such as real estate rental services not included in reportable segments.

2. Corporate assets included in the Elimination & Corporate column in the amount of ¥70,595 million (\$629,249 thousand) and ¥54,728 million for the years ended March 31, 2017 and 2016, respectively, are mainly surplus funds (cash and deposits), long-term investment funds (investment securities, etc.) and assets pertaining to administrative functions of the Company.

3. An increase in capital expenditure stated in the Elimination & Corporate column in the amount of ¥335 million (\$2,982 thousand) and ¥677 million for the years ended March 31, 2017 and 2016, respectively, is attributable to the Company's administrative functions.

4. Segment income (loss) has been adjusted to be consistent with operating income in the consolidated financial statements.
5. Effective from the year ended March 31, 2017, as a result of the reexamination of reportable segments, the Company changed the classification of “the business of design, construction and sales of hoists and cranes” from “Others” segment to “IT & Electronics” segment. The segment information for the year ended March 31, 2016 is presented to conform to the change in the segmentation of the current year.

[Related information]

(a) Geographic information

(1) Net sales

Millions of yen						
Year ended March 31, 2017						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 225,038	¥ 131,575	¥ 201,465	¥ 15,926	¥ 12,626	¥ 586,630	

Millions of yen						
Year ended March 31, 2016						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 220,798	¥ 128,663	¥ 199,764	¥ 16,371	¥ 11,441	¥ 577,037	

Thousands of U.S. dollars						
Year ended March 31, 2017						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 2,005,860	\$ 1,172,791	\$ 1,795,749	\$ 141,960	\$ 112,538	\$ 5,228,898	

Note: Sales amounts are based on customer locations and divided into countries and regions.

(2) Property, plant and equipment

Millions of yen						
Year ended March 31, 2017						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 4,731	¥ 4,918	¥ 866	¥ 37	¥ 829	¥ 11,381	

Millions of yen						
Year ended March 31, 2016						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 4,896	¥ 4,387	¥ 926	¥ 34	¥ 1,023	¥ 11,266	

Thousands of U.S. dollars						
Year ended March 31, 2017						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 42,169	\$ 43,834	\$ 7,722	\$ 330	\$ 7,391	\$ 101,446	

(b) Information on the amount of impairment loss on non-current assets by reportable segment

		Millions of yen										
		Year ended March 31, 2017										
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated				
Impairment loss	¥	-	¥	-	¥	714	¥	-	¥	-	¥	714

		Thousands of U.S. dollars										
		Year ended March 31, 2017										
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated				
Impairment loss	\$	-	\$	-	\$	6,365	\$	-	\$	-	\$	6,365

There was no impairment loss on non-current assets for the year ended March 31, 2016.

(c) Information on the amount of amortization and the unamortized balance of goodwill by reportable segment

		Millions of yen										
		Year ended March 31, 2017										
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated				
Amortization	¥	3	¥	-	¥	1	¥	-	¥	-	¥	4
Unamortized balance		3		-		13		-		-		16

		Millions of yen										
		Year ended March 31, 2016										
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated				
Amortization	¥	40	¥	-	¥	-	¥	-	¥	-	¥	40
Unamortized balance		6		-		-		-		-		6

		Thousands of U.S. dollars										
		Year ended March 31, 2017										
	IT & Electronics	Chemicals	Life Industry	Plastics	Housing & Eco Materials	Others	Elimination & Corporate	Consolidated				
Amortization	\$	27	\$	-	\$	6	\$	-	\$	-	\$	33
Unamortized balance		27		-		118		-		-		145

15. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2017 and 2016 were as follows:

	Millions of yen		
	March 31, 2017		
	Book values	Fair values	Differences
Cash and time deposits	¥ 27,366	¥ 27,366	¥ -
Notes and accounts receivable - trade	157,375		
Allowance for doubtful accounts (*1)	(1,068)		
	156,307	156,307	-
Trading securities and investment securities			
Available-for-sale securities	71,869	71,869	-
Long-term loans receivable	660		
Allowance for doubtful accounts (*1)	(126)		
	534	551	17
Total Assets	¥ 256,076	¥ 256,093	¥ 17
Notes and accounts payable - trade	¥ 87,777	¥ 87,777	¥ -
Short-term loans payable (*2)	51,801	51,801	-
Long-term loans payable	19,275	19,417	(142)
Total Liabilities	¥ 158,853	¥ 158,995	¥ (142)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ 98	¥ 98	¥ -
Derivative transactions for which hedge accounting is applied	(22)	(22)	-
Total Derivative Transactions	¥ 76	¥ 76	¥ -

	Millions of yen		
	March 31, 2016		
	Book values	Fair values	Differences
Cash and time deposits	¥ 21,316	¥ 21,316	¥ -
Notes and accounts receivable - trade	145,565		
Allowance for doubtful accounts (*1)	(991)		
	144,574	144,574	-
Trading securities and investment securities			
Available-for-sale securities	52,684	52,684	-
Long-term loans receivable	1,057		
Allowance for doubtful accounts (*1)	(42)		
	1,015	1,051	36
Total Assets	¥ 219,589	¥ 219,625	¥ 36
Notes and accounts payable - trade	¥ 83,265	¥ 83,265	¥ -
Short-term loans payable (*2)	44,384	44,384	-
Long-term loans payable	23,993	24,487	(494)
Total Liabilities	¥ 151,642	¥ 152,136	¥ (494)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ 93	¥ 93	¥ -
Derivative transactions for which hedge accounting is applied	(137)	(137)	-
Total Derivative Transactions	¥ (44)	¥ (44)	¥ -

	Thousands of U.S. dollars		
	March 31, 2017		
	Book values	Fair values	Differences
Cash and time deposits	\$ 243,924	\$ 243,924	\$ -
Notes and accounts receivable - trade	1,402,756		
Allowance for doubtful accounts (*1)	(9,525)		
	1,393,231	1,393,231	-
Trading securities and investment securities			
Available-for-sale securities	640,599	640,599	-
Long-term loans receivable	5,880		
Allowance for doubtful accounts (*1)	(1,118)		
	4,762	4,912	149
Total Assets	\$ 2,282,516	\$ 2,282,665	\$ 149
Notes and accounts payable - trade	\$ 782,397	\$ 782,397	\$ -
Short-term loans payable (*2)	461,725	461,725	-
Long-term loans payable	171,811	173,074	(1,263)
Total Liabilities	\$ 1,415,933	\$ 1,417,196	\$ (1,263)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	\$ 879	\$ 879	\$ -
Derivative transactions for which hedge accounting is applied	(199)	(199)	-
Total Derivative Transactions	\$ 680	\$ 680	\$ -

(*1) The balance of "Allowance for doubtful accounts" is deducted individually from the balances of "Notes and accounts receivable - trade" and "Long-term loans receivable."

(*2) At March 31, 2017 and 2016, short-term loans payable include long-term loans payable due within one year in the amount of ¥8,547 million (\$76,180 thousand) and ¥3,363 million, respectively.

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Methods used to calculate fair values of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and time deposits

Because "Cash and time deposits" are short-term and their book values approximate the fair value, these instruments are stated at book value.

(2) Notes and accounts receivable - trade

Because "Notes and accounts receivable - trade" are short-term and their book values approximate the fair value, these instruments are stated at book value. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

(3) Trading securities and investment securities

The fair value of equity securities is equivalent to the quoted market price, if available. The fair value of bonds is calculated using the present value as determined by discounting the total amount of principal and interest at a rate determined by taking into account the current maturity and credit risks. Because negotiable deposits are short-term and their book values approximate the fair value, these instruments are stated at book value. See Note 4, "Securities," for matters relating to trading securities and investment securities based on holding purposes.

(4) Long-term loans receivable

For long-term loans receivable at floating interest rates, market interest rates are reflected over a short period. As such, they are stated at book value because the book value approximates fair value unless the borrower's credit status has become materially different after such loans were made. The fair value of long-term loans receivable at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. Future cash flows are calculated for each group and discounted by a rate that is the sum of an appropriate index rate, such as the long-term prime rate, and the credit spread. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

Liabilities

(1) Notes and accounts payable - trade and (2) Short-term loans payable

Because "Notes and accounts payable - trade" and "Short-term loans payable" are short-term and their book values approximate the fair value, these instruments are stated at book value.

(3) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest at a rate that is assumed to be applied when a similar loan is newly borrowed. A part of the long-term loans payable is subject to currency swaps. The fair value of these long-term loans payable is determined by discounting the future cash flows that were accounted for as a single item with the related currency swaps at the rate that is assumed to apply if a similar new loan was taken out.

Derivative Transactions

See Note 5, "Derivatives."

(b) The following table summarizes book values of financial instruments with no fair values as of March 31, 2017 and 2016:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Investments in unconsolidated subsidiaries and affiliates	¥ 5,048	¥ 5,617	\$ 44,998
Available-for-sale securities			
Unlisted equity securities	4,252	4,454	37,898
Others	5	6	48
Total	¥ 9,305	¥ 10,077	\$ 82,944

The above items are not included in "Trading securities and investment securities" because the absence of a market value makes it impossible to estimate future cash flows and extremely difficult to determine the fair value.

(c) Financial instruments with maturities as of March 31, 2017 and 2016 were as follows:

Millions of yen				
March 31, 2017				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 27,366	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	157,017	128	230	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	68	-	-	-
Long-term loans receivable	-	659	0	1
Total	¥ 184,451	¥ 787	¥ 230	¥ 1

Millions of yen				
March 31, 2016				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 21,316	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	145,013	399	153	-
Available-for-sale securities				
Bonds	115	-	-	-
Others	46	-	-	-
Long-term loans receivable	-	858	143	56
Total	¥ 166,490	¥ 1,257	¥ 296	¥ 56

Thousands of U.S. dollars				
March 31, 2017				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	\$ 243,924	\$ -	\$ -	\$ -
Notes and accounts receivable - trade	1,399,564	1,143	2,049	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	605	-	-	-
Long-term loans receivable	-	5,872	0	8
Total	\$ 1,644,093	\$ 7,015	\$ 2,049	\$ 8

(d) Short-term loans payable and long-term loans payable with maturities as of March 31, 2017 and 2016 were as follows:

Millions of yen				
March 31, 2017				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 43,254	¥ -	¥ -	¥ -
Long-term loans payable	8,547	15,759	3,516	19,275
Total	¥ 51,801	¥ 15,759	¥ 3,516	¥ 19,275

Millions of yen				
March 31, 2016				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 44,384	¥ -	¥ -	¥ -
Long-term loans payable	-	18,477	5,516	-
Total	¥ 44,384	¥ 18,477	¥ 5,516	¥ -

Thousands of U.S. dollars				
March 31, 2017				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	\$ 385,545	\$ -	\$ -	\$ -
Long-term loans payable	76,180	140,473	31,338	171,811
Total	\$ 461,725	\$ 140,473	\$ 31,338	\$ 171,811

16. Shareholders' equity

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under 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, which is included in capital surplus.

Under the Law, in cases in which a 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 Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The change in common stock for the years ended March 31, 2017 and 2016 was as follows:

		Number of shares			
		Year ended March 31, 2017			
		April 1, 2016	Increase	Decrease	March 31, 2017
Common stock		63,499,227	-	-	63,499,227

		Number of shares			
		Year ended March 31, 2016			
		April 1, 2015	Increase	Decrease	March 31, 2016
Common stock		63,499,227	-	-	63,499,227

17. Treasury stock

The change in treasury stock for the years ended March 31, 2017 and 2016 was as follows:

	Number of shares			
	Year ended March 31, 2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Treasury stock	1,402,268	600,037	-	2,002,305

The increase in treasury stock consists of 600,000 shares from the purchase of shares by resolution of the Board of Directors and 37 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2017.

	Number of shares			
	Year ended March 31, 2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Treasury stock	801,996	600,272	-	1,402,268

The increase in treasury stock consists of 600,000 shares from the purchase of shares by resolution of the Board of Directors and 272 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2016.

18. Related party disclosures

The Company is an affiliate of SUMITOMO CHEMICAL COMPANY, LIMITED, which owned 22.4% and 22.2% of the Company's voting shares at March 31, 2017 and 2016, respectively.

SUMIKA TECHNOLOGY CO., LTD., DONGWOO FINE-CHEM CO., LTD. and SUMIKA ELECTRONIC MATERIALS (WUXI) CO., LTD. are subsidiaries of SUMITOMO CHEMICAL COMPANY, LIMITED.

As of March 31, 2017 and 2016, the Company controlled 15% and 15% of the voting shares of SUMIKA TECHNOLOGY CO., LTD.

(a) Significant transactions with related parties for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
			2017
SUMITOMO CHEMICAL COMPANY, LIMITED			
Net sales	¥ 5,894	¥ 5,749	\$ 52,540
Purchases	11,199	10,595	99,819
Notes and accounts receivable - trade	2,815	2,963	25,092
Notes and accounts payable - trade	1,678	1,743	14,955
Pledges of investment securities	11,189	7,490	99,730
Sales of investment securities	3,306	-	29,469
Gain on sales of investment securities	3,237	-	28,854
SUMIKA TECHNOLOGY CO., LTD			
Net sales	¥ 22,236	¥ 22,788	\$ 198,202
Notes and accounts receivable - trade	8,700	8,054	77,544
Guarantees	-	511	-
DONGWOO FINE-CHEM CO., LTD			
Net sales	¥ 12,737	¥ 13,465	\$ 113,531
Notes and accounts receivable - trade	2,728	2,051	24,316

(b) The Consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2017 and 2016 were as follows:

(1) TAIWAN INABATA SANGYO CO., LTD.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
SUMIKA TECHNOLOGY CO., LTD			
Purchases	¥ 37,937	¥ 42,734	\$ 338,146
Notes and accounts payable - trade	5,422	5,319	48,332

(2) SHANGHAI INABATA FINANCIAL LEASING CO., LTD.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
SUMIKA ELECTRONIC MATERIALS (WUXI) CO., LTD.			
Sales of non-current assets	¥ -	¥ 2,741	\$ -
Gain on sales of non-current assets	-	264	-
Other current assets	-	2,123	-

19. Contingent liabilities

At March 31, 2017 and 2016, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Discounted notes receivables	¥ 738	¥ 841	\$ 6,582
Guarantees for loans of customers and others	3,919	4,440	34,928
Total	¥ 4,657	¥ 5,281	\$ 41,510

20. Subsequent events

(Cash dividends)

At the meeting of the Board of Directors of the Company held on May 11, 2017 and May 10, 2016, an appropriation of nonconsolidated retained earnings for the years ended March 31, 2017 and 2016 was duly approved as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash dividends - ¥22.00 (\$0.200) per share	¥ 1,357	¥ 1,246	\$ 12,097