CONSOLIDATED FINANCIAL STATEMENTS

TAMURA CORPORATION

AS OF MARCH 31, 2018

Independent Auditor’s Report

The Board of Directors
TAMURA CORPORATION

We have audited the accompanying consolidated financial statements of TAMURA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAMURA CORPORATION and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 27, 2018
Tokyo, Japan

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2018	2017	2018
ASSETS			
Current Assets:			
Cash on hand and in banks (Notes 4 and 5)	¥ 14,954	¥ 19,463	$ 141,075
Trade notes and accounts receivable (Note 5)	22,773	19,896	214,840
Inventories (Note 7)	12,680	10,689	119,623
Deferred tax assets (Note 14)	936	625	8,830
Other current assets	2,555	2,164	24,104
Allowance for doubtful accounts	(98)	(178)	(925)
Total current assets	53,800	52,659	507,547
Property, Plant and Equipment: (Notes 15 and 20)			
Buildings and structures	17,741	16,887	167,368
Machinery and equipment	26,500	25,752	250,000
Lease assets	709	791	6,689
	44,950	43,430	424,057
Accumulated depreciation	(32,889)	(32,323)	(310,274)
	12,061	11,107	113,783
Land	5,889	5,710	55,557
Construction in progress	2,231	138	21,047
Property, plant and equipment, net	20,181	16,955	190,387
Investments and Other Assets:			
Investment securities in other than non-consolidated subsidiaries and affiliates (Notes 5 and 6)	2,373	2,041	22,387
Investment securities in non-consolidated subsidiaries and affiliates	2,320	2,090	21,887
Net defined benefit asset (Note 9)	1,754	956	16,547
Deferred tax assets (Note 14)	61	128	575
Intangible assets	1,663	858	15,689
Other assets	688	711	6,490
Allowance for doubtful accounts	(74)	(45)	(698)
Total investments and other assets	8,785	6,739	82,877
Total assets	¥ 82,766	¥ 76,353	$ 780,811

The accompanying notes are an integral part of these statements.

	Millions of yen				Thousands of U.S. dollars (Note 1(a))	
	March 31,				March 31,	
	2018		2017		2018	
LIABILITIES AND NET ASSET						
Current Liabilities:						
Trade notes and accounts payable (Note 5)	¥	12,646	¥	11,098	$	119,302
Short-term loans (Notes 5 and 8)		4,395		3,189		41,462
Current portion of long-term debt (Notes 5 and 8)		5,973		3,544		56,349
Lease obligations (Notes 5 and 8)		201		225		1,896
Income taxes payable (Note 5)		1,375		754		12,972
Accrued bonuses		1,142		1,097		10,774
Accrued bonuses for directors		64		70		604
Other current liabilities (Note 14)		4,334		3,210		40,886
Total current liabilities		30,130		23,187		284,245
Long-term Liabilities:						
Long-term debt (Notes 5 and 8)		4,754		9,832		44,849
Lease obligations (Notes 5 and 8)		348		456		3,283
Deferred tax liabilities (Note 14)		779		426		7,349
Net defined benefit liability (Note 9)		3,226		3,236		30,434
Other long-term liabilities		533		628		5,028
Total long-term liabilities		9,640		14,578		90,943
Net Assets						
Shareholders' Equity:						
Common stock:		11,829		11,829		111,594
Authorized - 252,000,000 shares						
Issued and outstanding – 82,771,473 shares						
Additional paid-in capital		17,037		17,037		160,726
Retained earnings		13,346		10,454		125,906
Treasury stock (Note 11)		(288)		(281)		(2,717)
Total shareholders' equity		41,924		39,039		395,509
Accumulated Other Comprehensive Income:						
Unrealized holding gain (loss) on securities		472		321		4,453
Deferred gain (loss) from hedging instruments (Notes 5 and 16)		—		(1)		—
Translation adjustments		1,428		866		13,472
Retirement benefits liability adjustments (Note 9)		(1,215)		(1,837)		(11,463)
Total accumulated other comprehensive income		685		(651)		6,462
Share Subscription Rights		143		127		1,349
Non-controlling Interests		244		73		2,303
Total net assets		42,996		38,588		405,623
Total liabilities and net assets	¥	82,766	¥	76,353	$	780,811

The accompanying notes are an integral part of these statements.

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

(CONSOLIDATED STATEMENT OF INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2018	2017	2018
Net Sales	¥ 85,558	¥ 79,607	$ 807,151
Cost of Sales (Note 13)	59,609	55,408	562,349
Gross profit	25,949	24,199	244,802
Selling, general and administrative expenses			
(Notes 12, 13 and 21)	20,542	19,082	193,793
Operating income	5,407	5,117	51,009
Other Income (Expenses):			
Interest and dividend income	131	132	1,236
Equity in earnings of affiliates	210	175	1,981
Interest expense	(218)	(247)	(2,057)
Foreign exchange loss	(113)	(110)	(1,066)
Other income	288	832	2,718
Other expenses (Note 20)	(248)	(1,114)	(2,340)
	50	(332)	472
Profit before income taxes	5,457	4,785	51,481
Income Taxes (Note 14)			
Current	1,293	1,076	12,198
Prior years' adjustment	583	—	5,500
Deferred	(60)	(21)	(566)
	1,816	1,055	17,132
Profit	3,641	3,730	34,349
Proft attributable to:			
Non-controlling interests	11	3	104
Owners of parent	¥ 3,630	¥ 3,727	$ 34,245

	Yen		U.S. dollars
Per Share:			
Basic profit attributable to owners of parent	¥ 44.27	¥ 45.44	$ 0.42
Diluted profit attributable to owners of parent	44.00	45.19	0.42
Cash dividends per share	9.00	9.00	0.08

The accompanying notes are an integral part of these statements.

(CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2018	2017	2018
Profit	¥ 3,641	¥ 3,730	$ 34,349
Other Comprehensive Income (Note 10):			
Unrealized holding gain on securities	151	165	1,425
Deferred gain (loss) from hedging instruments	1	(1)	9
Translation adjustments	509	(1,363)	4,802
Retirement benefits liability adjustments	622	356	5,868
Share of other comprehensive income of affiliates accounted for by the equity method	56	(130)	528
Total other comprehensive income	1,339	(973)	12,632
Comprehensive income	¥ 4,980	¥ 2,757	$ 46,981
Total comprehensive income attributable to:			
Owners of parent	¥ 4,959	¥ 2,758	$ 46,783
Non-controlling interests	21	(1)	198

The accompanying notes are an integral part of these statements.

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

For the year ended March 31, 2018

		Millions of yen					
		Shareholders' equity					
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 11)	Total shareholders' equity
Balance at April 1, 2017	82,771,473	¥ 11,829	¥ 17,037	¥ 10,454	¥ (281)	¥ 39,039
Changes during the year						
Cash dividends paid				(738)		(738)
Profit attributable to owners of parent for the period				3,630		3,630
Purchases of treasury stock					(7)	(7)
Disposal of treasury stock			0		0	0
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	0	2,892	(7)	2,885
Balance as of March 31, 2018	82,771,473	¥ 11,829	¥ 17,037	¥ 13,346	¥ (288)	¥ 41,924

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 9)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥ 321	¥ (1)	¥ 866	¥ (1,837)	¥ (651)	¥ 127	¥ 73	¥ 38,588
Changes during the year								
Cash dividends paid								(738)
Profit attributable to owners of parent for the period								3,630
Purchases of treasury stock								(7)
Disposal of treasury stock								0
Net changes in items other than those in shareholders' equity	151	1	562	622	1,336	16	171	1,523
Total changes during the year	151	1	562	622	1,336	16	171	4,408
Balance as of March 31, 2018	¥ 472	¥ —	¥ 1,428	¥ (1,215)	¥ 685	¥ 143	¥ 244	¥ 42,996

For the year ended March 31, 2017

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

Millions of yen

	Accumulated other comprehensive income: Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 9)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥ 156	¥ 0	¥ 2,351	¥ (2,194)	¥ 313	¥ 121	¥ 75	¥ 36,449
Changes during the year								
Cash dividends paid								(656)
Profit attributable to owners of parent for the period								3,727
Purchases of treasury stock								(5)
Disposal of treasury stock								4
Changes in the scope of consolidation								29
Net changes in items other than those in shareholders' equity	165	(1)	(1,485)	357	(964)	6	(2)	(960)
Total changes during the year	165	(1)	(1,485)	357	(964)	6	(2)	2,139
Balance as of March 31, 2017	¥ 321	¥ (1)	¥ 866	¥ (1,837)	¥ (651)	¥ 127	¥ 73	¥ 38,588

For the year ended March 31, 2018

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 11)	Total shareholders' equity
		Thousands of U.S. dollars (Note 1(a))				
		Shareholders' equity				
Balance at April 1, 2017	82,771,473	$ 111,594	$ 160,726	$ 98,623	$ (2,651)	$ 368,292
Changes during the year						
Cash dividends paid				(6,962)		(6,962)
Profit attributable to owners of parent for the period				34,245		34,245
Purchases of treasury stock					(66)	(66)
Disposal of treasury stock			0		0	0
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	0	27,283	(66)	27,217
Balance as of March 31, 2018	82,771,473	$ 111,594	$ 160,726	$ 125,906	$ (2,717)	$ 395,509

	Unrealized holding gain (loss) on securities	Deferred gain (loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 9)	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 1(a))							
	Accumulated other comprehensive income							
Balance at April 1, 2017	$ 3,028	$ (9)	$ 8,170	$ (17,330)	$ (6,141)	$ 1,198	$ 689	$ 364,038
Changes during the year								
Cash dividends paid								(6,962)
Profit attributable to owners of parent for the period								34,245
Purchases of treasury stock								(66)
Disposal of treasury stock								0
Net changes in items other than those in shareholders' equity	1,425	9	5,302	5,867	12,603	151	1,614	14,368
Total changes during the year	1,425	9	5,302	5,867	12,603	151	1,614	41,585
Balance as of March 31, 2018	$ 4,453	$ —	$ 13,472	$ (11,463)	$ 6,462	$ 1,349	$ 2,303	$ 405,623

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2018	2017	2018
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 5,457	¥ 4,785	$ 51,481
Depreciation	2,001	2,259	18,877
Changes in accrued bonuses	45	73	425
Changes in accrued bonuses for directors	(5)	8	(47)
Changes in allowance for doubtful accounts	(56)	(8)	(528)
Changes in net defined benefit liability	(215)	(357)	(2,028)
Interest and dividend income	(131)	(132)	(1,236)
Interest expense	218	247	2,057
Foreign exchange loss (gain)	154	(39)	1,453
Equity in earnings of affiliates	(210)	(175)	(1,981)
Loss (gain) on sales of investment securities	(93)	6	(877)
Changes in trade receivable	(2,276)	460	(21,472)
Changes in inventories	(1,374)	1,283	(12,962)
Changes in trade payable	984	115	9,283
Other	(487)	547	(4,596)
Subtotal	4,012	9,072	37,849
Interest and dividends received	208	173	1,962
Interest paid	(228)	(270)	(2,151)
Income taxes paid	(1,340)	(835)	(12,641)
Net cash provided by operating activities	2,652	8,140	25,019
Cash Flows from Investing Activities:			
Purchase of tangible fixed assets	(3,491)	(1,387)	(32,934)
Proceeds from sale of tangible fixed assets	186	999	1,755
Purchase of investment securities	(357)	(241)	(3,368)
Proceeds from sale of investment securities	299	22	2,821
Purchase of subsidiaries' shares resulting in changes in scope of consolidation (Note 4)	(1,113)	—	(10,500)
Other	(347)	(170)	(3,274)
Net cash used in investing activities	(4,823)	(777)	(45,500)
Cash Flows from Financing Activities:			
Changes in short-term loans	1,062	(1,394)	10,019
Increase in long-term debt	890	4,203	8,396
Repayment of long-term debt	(3,547)	(5,754)	(33,462)
Repayment of lease obligations	(238)	(364)	(2,245)
Purchase of treasury stock	(6)	(5)	(57)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(736)	(652)	(6,943)
Cash dividends paid to non-controlling shareholders	(0)	(0)	(0)
Net cash used in financing activities	(2,575)	(3,966)	(24,292)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	77	817	726
Net Increase (Decrease) in Cash and Cash Equivalents	(4,669)	4,214	(44,047)
Cash and Cash Equivalents at the Beginning of the Year	19,270	15,017	181,792
Increase due to inclusion in consolidation	—	39	—
Cash and Cash Equivalents at the End of the Year (Note 4)	¥ 14,601	¥ 19,270	$ 137,745

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of presentation of the consolidated financial statements

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106=U.S. $1, the approximate rate of exchange on March 31, 2018 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

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

The accompanying consolidated financial statements include the accounts of the Company and, with the exception of entities which are not material, those of its 36 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Effective from the year ended March 31, 2018, TAMURA DEUTSCHLAND GmbH, Elsold GmbH & Co. KG, Elsold Verwaltung GmbH and ESE INDUSTRIES (THAI) Co., Ltd. have been included in consolidation, because they became subsidiaries through an additional share acquisition by the Company.
Furthermore, TAMURA DEUTSCHLAND GmbH and Elsold GmbH & Co. KG merged on February 12, 2018 and the company name was changed to TAMURA ELSOLD GmbH on March 6, 2018.

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

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

(c) Financial instruments

(1) Derivatives

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

(2) Securities

Securities held by the Companies are classified as follows:

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

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

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

(3) Hedge accounting

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

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

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

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

(d) Allowance for doubtful accounts

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

(e) Inventories

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

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

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

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

(g) Accrued bonuses

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

(h) Reserve for directors' bonus

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

(i) Reserve for retirement benefits

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

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

(j) Reserve for loss of transfer

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

(k) Amortization of goodwill

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

(l) Income taxes

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

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

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

(m) Foreign currency translation

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

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

(n) Accounting for consumption tax

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

(o) Profit per share

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

The basis of the calculation of basic profit per share and diluted profit per share for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Basic profit per share						
Profit attributable to owners of parent for the period	¥	3,630	¥	3,727	$	34,245
Amount not attributable to common stock	¥	—	¥	—	$	—
Total profit attributable to common stock	¥	3,630	¥	3,727	$	34,245
Average number of shares outstanding during the year [thousands of shares]		82,010		82,027		82,010
Diluted profit per share						
Increase in common stock:						
Subscription rights to shares [thousands of shares]		506		466		506

2. Unapplied Accounting Standards, etc.

・Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No.28, revised February 16, 2018)
・Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, last revised February 16, 2018)

(a) Overview

The Implementation Guidance on Tax Effect Accounting, etc. underwent the following necessary revisions basically following the same content upon the transfer of Practical Guidelines on Accounting Standards for Tax Effect Accounting issued by the Japanese Institute of Certified Public Accountants to the ASBJ.

(Main change in the accounting treatments)

・Accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements

・Accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified

(b) Date of adoption

This implementation guidance will be adopted from the fiscal year beginning on April 1, 2018.

(c) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of adopting Implementation Guidance on Tax Effect Accounting, etc. on consolidated financial statements.

・Accounting Standard for Revenue Recognition (ASBJ Statement No.29, issued March 30, 2018)
・Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued March 30, 2018)

(a) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and issued “Revenue from Contracts with Customers” in May 2014 (IFRS 15 by the IASB, ASC 606 by the FASB). Considering that IFRS 15 is applied from fiscal years beginning January 1, 2018 and ASC 606 from fiscal years beginning after December 15, 2017, the ASBJ developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance. The fundamental policy for developing the accounting standard for revenue recognition by the ASBJ was that the accounting standard would incorporate the fundamental principles of IFRS 15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS 15. For matters to be taken into consideration in Japan with regard to accounting practices, etc., alternative treatments are provided within a range that would not impair financial statement comparability.

(b) Date of adoption

This accounting standard and implementation guidance will be adopted from the fiscal year beginning on April 1, 2021.

(c) Impact of the adoption of accounting standard, etc.

The Company is currently evaluating the effects of adopting Accounting Standard for Revenue Recognition, etc. on its consolidated financial statements.

3. Additional Information

(Business Divestiture)

At the Board of Directors' meeting held on October 27, 2016, the Company resolved to transfer the thermal business (thermal-links and resistors) and equity of its consolidated sub-subsidiary company, Anzen Dengu (Huizhou) Co., Ltd., to Uchihashi Estec Co., Ltd. The Company concluded the transfer agreement for the business and equity on October 27, 2016 (originally scheduled date: March 31, 2017). Although the Company made strict preparations to execute said transfer, the schedule was postponed to September 30, 2018 on the agreement of both parties because more time was needed.

The Company continues to proceed with its preparations for the execution of the transfer.

(a) Overview of business divestiture

(1) Business transfer

i. Name of acquirer:
Uchihashi Estec Co., Ltd.

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

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

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

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

(2) Transfer of subsidiary's equity

i. Name of acquirer:
Uchihashi Hong Kong Limited

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

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

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

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

(b) Reasons for carrying out the business divestiture

In line with the Company's profit structure reform activities in accordance with the previous medium-term management plan, effective as of April 1, 2016, TAMURA THERMAL DEVICE Corporation, which had expanded into the thermal business, was absorbed and merged into the Company.

The Company is now setting its new medium-term management plan, "Biltrite Tamura GROWING," aiming to improve its profitability, enhance its capital efficiency and provide the best products to its customers.

Although the Company is striving for further strengthened competitiveness and management efficiency, the thermal market still continues to be impacted by severe business conditions. Under the same business conditions, Uchihashi Estec Co., Ltd., the acquirer, is a competitor in the thermal market.

Considering the above business conditions, the Company decided to carry out the business divestiture based on its judgment that the respective acquirers, through the integration of the know-how and management resources, would be better able to provide stable and continuous supplies to customers and thus grow the thermal business.

4. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits with a maturity of 3 months or less and which represent a minor risk of fluctuation in value.

As of March 31, 2018 and 2017, cash and cash equivalents consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash on hand and in banks	¥ 14,954	¥ 19,463	$ 141,075
Time deposits with maturities of over 3 months	(353)	(193)	(3,330)
Cash and cash equivalents	¥ 14,601	¥ 19,270	$ 137,745

In the year ended March 31, 2018, TAMURA DEUTSCHLAND GmbH, Elsold GmbH & Co. KG, Elsold Verwaltung GmbH and ESE INDUSTRIES (THAI) Co., Ltd. were included in the scope of consolidation. The composition of assets and liabilities at acquisition, and the relation between acquisition cost and payments for acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 1,537	$ 14,500
Property, plant and equipment	825	7,783
Goodwill	360	3,396
Current liabilities	(330)	(3,113)
Long-term liabilities	(139)	(1,311)
Translation adjustments	(7)	(66)
Non-controlling interests	(161)	(1,519)
Acquisition costs of shares	2,085	19,670
Cash and cash equivalents	(972)	(9,170)
Purchase of investments in subsidiary resulting in change in scope of consolidation	¥ 1,113	$ 10,500

5. Financial Instruments

Overview

(a) Policy for financial instruments

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

(b) Types of financial instruments and related risk

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

interest rate swap transactions are used.
Hedging instruments, hedged items, hedging policy and effectiveness of hedge transactions are described in “Note 1. Significant Accounting Policies, (c) Financial instruments, (3) Hedge accounting.”

(c) Risk management for financial instruments

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

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

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

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

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

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

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

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

Fair value of financial instruments

The book value on the consolidated balance sheets, fair value and difference as of March 31, 2018 and 2017 were as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included (see "2. Financial instruments for which the fair value is extremely difficult to measure").

	As of March 31, 2018		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 14,954	¥ 14,954	¥ —
Trade notes and accounts receivable	22,773	22,773	—
Investment securities			
Other securities	2,362	2,362	—
Total assets	¥ 40,089	¥ 40,089	¥ —
Trade notes and accounts payable	¥ 12,646	¥ 12,646	¥ —
Short-term loans	4,395	4,395	—
Current portion of long-term debt	5,973	5,992	19
Income taxes payable	1,375	1,375	—
Long-term debt	4,754	4,779	25
Lease obligations	549	538	(11)
Total liabilities	¥ 29,692	¥ 29,725	¥ 33
Derivatives (*)	¥ (0)	¥ (0)	¥ —

	As of March 31, 2017		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 19,463	¥ 19,463	¥ —
Trade notes and accounts receivable	19,896	19,896	—
Investment securities			
Other securities	2,030	2,030	—
Total assets	¥ 41,389	¥ 41,389	¥ —
Trade notes and accounts payable	¥ 11,098	¥ 11,098	¥ —
Short-term loans	3,189	3,189	—
Current portion of long-term debt	3,544	3,567	23
Income taxes payable	754	754	—
Long-term debt	9,832	9,908	76
Lease obligations	681	660	(21)
Total liabilities	¥ 29,098	¥ 29,176	¥ 78
Derivatives (*)	¥ (0)	¥ (0)	¥ —

	As of March 31, 2018		
	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Cash on hand and in banks	$ 141,075	$ 141,075	$ —
Trade notes and accounts receivable	214,840	214,840	—
Investment securities			
Other securities	22,283	22,283	—
Total assets	$ 378,198	$ 378,198	$ —
Trade notes and accounts payable	$ 119,302	$ 119,302	$ —
Short-term loans	41,462	41,462	—
Current portion of long-term debt	56,349	56,528	179
Income taxes payable	12,972	12,972	—
Long-term debt	44,849	45,085	236
Lease obligations	5,179	5,075	(104)
Total liabilities	$ 280,113	$ 280,424	$ 311
Derivatives (*)	$ (0)	$ (0)	$ —

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

Notes:

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

Assets

Cash and bank deposits and notes and accounts receivable-trade

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

Investment securities

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

Liabilities

Notes and accounts payable-trade, short-term loans and Income taxes payable

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

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

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

Lease obligations

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

Derivative transactions

See “Note 15. Derivative Financial Instruments”.

2. Financial instruments for which the fair value is extremely difficult to measure as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Available-for-sale securities without market quotations:			
Unlisted securities	¥ 2,331	¥ 2,101	$ 21,991
Total	¥ 2,331	¥ 2,101	$ 21,991

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

3. The aggregate maturities of monetary claims and held-to-maturity securities as of March 31, 2018 and 2017 were as follows:

	As of March 31, 2018	
	Millions of yen	
	Due within 1 year	Due after 1 year through 5 years
Cash on hand and in banks	¥ 14,954	¥ —
Trade notes and accounts receivable	22,773	—
	¥ 37,727	¥ —

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

	As of March 31, 2018	
	Thousands of U.S. dollars	
	Due within 1 year	Due after 1 year through 5 years
Cash on hand and in banks	$ 141,075	$ —
Trade notes and accounts receivable	214,840	—
	$ 355,915	$ —

4. The redemption schedules for long-term debt and lease obligations were disclosed in “Note 8. Short-term Loans and Long-term Debt”.

6. Securities

(a) As of March 31, 2018 and 2017, securities consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Available-for-sale securities for which market quotations are available						
Acquisition cost	¥	1,659	¥	1,549	$	15,651
Book value		2,362		2,030		22,283
Unrealized gain	¥	703	¥	481	$	6,632

(b) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Sales proceeds						
Available-for-sale securities	¥	300	¥	22	$	2,830
Aggregate gain						
Available-for-sale securities	¥	122	¥	0	$	1,151
Aggregate loss						
Available-for-sale securities	¥	(29)	¥	7	$	(274)

7. Inventories

As of March 31, 2018 and 2017, inventories consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Merchandise	¥	3,600	¥	3,342	$	33,962
Finished goods		1,194		1,077		11,264
Work in process		1,799		1,536		16,972
Raw materials and supplies		6,087		4,734		57,425
Total	¥	12,680	¥	10,689	$	119,623

8. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2018 and 2017 were principally bank overdrafts and short-term notes bearing interest at annual average interest rates of 1.47% and 1.05%, respectively.

As of March 31, 2018 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term loans, principally from banks (*)	¥ 10,727	¥ 13,376	$ 101,198
Lease obligations	549	681	5,179
	11,276	14,057	106,377
Less: current portion - Long-term loans	(5,973)	(3,544)	(56,349)
Less: current portion - Lease obligations	(201)	(225)	(1,896)
Total	¥ 5,102	¥ 10,288	$ 48,132

(*) As of March 31, 2018 and 2017, long-term loans and lease obligations consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term loans, at an annual average rate of 0.75	¥ 4,754	¥ 9,832	$ 44,849
Lease obligations, at an annual average rate of 1.89	348	456	3,283
Current portion- Long-term loans, at an annual average rate of 1.47	5,973	3,544	56,349
Current portion- Lease obligations, at an annual average rate of 1.95	201	225	1,896
	¥ 11,276	¥ 14,057	$ 106,377

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term loans	Lease obligations	Long-term loans	Lease obligations
Year ending March 31,				
2020	¥ 304	¥ 117	$ 2,868	$ 1,104
2021	—	91	—	858
2022	3,560	66	33,585	623
2023	—	41	—	387
After above year	890	33	8,396	311
	¥ 4,754	¥ 348	$ 44,849	$ 3,283

9. Retirement Benefit Plan

(a) Outline of employee retirement benefits

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

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

(b) Contributory defined benefit retirement plan

(1) The changes in the defined benefit obligation and fair value of plan assets except plans for which the simplified method is applied for calculating retirement benefit obligations adopted by certain consolidated subsidiaries, during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Change in benefit obligations:			
Benefit obligation, the beginning of the year	¥ 12,740	¥ 12,751	$ 120,189
Service cost	456	464	4,302
Interest cost	57	75	538
Actuarial loss (gain)	23	517	217
Benefit payments	(490)	(634)	(4,623)
Effects of changes in foreign exchange rates	121	(434)	1,142
Other	34	1	320
Benefit obligation, the end of the year	¥ 12,941	¥ 12,740	$ 122,085
Change in fair value of plan assets:			
Plan assets, the beginning of the year	¥ 10,570	¥ 9,853	$ 99,717
Expected return on plan assets	220	213	2,075
Actuarial gain	393	568	3,708
Employer contributions	735	741	6,934
Benefit payments	(442)	(483)	(4,170)
Effects of changes in foreign exchange rates	101	(322)	953
Other	1	(0)	9
Plan assets, the end of the year	¥ 11,578	¥ 10,570	$ 109,226

(2) Changes in the defined benefit obligation and fair value of plan assets estimated by the simplified method for calculating retirement benefit obligations for the years ended March 31, 2018 and 2017.

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Change in net defined benefit liability						
Net defined benefit liability, the beginning of the year	¥	110	¥	107	$	1,038
Service cost		10		13		94
Benefit payments		(10)		(10)		(94)
Benefit obligation, the end of the year	¥	110	¥	110	$	1,038

(3) Reconciliation of the projected benefit obligation and plan assets with net defined benefit liability and asset reflected on the consolidated balance sheets as of march 31, 2018 and 2017.

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Funded projected benefit obligation	¥	12,492	¥	12,389	$	117,849
Plan assets		(11,578)		(10,570)		(109,226)
	¥	914	¥	1,819	$	8,623
Unfunded projected benefit obligation		558		461		5,264
Net of liability and asset reported on the consolidated balance sheets	¥	1,472	¥	2,280	$	13,887
Net defined benefit liability	¥	3,226	¥	3,236	$	30,434
Net defined benefit asset		(1,754)		(956)		(16,547)
Net of liability and asset reported on the consolidated balance sheets	¥	1,472	¥	2,280	$	13,887

(4) Components of pension expense for the years ended March 31, 2018 and 2017.

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Service cost	¥	466	¥	478	$	4,396
Interest cost		57		75		538
Expected return on plan assets		(220)		(213)		(2,075)
Amortization of actuarial differences		327		302		3,085
Amortization of prior service cost		(28)		(29)		(264)
Other		5		111		46
Net pension expense	¥	607	¥	724	$	5,726

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income and other comprehensive income were as follows for the years ended march 31, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ 28	¥ 29	$ 264
Net actuarial difference	(649)	(381)	(6,122)
Total	¥ (621)	¥ (352)	$ (5,858)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (135)	¥ (164)	$ (1,274)
Unrecognized actuarial difference	1,350	2,001	12,736
Total	¥ 1,215	¥ 1,837	$ 11,462

(6) Matters related to pension assets

i. Major components of pension assets

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows.

	2018	2017
Bonds	30 %	32 %
Equity securities	48	46
Life insurance company general accounts	12	12
Cash and cash equivalents	1	1
Other	9	9
	100 %	100 %

*Of total plan assets, 22% and 22% were included in a retirement benefit trust (stocks, cash and bank deposits) established for the corporate pension plan as of March 31, 2018 and 2017, respectively.

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

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

(7) Assumptions used in actuarial calculations

The assumptions used in accounting for the above plans for the years ended March 31, 2018 and 2017 were as follows.

	2018	2017
Discount rates	0.0 ~ 5.3 %	0.0 ~ 5.3 %
Expected rates of long-term return on plan assets	1.8 ~ 3.2	1.8 ~ 3.3
Expected rates of salary	3.4 ~ 5.0	3.9 ~ 5.0

(c) Defined contribution plans

The required contributions by the Companies were ¥178 million ($1,679 thousand) and ¥171 million for the years ended March 31, 2018 and 2017, respectively.

10. Other Comprehensive Income

Reclassification adjustments and the related tax effects for components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized holding gain (loss) on securities			
Amount arising during the period	¥ 126	¥ 174	$ 1,189
Reclassification adjustments for gains and losses included in net income	94	(7)	887
Before tax effect	220	167	2,076
Tax effect	(69)	(2)	(651)
Unrealized holding gain (loss) on securities	151	165	1,425
Deferred gain (loss) from hedging instruments			
Amount arising during the period	1	(1)	9
Reclassification adjustments for gains and losses included in net income	—	—	—
Before tax effect	1	(1)	9
Tax effect	—	0	—
Deferred gain (loss) from hedging instruments	1	(1)	9
Translation adjustments			
Amount arising during the period	511	(1,356)	4,821
Reclassification adjustments for gains and losses included in net income	—	—	—
Before tax effect	511	(1,356)	4,821
Tax effect	(2)	(7)	(19)
Translation adjustments	509	(1,363)	4,802
Retirement benefits liability adjustments			
Amount arising during the period	370	34	3,491
Reclassification adjustments for gains and losses included in net income	252	318	2,377
Before tax effect	622	352	5,868
Tax effect	—	4	—
Retirement benefits liability adjustments	622	356	5,868
Share of other comprehensive income of affiliates accounted for by the equity method Amount arising during the period	56	(130)	528
Total amount of other comprehensive income	¥ 1,339	¥ (973)	$ 12,632

11. Treasury Stock

The Company had 752 thousand shares and 759 thousand shares of treasury stock as of March 31, 2018 and 2017, respectively, in order to prepare for the exercise of stock options granted to certain directors and executive officers, subject to the approval of the General Meeting of Shareholders.

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

12. Selling, General and Administrative Expenses

For the years ended March 31, 2018 and 2017, the significant components of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Salaries	¥ 6,133	¥ 5,888	$ 57,858
Pension expense	593	597	5,594
Research and development expense	1,200	1,166	11,321
Freight	2,027	1,843	19,123
Provision for directors' bonuses	60	64	566
Accrued bonuses	745	717	7,028

13. Research and Development Expenses

Total research and development expenses included in manufacturing costs and selling, general and administrative expenses amounted to ¥1,268 million ($11,962 thousand) and ¥1,209 million for the years ended March 31, 2018 and 2017, respectively.

14. Income Taxes

As of March 31, 2018 and 2017, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Accrued enterprise taxes	¥ 52	¥ 62	$ 491
Accrued bonuses	356	348	3,358
Net defined benefit liability	1,252	915	11,811
Tax loss carryforwards	1,891	2,229	17,840
Loss on valuation of investment securities	308	334	2,906
Loss on impairment of fixed assets	74	99	698
Other	642	604	6,056
Total	4,575	4,591	43,160
Valuation allowance	(3,595)	(3,674)	(33,915)
Total deferred tax assets	¥ 980	¥ 917	$ 9,245
Deferred tax liabilities:			
Unrealized holding gain (loss) on securities	¥ 189	¥ 119	$ 1,783
Other	599	479	5,651
Total deferred tax liabilities	788	598	7,434
Net deferred tax assets	¥ 192	¥ 319	$ 1,811

The reconciliation between the statutory tax rate and the effective tax rates for the years ended March 31, 2018 and 2017 was as follows:

	2018	2017
Statutory tax rate	30.9 %	30.9 %
Effect of:		
Non-deductible expenses for tax purpose	2.5	1.3
Non-taxable items	(0.4)	(4.1)
Inhabitant tax on per capita basis	0.5	0.6
Amortization of goodwill	1.5	0.5
Equity in earnings of affiliates	(1.2)	(1.1)
Tax rate difference applied for foreign subsidiaries	(6.0)	(5.8)
Change in valuation allowance	(9.2)	(4.8)
Foreign income taxes	2.5	1.4
Prior years' adjustment of income tax(*)	10.1	—
Others	2.1	3.2
Effective tax rates	33.3 %	22.1 %

(*) Prior years' adjustment of income tax of JPY 583 million in the Company's consolidated statement of income for the year ended March 31, 2018 was recorded because of additional transfer pricing tax for the transactions between the consolidated subsidiaries.

15. Leases

Finance lease transactions (lessee)

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

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

Operating lease transactions (lessee)

The future payments under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 206	¥ 179	$ 1,943
Due after one year	179	328	1,689
	¥ 385	¥ 507	$ 3,632

16. Derivative Financial Instruments

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

As of March 31, 2018 and 2017, for which hedge accounting has not been applied are summarized as follows:

(a) Foreign currency-related transactions

	As of March 31, 2018			
	Millions of yen			
Derivative transactions	Contract amount	Portion maturing over one year	Fair value	Difference
Transactions outside the market:				
Forward foreign exchange contracts:				
Buy				
USD	¥ 87	¥ —	¥ 86	¥ (1)

	As of March 31, 2017			
	Millions of yen			
Derivative transactions	Contract amount	Portion maturing over one year	Fair value	Difference
Transactions outside the market:				
Forward foreign exchange contracts:				
Buy				
USD	¥ 186	¥ —	¥ 187	¥ 1

	As of March 31, 2018			
	Thousands of U.S. dollars			
Derivative transactions	Contract amount	Portion maturing over one year	Fair value	Difference
Transactions outside the market:				
Forward foreign exchange contracts:				
Buy				
USD	$ 821	$ —	$ 811	$ (10)

The notional amounts and the fair value of the derivative instruments outstanding as of March 31, 2018 and 2017, for which hedge accounting has been applied are summarized as follows:

(a) Foreign currency-related transactions

		As of March 31, 2018		
		Millions of yen		
Derivative transactions	Main hedged items	Contract amount	Portion maturing over one year	Fair value
Foreign exchange allocation method:				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	¥ 66	¥ —	¥ (*1)
EUR		23	—	(*1)
Buy				
USD	Trade accounts payable	1,384	—	(*1)
Deferral hedge accounting:				
Forward foreign exchange contracts:				
Sell				
USD	Contracts outstanding	—	—	—
Buy				
USD	Contracts outstanding	—	—	—
Total		¥ 1,473	¥ —	¥ —

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

Derivative transactions	Main hedged items	As of March 31, 2018		
		Thousands of U.S. dollars		
		Contract amount	Portion maturing over one year	Fair value
Foreign exchange allocation method:				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	$ 623	$ —	$ (*1)
EUR		217	—	(*1)
Buy				
USD	Trade accounts payable	13,056	—	(*1)
Deferral hedge accounting:				
Forward foreign exchange contracts:				
Sell				
USD	Contracts outstanding	—	—	—
Buy				
USD	Contracts outstanding	—	—	—
Total		$ 13,896	$ —	$ —

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

(*2) Price provided by financial institutions.

(b) Interest rate-related transactions

Derivative transactions	Main hedged items	As of March 31, 2018		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	¥ 6,581	¥ 2,452	¥ (*)

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

Derivative transactions	Main hedged items	As of March 31, 2018		
		Thousands of U.S. dollars		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	$ 62,085	$ 23,132	$ (*)

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

17. Contingent Liabilities

(a) Financial guarantees

As of March 31, 2018, the Company is contingently liable as a guarantor of borrowings for non-consolidated subsidiaries (TE Energy Co., Ltd. and Novel Crystal Technology, Inc.) in the amounts of ¥274 million ($2,585 thousand) and ¥23 million ($217 thousand), respectively.
As of March 31, 2017, the Company was contingently liable as a guarantor of borrowings for non-consolidated subsidiaries (TE Energy Co., Ltd. and Novel Crystal Technology, Inc.) in the amounts of ¥297 million and ¥27 million, respectively.

(b) Litigation

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

An outline of the arbitration is as follows;

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

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

(3) Details of the request for arbitration and amount of damage claims
- Details of request:
Payment for damages concerning malfunctioning products delivered by Tamura-Europe
- Amount claimed: 8,113,231 Euro (¥1,094 million as of December 31, 2017)

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

18. Business Combination, etc.

(a) 1.Elsold GmbH & Co. KG

Business Combination through Acquisitions
At the board of directors' meeting held on September 28, 2017, the Company resolved to make Elsold GmbH & Co. KG ("ELS Co.") its subsidiary by acquiring 100% interest through a holding company ("TAMURA DEUTSCHLAND GmbH") in Germany. The Company concluded the purchase agreement for the equity interest on October 5, 2017 and acquired it on October 31, 2017.

(1) Outline of the business combination
i. Name of the acquired company and its business activities
Name of the acquired company: Elsold GmbH & Co. KG
Business activities: manufacturing and sales of soldering products
ii. Major reasons for the business combination
ELS Co., which has manufacturing plants in Germany, manufactures soldering products for electronic components and automobile components and has received many orders from various customers in Germany and other European countries.
With this acquisition of equity interest, through its existing sales network in Asia, the Company will support sales expansion of bar solder and wire solder that will benefit ELS Co. and will accelerate the sales growth of its electronic chemical material in Europe through ELS Co.'s sales network and manufacturing plants.
iii. Effective date of the business combination
October 31, 2017
iv. Legal form of business combination
Acquisition of equity interest for a cash consideration
v. Name of the company subsequent to the business combination
TAMURA ELSOLD GmbH
(ELS Co. and TAMURA DEUTSCHLAND GmbH merged on February 12, 2018 and changed the name to TAMURA ELSOLD GmbH on March 6, 2018.)
vi. Percentage of voting rights acquired
100%

vii. Primary basis for determining the acquirer
Due to the fact that TAMURA DEUTSCHLAND GmbH has acquired the entire equity interest in ELS Co. for a cash consideration

(2) Period of business performance of the acquired company to be included in the consolidated financial statements
As the deemed acquisition date is December 31, 2017, the business results of the acquired companies were not included in the consolidated statement of income of the Company.

(3) Acquisition cost of the acquired company and breakdown by type of consideration
Consideration for the acquisition: Cash ¥1,085 million ($10,236 thousand)
Acquisition cost ¥1,085 million ($10,236 thousand)

(4) Amount of acquisition-related expenses and details
Advisory expenses, etc. ¥185 million ($1,745 thousand)

(5) Amount of goodwill, source, amortization method and period
i. Amount of goodwill ¥362 million ($3,415 thousand)
ii. Source of goodwill
Due to the expected excess earning power resulting from future business developments
iii. Method and period of amortization
Goodwill is being amortized by the straight-line method over a period of 10 years.

(6) Amount of assets acquired and liabilities assumed on the acquisition date and details

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 325	$ 3,066
Property, plant and equipment	665	6,274
Total assets	990	9,340
Current liabilities	109	1,028
Long-term liabilities	134	1,264
Total liabilities	243	2,292

(7) Amounts of intangible assets that are allocated other than goodwill, breakdown by main type and amortization period
i. Allocated amount of intangible assets other than goodwill and details
Trademark ¥92 million ($868 thousand)
Customer-related assets: ¥275 million ($2,594 thousand)
ii. Method and period of amortization
Trademark is being amortized by the straight-line method over a period of 10 years.
Customer-related assets are being amortized by the straight-line method over a period of 15 years.

(8) Pro-forma information of effects on the consolidated statement of income assuming the business combination had been completed at the beginning of the year ended March 31, 2018, and the calculation method

Net sales	¥2,085 million ($19,670 thousand)
Operating income	¥97 million ($915 thousand)
Income before income taxes	¥77 million ($726 thousand)
Income attributable to owners of the parent	¥53 million ($500 thousand)
Net income per share	¥0.66 ($0.01)

(Method for calculating pro-forma information)
The pro-forma information of effects on the consolidated statement of income was calculated as the differences between net sales and income assuming that the business combination had been completed as of the beginning of the year ended March 31, 2018, and the net sales and income included in the consolidated statement of income of the Company for the year ended March 31, 2018.
Pro-forma information is unaudited.

(b) ESE INDUSTRIES (THAI) CO., LTD.

Business Combination through Acquisitions
At the board of directors' meeting held on October 26, 2017, the Company resolved to make ESE INDUSTRIES (THAI) CO., LTD. ("ESE (T) Co."), an OEM partner of the Company, its subsidiary by acquiring an equity interest. The Company concluded the purchase agreement for the equity interest on October 26, 2017 and acquired it on November 30, 2017.

(1) Outline of the business combination

i. Name of the acquired company and its business activities
Name of the acquired company: ESE INDUSTRIES (THAI) CO., LTD.
Business activities: manufacturing of soldering products and chemical products

ii. Major reasons for the business combination
The Company is setting its medium-term management plan, "Biltrite Tamura GROWING", aiming to establish a solid cost structure and achieve high profitability that is sustainable for global competition. This acquisition integrates production from solder processing to final products and thus enable local production for local consumption, to achieve business expansion by reducing cost.
The Companies are working to strengthen their crisis management system by establishing new production bases in ASEAN, which will reduce exchange-rate fluctuation risks.

iii. Effective date of the business combination
November 30, 2017

iv. Legal form of business combination
Acquisition of equity interest and accepting an allotment of new shares for a cash consideration

v. Name of the company subsequent to the business combination
ESE INDUSTRIES (THAI) CO., LTD.

vi. Percentage of voting rights acquired
84.53%

vii. Primary basis for determining the acquirer
Due to the fact that the Company has acquired shares of ESE (T) Co. and accepted an allotment of new shares for a cash consideration.

(2) Period for which financial results of the acquired company to be included in the consolidated financial statements
As the deemed acquisition date is December 31, 2017, the business results of the acquired companies were not included in the consolidated statement of income of the Company.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for equity acquisition:	Cash ¥125million ($1,179 thousand)
Consideration for the share allotment:	Cash ¥751million ($7,085 thousand)
Acquisition cost	¥876million ($8,264 thousand)

(4) Amount of acquisition-related expenses and details
Due diligence expenses, etc. ¥11 million ($104 thousand)

(5) Amount of gain on bargain purchase and source
i. Amount of gain on bargain purchase: ¥2 million ($19 thousand)
ii. Source of gain on bargain purchase
As the acquisition cost was less than net assets acquired as of the date of the business combination, the difference was recognized as a gain on bargain purchase.

(6) Amount of assets acquired and liabilities assumed on the acquisition date and details

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,102	$ 10,396
Property, plant and equipment	163	1,538
Total assets	1,265	11,934
Current liabilities	220	2,075
Long-term liabilities	6	57
Total liabilities	226	2,132

(7) Pro-forma information of effects on the consolidated statement of income assuming the business combination had been completed at the beginning of the year ended March 31, 2018, and calculation method

Net sales	¥14 million ($132 thousand)
Operating loss	¥12 million ($113 thousand)
Income before income taxes	¥0 million ($0 thousand)
Income attributable to owners of the parent	¥0 million ($0 thousand)
Net income per share	¥0.00 ($0.00)

(Method for calculating pro-forma information)
The pro-forma information of effects on the consolidated statement of income was calculated as the differences between net sales and income assuming the business combination had been completed as of the beginning of the year ended March 31, 2018, and net sales and income included in the consolidated statement of income of the Company for the year ended March 31, 2018.
Pro-forma information is unaudited.

19. Loan Commitment

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

The status of these contracts as of March 31, 2018 and 2017 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
Maximum overdraft amount and total amount of loan commitment	¥	2,500	¥	2,500	$	23,585
Executed loan amounts		—		—		—
Net amount	¥	2,500	¥	2,500	$	23,585

20. Loss on Impairment of Fixed Assets

The Company did not recognize any impairment losses during the year ended March 31, 2018.

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

For the year ended March 31, 2017

Business division	Location	Use	Category	Millions of yen	
Electronic Components	Sakado-shi, Saitama, Japan	Facilities	Buildings and structures, machinery and equipment	¥	246
Electronic Components	Kurihara-shi, Miyagi, Japan	Facilities	Buildings and structures		80
Electronic Chemicals / FA Systems	Taipei City, Taiwan	Facilities	Buildings and structures		65
Electronic Components	Sakado-shi, Saitama, Japan	Business assets	Goodwill		61
Electronic Components	Selangor, Malaysia	Business assets	Goodwill		52
Electronic Components	Numata-shi, Gunma, Japan	Idle properties	Land		93
Electronic Components	Hamamatsu-shi, Shizuoka, Japan	Investment properties	Investments and other assets		34
			Total	¥	631

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

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

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

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

As it was decided to sell certain investment properties, a loss on impairment was recognized by writing down the book value to the recoverable amount.
(Asset categories)
Buildings and structures: ¥385 million
Equipment: ¥6 million
Land: ¥93 million
Goodwill: ¥113 million
Investment: ¥33 million
Expense of real estate appraiser: ¥1 million

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

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

21. Stock Options

(a) Stock options expenses recognized in selling, general and administrative expenses for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Selling, general and administrative expenses	¥ 16	¥ 11	$ 151

(b) Outline of stock options and changes

a. Outline of stock options

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

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

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

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

Date of resolution	The 14th Stock Option Plan June 28, 2017
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 8
Number of stock options	Common shares 37,000
Grant date	July 1, 2017
Condition for vesting	Retirement of director and executive officer
Requisite service period	N.A.
Exercise period	July 1, 2017 to June 30, 2047

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

b. Stock options granted and changes

The movement in the number of stock options for the year ended Mach 31, 2018 is presented after conversion to the number of shares.

Number of stock options (Shares)

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

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

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

Date of resolution	The 11th Stock Option Plan June 26, 2014	The 12th Stock Option Plan June 26, 2015	The 13th Stock Option Plan June 28, 2016
Before vested			
Previous fiscal year-end	50,000	33,000	50,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	2,000	3,000
Outstanding	50,000	31,000	47,000
After vested			
Previous fiscal year-end		—	—
Vested	—	2,000	3,000
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	—	2,000	3,000

Date of resolution	The 14th Stock Option Plan June 28, 2017
Before vested	
Previous fiscal year-end	—
Granted	37,000
Forfeited	1,000
Vested	—
Outstanding	36,000
After vested	
Previous fiscal year-end	—
Vested	—
Exercised	—
Forfeited	—
Exercisable	—

Price information (Yen)

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

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

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

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

Date of resolution	The 14th Stock Option Plan June 28, 2017
Exercise price	1
Average stock price at exercise	—
Fair value at the grant date	439

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

The 14th stock options granted in the fiscal year ended March 31, 2018 were valued using the following valuation technique.

Valuation technique: Black-Scholes option-pricing model

Principal assumptions used in the option-pricing model:

Date of resolution	The 14th Stock Option Plan June 28, 2017
Expected volatility(*1)	44.64%
Average expected life(*2)	10 years
Expected dividends(*3)	9 yen per share
Risk-free interest rate(*4)	0.09%

(*1) Calculated based on the actual stock prices from April 2007 to June 2017.

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

(*3) Calculated based on actual dividends on common stock for the year ended March 31, 2017, the dividend policy of the Company and prior years' actual dividends.

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

(d) Method of estimating the number of stock options to be vested

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

22. Segment Information

(a) Overview of reportable segments

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

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

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

The accounting policies of the segments are substantially the same as those described in Note 1. Significant Accounting Policies.
Segment income is based on operating income.
Inter-segment sales are recorded at the same prices used in transactions with third parties.

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

Year ended March 31, 2018

Millions of yen

	Reportable segments: Electronic Components		Reportable segments: Electronic Chemicals / FA Systems		Reportable segments: Information Equipment		Reportable segments: Subtotal		Other (*1)		Total		Adjustments (*2)		Consoli－dated (*3)	
Net Sales																
Sales-																
Customers	¥	55,875	¥	25,379	¥	4,224	¥	85,478	¥	80	¥	85,558	¥	—	¥	85,558
Inter-segment		—		64		8		72		661		733		(733)		—
		55,875		25,443		4,232		85,550		741		86,291		(733)		85,558
Segment income (loss)	¥	2,197	¥	3,244	¥	490	¥	5,931	¥	80	¥	6,011	¥	(604)	¥	5,407
Other items																
Depreciation and amortization	¥	1,083	¥	790	¥	105	¥	1,978	¥	11	¥	1,989	¥	12	¥	2,001
Amortization of goodwill	¥	63	¥	—	¥	—	¥	63	¥	—	¥	63	¥	—	¥	63
Increase in tangible and intangible fixed assets	¥	4,030	¥	861	¥	67	¥	4,958	¥	3	¥	4,961	¥	32	¥	4,993

Year ended March 31, 2017

Millions of yen

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

	Year ended March 31, 2018							
	Thousands of U.S. dollars							
	Reportable segments							
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Subtotal	Other (*1)	Total	Adjustments (*2)	Consoli－dated (*3)
Net Sales								
Sales-								
Customers	$ 527,123	$ 239,424	$ 39,849	$ 806,396	$ 755	$ 807,151	$ －	$ 807,151
Inter-segment	－	604	75	679	6,236	6,915	(6,915)	－
	527,123	240,028	39,924	807,075	6,991	814,066	(6,915)	807,151
Segment income (loss)	$ 20,726	$ 30,604	$ 4,623	$ 55,953	$ 755	$ 56,708	$ (5,699)	$ 51,009
Other items								
Depreciation and amortization	$ 10,216	$ 7,453	$ 991	$ 18,660	$ 104	$ 18,764	$ 113	$ 18,877
Amortization of goodwill	$ 594	$ －	$ －	$ 594	$ －	$ 594	$ －	$ 594
Increase in tangible and intangible fixed assets	$ 38,019	$ 8,123	$ 632	$ 46,774	$ 28	$ 46,802	$ 302	$ 47,104

(*1) “Other” includes businesses not included in the reportable segments, which includes the transportation, warehouse businesses in the years ended March 31, 2018 and 2017.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Inter-segment eliminations	¥ 68	¥ 78	$ 642
Corporate costs (*)	(671)	(649)	(6,331)
Total	¥ (603)	¥ (571)	$ (5,689)

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

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

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

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

(d) Related information

(1) Information by product and service

	Year ended March 31, 2018				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	¥ 55,875	¥ 25,379	¥ 4,224	¥ 80	¥ 85,558

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

	Year ended March 31, 2018				
	Thousands of U.S. dollars				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	$ 527,123	$ 239,424	$ 39,849	$ 755	$ 807,151

(2) Information by geographical area

i. Sales

	Year ended March 31, 2018						
	Millions of yen						
	Japan	China	Other Asia	Europe	North and South America	Other	Consoli－dated
Net Sales	¥ 38,474	¥ 25,206	¥ 12,937	¥ 5,721	¥ 2,905	¥ 315	¥ 85,558

	Year ended March 31, 2017						
	Millions of yen						
	Japan	China	Other Asia	Europe	North and South America	Other	Consoli－dated
Net Sales	¥ 35,467	¥ 22,858	¥ 11,792	¥ 5,804	¥ 3,360	¥ 326	¥ 79,607

	Year ended March 31, 2018						
	Thousands of U.S. dollars						
	Japan	China	Other Asia	Europe	North and South America	Other	Consoli－dated
Net Sales	$ 362,962	$ 237,792	$ 122,047	$ 53,972	$ 27,406	$ 2,972	$ 807,151

ii. Property, plant and equipment

	Year ended March 31, 2018					
	Millions of yen					
	Japan	China	Other Asia	Europe	North and South America	Consoli－dated
Property, plant and equipment	¥ 12,982	¥ 3,477	¥ 2,980	¥ 513	¥ 229	¥ 20,181

	Year ended March 31, 2017					
	Millions of yen					
	Japan	China	Other Asia	Europe	North and South America	Consoli－dated
Property, plant and equipment	¥ 10,689	¥ 3,145	¥ 2,657	¥ 275	¥ 189	¥ 16,955

	Year ended March 31, 2018					
	Thousands of U.S. dollars					
	Japan	China	Other Asia	Europe	North and South America	Consoli－dated
Property, plant and equipment	$ 122,472	$ 32,802	$ 28,113	$ 4,840	$ 2,160	$ 190,387

(3) Information by major customer

This information has been omitted because there is no specific customer representing 10% or more of net sales recorded in the consolidated statements of income for the years ended March 31, 2018 and 2017.

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

Fiscal year ended March 31, 2018: Not applicable

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

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

	Year ended March 31, 2018				
	Millions of yen				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Amortization	¥ 63	¥ —	¥ —	¥ —	¥ 63
Balance as of March 31	513	—	—	—	513

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

	Year ended March 31, 2018				
	Thousands of U.S. dollars				
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Amortization	$ 594	$ —	$ —	$ —	$ 594
Balance as of March 31	4,840	—	—	—	4,840

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

As of March 31, 2018, the "Electronic Chemicals / FA Systems" business recorded ¥2 million ($19 thousand) gain on negative goodwill. It was due to the consolidation of ESE INDUSTRIES (THAI) CO., LTD as a subsidiary.

Fiscal year ended March 31, 2017: Not applicable

23. Related Party Transactions

Year ended March 31, 2018

Related Party	Name	Location	Capital	Business or Occupation	Ownership Ratio of Voting Rights	Relation-ship	Detail of Transaction	Transaction Amount	Ending Balance
Close family member	Itsuya Tamura	–	–	Executive adviser	(Owened) Direct: 0.0%	–	Payment of advisory fee	¥12 million ($113 thousand)	–

Year ended March 31, 2017

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

(*1) Itsuya Tamura, the executive advisor of the Company, is the father of Naoki Tamura, the representative director of the Company. The Company believes that management systems can be further strengthened by receiving Itsuya Tamura's advice on overall management based on his long business experience, profound insight and strong connections gained through his involvement in management as the representative director and the chairman of the Company in the past.
Itsuya Tamura resigned the executive advisor of the Company on March 31, 2018.
Remuneration is determined in accordance with the Company's internal rules.

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

24. Subsequent Events

There were no significant subsequent events for the years ended March 31, 2018 and 2017.