

2. Dividends

| | Dividend per share | | | | | Total dividends (annual) (Million yen) | Payout ratio (consolidated) (%) | Dividend on net assets (consolidated) (%) |
|----------------------------|--------------------|--------|--------|----------|--------|---|------------------------------------|--|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | | | |
| March 2016 Term | — | 10.00 | — | 30.00 | 40.00 | 1,127 | 115.3 | 1.7 |
| March 2017 Term | — | 10.00 | — | 15.00 | 25.00 | 704 | — | 1.1 |
| March 2018 Term (forecast) | — | 10.00 | — | 15.00 | 25.00 | | 100.6 | |

3. Forecasts for Consolidated Business Performance for March 2018 Term (April 1, 2017 – March 31, 2018)

(% figures represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit attributable to shareholders of parent company | | Net profit per share |
|------------|-------------|------|------------------|------|-----------------|---|---|---|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 89,000 | 4.3 | 480 | — | 410 | — | (150) | — | (5.32) |
| Full year | 185,000 | 10.3 | 1,550 | 92.7 | 1,380 | — | 700 | — | 24.84 |

* Annotations

(1) Significant subsidiary changes during the term (changes in scope of consolidation): None

Newly added:

Excluded:

(2) Changes in accounting principles, changes in accounting estimate, and redisplay after revision:

1) Changes in accounting principles caused by revision of accounting standards: Yes

2) Changes in accounting principles other than 1): None

3) Changes in accounting estimate: None

4) Redisplay after revision: None

Note: For further information, please refer to “4. Consolidated Financial Statements and Main Notes - (5) Notes on Consolidated Financial Statements (Changes in Accounting Principles)”, on page 12 of [Appendix].

(3) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

March 2017 Term: 29,281,373 shares March 2016 Term: 29,281,373 shares

2) Number of treasury stock at the end of term:

March 2017 Term: 1,102,630 shares March 2016 Term: 1,102,476 shares

3) Number of average stock during the term:

March 2017 Term: 28,178,856 shares March 2016 Term: 28,179,082 shares

(Reference) Overview of Non-consolidated Results

(1) Non-consolidated Business Performance for March 2017 Term (April 1, 2016 – March 31, 2017)

(% figures represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit | |
|-----------------|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 2017 Term | 105,510 | (33.0) | (716) | — | (1,833) | — | (2,198) | — |
| March 2016 Term | 157,423 | (3.1) | 1,056 | (35.5) | 1,070 | (62.9) | 698 | (65.5) |

| | Net profit per share | Diluted net profit per share |
|-----------------|----------------------|------------------------------|
| | Yen | Yen |
| March 2017 Term | (78.01) | — |
| March 2016 Term | 24.80 | — |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-----------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| March 2017 Term | 69,578 | 52,011 | 74.8 | 1,845.78 |
| March 2016 Term | 79,632 | 54,594 | 68.6 | 1,937.44 |

Reference) Shareholders' equity March 2017 Term: 52,011 million yen March 2016 Term: 54,594 million yen

*This summary of financial results is not subject to auditing procedures.

* Cautionary statement regarding forward-looking statements

The projected results and forward-looking statements included in this document reflect the Company's expectations based on information available at the time of release, and contains potential risks and uncertain factors. The actual performance may considerably differ from the forecast due to various factors.

See the section "Overview of Business Results – (4) Future Prospects" on page 3 of [Appendix] regarding the relevant matters for the above forecast for the business performance.

The Company is planning to hold a briefing for securities analysts and institutional investors on May 24, 2017. As for the issued documents explaining the closing of accounts, they shall promptly be updated on our website after the briefing is held.

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1. Overview of Business Results

(1) Overview of Business Results for the fiscal year ended March 31, 2017

During the consolidated fiscal year under review, outlook of the global economy became increasingly uncertain for the reasons of Britain's exit from the European Union, national election in European countries, and political management of the new administration in the U.S. The Japanese economy continued to be on a moderate recovery path, but lacked momentum due to sharp volatility and instability in currency movement in the exchange and financial markets, as well as concerns about an adverse affect by continued uncertainty of the global economy.

The electronics industry, which is the primary area of business of the Group, saw stable growth in the markets relating to advanced operation support systems for automobiles, IoT (Internet of Things) and M2M (Machine to Machine). Meanwhile, in the domestic IT industry, services related to cloud computing and big data have become increasingly popular and there are reasons to expect them to find further use in businesses, so in this area, the Group operated in a comparatively favorable environment.

Under these circumstances, we committed to strengthening business power and to improving the management foundation, as well as we strove to improve sales and profitability. However, during the consolidated fiscal year under review, business performance in the device business significantly deteriorated due to drastic fluctuation of exchange rates and a decrease in Group's offering products resulted from change in product strategies by major suppliers, causing an overall downturn in consolidated results: net sales decreased by 15.8% to ¥167,654 million and operating profit fell by 58.0% to ¥804 million, all on a year-on-year basis. In addition, ordinary loss of ¥952 million was recorded (compared to a profit of ¥1,500 million in the previous term), and ¥1,575 million was recorded as net loss attributable to shareholders of parent company (compared to a profit of ¥977 million in the previous term).

Consolidated performance by segment for the term under review is as follows.

(Device segment)

In the device business segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs, memories, etc.) and electronic components (including connectors, capacitors, circuit boards, etc.). These products are sold mainly to electronics manufacturers. We also provide technical support, such as software development and module development.

In the consolidated period under review, sales for vehicle-mounted systems remained strong, but sales for other fields such as information communication and TOY decreased as a whole.

As a result, segment sales decreased by 15.2% year-on-year to ¥155,480 million. The segment loss expanded to ¥2,028 million (compared to a loss of ¥96 million in the previous term), because not only sales declined, but also foreign exchange losses were recorded.

(Solution segment)

In the solution business segment, we are committed to planning and developing infrastructure with operation of information communication networks at the core, mainly for private companies, government offices and local municipalities, as well as to ensuring its operation and maintenance. Especially, as for our core system, we offer services deriving from provision of package software, such as customization according to individual development. Furthermore, we also provide broadcast stations and production companies with editing and transmission of video content, as well as with distribution systems, centered on products from suppliers abroad.

In the current consolidated fiscal year, sales of portable video transmitters remained solid, but sales of embedded systems, which was strong in the previous term, decreased. In addition, sales to public institutions decreased substantially in comparison with the previous term, because the replacement demand toward the digitalization of wireless communications for firefighting and emergency services ceased.

As a result, segment sales decreased by 22.7% year-on-year to ¥12,173 million. The segment profit decreased by 32.6% in comparison with the previous term to ¥1,076 million despite an improvement in the gross profit margin, due to a decrease in net sales and an increase in selling, general and administrative expenses mainly used for an increase in personnel to strengthen our business power.

Note: Profit (loss) in each report segment is based on ordinary profit (loss).

(2) Overview of Financial Position for the fiscal year ended March 31, 2017

(Assets)

As of March 31, 2017, assets decreased ¥1,435 million compared to March 31, 2016, to ¥94,144 million. This was mainly attributable to a ¥9,413 million increase in cash and deposits, a ¥7,077 million decrease in merchandise inventories, a ¥2,517 million decrease in notes and accounts receivable, and a ¥1,515 million decrease in consumption taxes refund receivable.

(Liabilities)

As of March 31, 2017, liabilities increased ¥411 million compared to March 31, 2016, to ¥32,606 million. This was mainly attributable to an ¥6,715 million increase in short-term loans payable, and a ¥5,565 million decrease in notes and accounts payable-trade.

(Net Assets)

As of March 31, 2017, net assets decreased ¥1,847 million compared to March 31, 2016, to ¥61,537 million. This was mainly attributable to an ¥2,702 million decrease in retained earnings, a ¥256 million increase in valuation difference on available-for-sale securities, and a ¥486 million increase in deferred hedge gains (losses).

(3) Overview of Cash Flows for the fiscal year ended March 31, 2017

As of March 31, 2017, cash and cash equivalents increased ¥9,513 million compared to March 31, 2016, to ¥19,599 million. This was due to decreases in notes and accounts receivable-trade and inventories, both of which contributed to an increase in income.

(Operating activities)

Net cash provided by operating activities during the consolidated period under review totaled ¥5,068 million. This is due to income resulted from decreases in notes and accounts receivable-trade and inventories, which exceeded expenses resulted from a decrease in notes and accounts payable, etc. This represented an income rise of ¥10,254 million compared with the previous consolidated fiscal year.

(Investing activities)

Net cash used in investing activities during the consolidated period under review totaled ¥727 million. This was mainly due to purchase of investment securities, among other expenses. This represented an expense increase of ¥320 million compared with the previous consolidated fiscal year.

(Financing activities)

Net cash provided by financing activities during the consolidated period under review totaled ¥5,258 million. This was mainly due to proceeds from short-term loans that exceeded expenses, such as dividend payments, etc. This represented an income rise of ¥1,719 million compared with the previous consolidated fiscal year.

(4) Future Prospects

1) Outlook for the next fiscal year

For the next consolidated fiscal year, the Company forecasts that all of net sales, operating profit and ordinary profit increase on a year-on-year comparison in its full-year business results, because of expectation that profitability in the device business enhance; that risk management relating to currency exchange rates and inventory be strengthened; that profitability improve as the effect of retirement solicitation scheduled in the first quarter; and that sales to public institutions, which substantially decreased in the current year, as well as sales of embedded systems expand in the solution business. Although it is forecasted that net loss attributable to shareholders of parent company be recorded in the first half of the next term for the reason that extraordinary losses relating to the retirement solicitation will be recorded in the first quarter of the next term, the Company expects that net profit attributable to shareholders of parent company be recorded in its full-year business results.

(Prospect for Consolidated Business Results)

| | |
|--|--|
| Net sales: | ¥185 billion (up 10.3% YoY) |
| Operating profit: | ¥1.55 billion (up 92.7% YoY) |
| Ordinary profit: | ¥1.38 billion (compared with ordinary loss of ¥952 million yen in FY2017) |
| Net profit attributable to shareholders of parent company: | ¥0.7 billion (compared with net profit attributable to shareholders of parent company of ¥1.575 billion in FY2017) |

2) Outlook for assets, liabilities, net assets and cash flows

At the end of March 2018, the Company expects total assets to be roughly ¥100 billion, a ¥5.9 billion increase from the end of March 2017, mainly because of projected increases in notes and accounts receivable-trade and inventories. In addition, the Company expects interest-bearing debt to total about ¥17 billion at the end of March 2018.

Cash and cash equivalents at the end of March 2018 are expected to decrease by about ¥2.6 billion from the end of March 2017 to about ¥17 billion. This is mainly because of an expected expense rise impacted by projected increases in trade notes and accounts receivable-trade and inventories.

Performance indicators associated with cash flows are as follows.

| | March 2013 Term | March 2014 Term | March 2015 Term | March 2016 Term | March 2017 Term |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Ratio of shareholders' equity (%) | 72.3 | 66.6 | 64.5 | 66.3 | 65.4 |
| Ratio of shareholders' equity on current price base (%) | 21.8 | 20.8 | 27.6 | 26.2 | 38.0 |
| Interest-bearing debt to cash flow ratio (year) | — | 0.5 | — | — | 2.6 |
| Interest coverage ratio | — | 358.2 | — | — | 48.9 |

Notes: Ratio of shareholders' equity: Shareholders' equity ÷ Total assets

Ratio of shareholders' equity on current price base: Market capitalization ÷ Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debts ÷ Operating cash flow

Interest coverage ratio: Operating cash flow ÷ Interest paid

* Each indicator is calculated using the consolidated financial figures.

* The market capitalization is calculated as the share price at term-end multiplied by the number of shares outstanding at term-end (after the deduction of treasury stock).

* For the operating cash flow, the "cash flow from operating activities" shown in the consolidated statement of cash flows is used. The interest-bearing debts feature all debts bearing interest among the debts listed in the consolidated balance sheets. For the amount of interest paid, the "interest expenses paid" listed in the consolidated statement of cash flows is used.

* Figures for the interest-bearing debt to cash flow ratio and the interest coverage ratio are not recorded when the operating cash flow figure is negative.

2. Basic Attitudes Toward the Selection of our Accounting Standards

For the time being, the Group has applied the Japanese standards to its consolidated financial statements, with consideration given to the comparability of the terms of consolidated financial statements and comparability among enterprises.

As regards the application of international accounting standards, the Group is open to appropriately meet these standards upon consideration of both domestic and overseas circumstances.

3. Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheets

(Million yen)

| | March 2016 Term (As of Mar. 31, 2016) | March 2017 Term (As of Mar. 31, 2017) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,186 | 19,599 |
| Notes and accounts receivable-trade | 44,852 | 43,597 |
| Electronically recorded monetary claims | 10,272 | 9,009 |
| Merchandise inventories | 18,405 | 11,327 |
| Partly-finished work | 3 | 1 |
| Accrued income | 185 | 97 |
| Deferred tax assets | 778 | 328 |
| Others | 4,677 | 3,133 |
| Allowance for doubtful accounts | (7) | (7) |
| Total current assets | 89,353 | 87,088 |
| Non-current assets | | |
| Property and equipment | | |
| Buildings and structures | 6,228 | 5,917 |
| Accumulated depreciation | (4,500) | (4,358) |
| Buildings and structures, net | 1,728 | 1,559 |
| Land | 2,053 | 2,046 |
| Leased assets | 206 | 217 |
| Accumulated depreciation | (76) | (101) |
| Lease assets, net | 129 | 115 |
| Other | 703 | 695 |
| Accumulated depreciation | (629) | (607) |
| Other, net | 73 | 88 |
| Total property and equipment | 3,985 | 3,810 |
| Intangible assets | 345 | 312 |
| Investments and other assets | | |
| Investment securities | 1,542 | 2,657 |
| Others | 471 | 290 |
| Allowance for doubtful accounts | (117) | (14) |
| Total investments and other assets | 1,895 | 2,933 |
| Total non-current assets | 6,226 | 7,055 |
| Total assets | 95,580 | 94,144 |

(Million yen)

| | March 2016 Term (As of Mar. 31, 2016) | March 2017 Term (As of Mar. 31, 2017) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 22,282 | 16,717 |
| Short-term loans payable | 6,408 | 13,124 |
| Lease obligations | 39 | 40 |
| Accrued corporate tax, etc. | 180 | 156 |
| Allowance for bonuses to employees | 530 | 489 |
| Allowance for bonuses to directors and corporate auditors | 24 | - |
| Others | 1,885 | 1,233 |
| Total current liabilities | 31,350 | 31,760 |
| Non-current liabilities | | |
| Lease obligations | 90 | 74 |
| Deferred tax liabilities | 1 | 210 |
| Net defined benefit liabilities | 651 | 465 |
| Others | 101 | 95 |
| Total non-current liabilities | 843 | 845 |
| Total liabilities | 32,194 | 32,606 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 14,811 | 14,811 |
| Capital surplus | 15,329 | 15,329 |
| Retained earnings | 34,625 | 31,923 |
| Treasury stock | (763) | (764) |
| Total shareholders' equity | 64,003 | 61,300 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 398 | 654 |
| Deferred hedge gains (losses) | (493) | (7) |
| Foreign currency translation adjustment | (158) | (241) |
| Remeasurements of defined benefit plans | (364) | (168) |
| Total accumulated other comprehensive income | (617) | 237 |
| Total net assets | 63,385 | 61,537 |
| Total liabilities and net assets | 95,580 | 94,144 |

(2) Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement
 (Consolidated Profit and Loss Statement)

(Million yen)

| | March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016) | March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017) |
|--|---|---|
| Net sales | 199,075 | 167,654 |
| Cost of sales | 186,845 | 156,968 |
| Gross profit on sales | 12,230 | 10,686 |
| Selling, general and administrative expenses | 10,316 | 9,882 |
| Operating profit | 1,913 | 804 |
| Non-operating profit | | |
| Interest income | 14 | 14 |
| Dividend income | 29 | 31 |
| Others | 77 | 93 |
| Total non-operating profit | 121 | 138 |
| Non-operating expenses | | |
| Interest expenses | 34 | 103 |
| Sales discounts | 33 | 26 |
| Foreign exchange losses | 371 | 1,745 |
| Loss on sales of electronically recorded monetary claims | 81 | - |
| Others | 13 | 18 |
| Total non-operating expenses | 533 | 1,894 |
| Ordinary profit (loss) | 1,500 | (952) |
| Extraordinary profits | | |
| Gain on sales of non-current assets | 0 | 0 |
| Gain on sales of investment securities | 0 | 0 |
| Gain on sales of memberships | - | 15 |
| Total extraordinary profits | 0 | 15 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | 0 |
| Loss on retirement of non-current assets | 0 | 10 |
| Loss on sales of investment securities | - | 0 |
| Loss on valuation of investment securities | 7 | - |
| Impairment loss | - | 34 |
| Total extraordinary losses | 8 | 44 |
| Net profit (loss) before tax and other adjustments | 1,493 | (981) |
| Corporate, resident and enterprise taxes | 420 | 297 |
| Adjustment for corporate tax, etc. | 94 | 296 |
| Total income taxes | 515 | 593 |
| Net profit (loss) | 977 | (1,575) |
| Net profit (loss) attributable to shareholders of parent company | 977 | (1,575) |

(Consolidated Comprehensive Income Statement)

(Million yen)

| | March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016) | March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017) |
|---|---|---|
| Net profit (loss) | 977 | (1,575) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (140) | 256 |
| Deferred hedge gains (losses) | (566) | 486 |
| Foreign currency translation adjustment | (1,007) | (83) |
| Remeasurements of defined benefit plans, net of tax | (369) | 196 |
| Total other comprehensive income | (2,083) | 854 |
| Comprehensive income | (1,106) | (720) |
| (Details) | | |
| Comprehensive income attributable to shareholders of parental company | (1,106) | (720) |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Consolidated Statements of Changes in Shareholders' Equity

March 2016 Term (April 1, 2015 to March 31, 2016)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2015 | 14,811 | 15,329 | 34,775 | (763) | 64,152 |
| Changes during the term | | | | | |
| Dividends of surplus | | | (1,127) | | (1,127) |
| Net profit attributable to shareholders of parent company | | | 977 | | 977 |
| Purchase of treasury stock | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the term | - | - | (149) | (0) | (149) |
| Balance as of March 31, 2016 | 14,811 | 15,329 | 34,625 | (763) | 64,003 |

(Million yen)

| | Accumulated other comprehensive income | | | | | Total net assets |
|---|---|-------------------------------|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Deferred hedge gains (losses) | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance as of April 1, 2015 | 539 | 72 | 849 | 4 | 1,466 | 65,619 |
| Changes during the term | | | | | | |
| Dividends of surplus | | | | | | (1,127) |
| Net profit attributable to shareholders of parent company | | | | | | 977 |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | (140) | (566) | (1,007) | (369) | (2,083) | (2,083) |
| Total changes during the term | (140) | (566) | (1,007) | (369) | (2,083) | (2,233) |
| Balance as of March 31, 2016 | 398 | (493) | (158) | (364) | (617) | 63,385 |

March 2017 Term (April 1, 2016 to March 31, 2017)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2016 | 14,811 | 15,329 | 34,625 | (763) | 64,003 |
| Changes during the term | | | | | |
| Dividends of surplus | | | (1,127) | | (1,127) |
| Net profit attributable to shareholders of parent company | | | (1,575) | | (1,575) |
| Purchase of treasury stock | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the term | - | - | (2,702) | (0) | (2,702) |
| Balance as of March 31, 2017 | 14,811 | 15,329 | 31,923 | (764) | 61,300 |

(Million yen)

| | Accumulated other comprehensive income | | | | | Total net assets |
|---|---|-------------------------------|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Deferred hedge gains (losses) | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance as of April 1, 2016 | 398 | (493) | (158) | (364) | (617) | 63,385 |
| Changes during the term | | | | | | |
| Dividends of surplus | | | | | | (1,127) |
| Net profit attributable to shareholders of parent company | | | | | | (1,575) |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | 256 | 486 | (83) | 196 | 854 | 854 |
| Total changes during the term | 256 | 486 | (83) | 196 | 854 | (1,847) |
| Balance as of March 31, 2017 | 654 | (7) | (241) | (168) | 237 | 61,537 |

(4) Consolidated Statement of Cash Flows

(Million yen)

| | March 2016 Term (Apr. 1, 2015– Mar. 31, 2016) | March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017) |
|---|--|---|
| Operating activities | | |
| Net profit (loss) before tax and other adjustments | 1,493 | (981) |
| Depreciation and amortization | 220 | 227 |
| Impairment loss | - | 34 |
| Amortization of goodwill | 18 | 40 |
| Increase (decrease) in allowance for doubtful accounts | (48) | (9) |
| Increase (decrease) in net defined benefit liabilities | 0 | 96 |
| Interest and dividend income | (44) | (45) |
| Interest expense | 34 | 103 |
| Loss (gain) on sales of non-current assets | (0) | (0) |
| Loss (gain) on sales of investment securities | (0) | (0) |
| Loss (gain) on valuation of investment securities | 7 | - |
| Decrease (increase) in notes and accounts receivable-trade | 3,109 | 2,778 |
| Decrease (increase) in inventories | (1,783) | 6,799 |
| Increase (decrease) in notes and accounts payable-trade | (7,718) | (5,256) |
| Decrease (increase) in consumption taxes refund receivable | 353 | 1,515 |
| Increase (decrease) in accrued consumption taxes | (8) | 0 |
| Others | 213 | 96 |
| Subtotal | (4,151) | 5,400 |
| Interest and dividend income received | 44 | 45 |
| Interest expenses paid | (34) | (103) |
| Corporate and other taxes paid | (1,043) | (274) |
| Net cash provided by (used in) operating activities | (5,186) | 5,068 |
| Investing activities | | |
| Net decrease (increase) in time deposits | (100) | 100 |
| Purchase of property and equipment | (64) | (132) |
| Proceeds from sales of property and equipment | 0 | 78 |
| Purchase of software | (30) | (12) |
| Purchase of investments securities | (96) | (747) |
| Proceeds from sales of investment securities | 0 | 0 |
| Others | (115) | (13) |
| Net cash used in investing activities | (407) | (727) |
| Financing activities | | |
| Proceeds from short-term loans | 36,576 | 32,630 |
| Repayment of short-term loans | (31,865) | (26,195) |
| Repayments of lease obligations | (46) | (50) |
| Net decrease (increase) in treasury stock | (0) | (0) |
| Cash dividends paid | (1,124) | 1,125 |
| Net cash provided by financing activities | 3,538 | 5,258 |
| Effect of exchange rate change on cash and cash equivalents | (348) | (86) |
| Net increase (decrease) in cash and cash equivalents | (2,402) | 9,513 |
| Balance of cash and cash equivalents, beginning of the period | 12,489 | 10,086 |
| Balance of cash and cash equivalents, end of the period | 10,086 | 19,599 |

**(5) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern)**

None

(Changes in Accounting Principles)

Application of Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law

In accordance with revisions to the Corporate Tax Law, we have adopted the “Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law” (Practical Issues Task Force No. 32 of June 17, 2016), effective from the consolidated fiscal year under review. Accordingly, we have changed the depreciation method for equipment/installations and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This measure is expected to have a negligible effect on the Company’s earnings.

(Additional Information)

Implementation of the Application Guidelines for Collectability of Deferred Tax Assets

We have adopted the “Application Guidelines for Collectability of Deferred Tax Assets” (Corporate Accounting Standards No. 26 of March 28, 2016), effective from the consolidated fiscal year under review.

(Segment Information and Other)

a. Segment Information

1. Outline of Report Segments

The report segments are composition units of the Company for which separate financial information is available. The Board of Directors reviews these segments periodically to determine the allotment of managerial resources and evaluate the financial results.

The Company has business headquarters for individual merchandise and services. The business headquarters work out domestic and overseas comprehensive strategies about their merchandise and services, and do business activities according to the strategies.

Therefore, the Company is organized in two segments by merchandise and services based on business headquarters. They are device segment and solution segment.

In the device segment, the Company mainly sells semiconductor devices (system LSIs, microcomputers, LCD display driver ICs, memories, etc.) and electronic components (connectors, capacitors, circuit boards, etc.) to electronic product manufacturers. The Company also provides technical support for software development, module development, and other.

In the solution segment, the Company is mainly engaged in business related to network systems, such as selling, maintaining, and supporting information & communication networks and key business systems mainly for companies, medical institutions, governmental offices, and local municipalities. The Company is also engaged in business related to video systems, such as selling systems and software to broadcast stations and video productions for editing, sending, and distributing video contents.

2. Amount calculation methods for sales, profit or loss, assets, liabilities, and other items in each report segment

The accounting method in the reported business segments is almost the same as that used for preparing the consolidated financial statements.

Profit (loss) in the report segments are based on ordinary profit (loss).

3. Information regarding the amounts of sales, profit or loss, assets, liabilities, and other items in each report segment

March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016)

(Million yen)

| | Reported segment | | | Adjustment amount (Note 1) | Amount accounted on consolidated profit and loss statement (Note 2) |
|--|------------------|------------------|---------|----------------------------|---|
| | Device segment | Solution segment | Total | | |
| Net sales | | | | | |
| Sales to outside customers | 183,326 | 15,748 | 199,075 | - | 199,075 |
| Inter-segment sales or transfers | - | - | - | - | - |
| Total | 183,326 | 15,748 | 199,075 | - | 199,075 |
| Segment profit (loss) | (96) | 1,597 | 1,500 | - | 1,500 |
| Segment assets | 76,455 | 7,620 | 84,075 | 11,504 | 95,580 |
| Other items | | | | | |
| Depreciation and amortization (Note 3) | 175 | 45 | 220 | - | 220 |
| Increase of property and equipment and intangible assets | 189 | 21 | 210 | 71 | 282 |

Notes: 1. The adjustment amount of segment assets includes investment capital (cash, deposits, and securities), long-term investment (investment in securities), and assets related to the management divisions of the Company.

2. The segment profit (loss) coincides with the ordinary profit in the consolidated profit and loss statement.

3. The depreciation and amortization do not include the amortization of goodwill.

March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017)

(Million yen)

| | Reported segment | | | Adjustment amount (Note 1) | Amount accounted on consolidated profit and loss statement (Note 2) |
|--|------------------|------------------|---------|----------------------------|---|
| | Device segment | Solution segment | Total | | |
| Net sales | | | | | |
| Sales to outside customers | 155,480 | 12,173 | 167,654 | - | 167,564 |
| Inter-segment sales or transfers | - | - | - | - | - |
| Total | 155,480 | 12,173 | 167,654 | - | 167,654 |
| Segment profit (loss) | (2,028) | 1,076 | (952) | - | (952) |
| Segment assets | 68,576 | 5,450 | 74,026 | 20,117 | 94,144 |
| Other items | | | | | |
| Depreciation and amortization (Note 3) | 174 | 53 | 227 | - | 227 |
| Increase of property and equipment and intangible assets | 98 | 21 | 120 | 47 | 168 |

Notes: 1. The adjustment amount of segment assets includes investment capital (cash, deposits, and securities), long-term investment (investment in securities), and assets related to the management divisions of the Company.

2. The segment profit (loss) coincides with the ordinary profit in the consolidated profit and loss statement.

3. The depreciation and amortization do not include the amortization of goodwill.

b. Related information

March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016)

1. Information of products and services

The information by product coincides with that by reported segment, and is, therefore, omitted.

2. Information of regions

(1) Net sales

(Million yen)

| Japan | Asia | North America | Others | Total |
|---------|--------|---------------|--------|---------|
| 105,001 | 92,645 | 1,237 | 190 | 199,075 |

(2) Property and equipment

As the amount of property and equipment in Japan exceeds 90% of the amount stated in the consolidated balance sheets, description is omitted.

3. Information of major clients

(Million yen)

| Name of client | Net sales | Related segments |
|--------------------|-----------|-----------------------|
| Sharp Corporation | 40,597 | Mainly device segment |
| Japan Display Inc. | 29,889 | Mainly device segment |

March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017)

1. Information of products and services

The information by product coincides with that by reported segment, and is, therefore, omitted.

2. Information of regions

(1) Net sales

(Million yen)

| Japan | Asia | North America | Others | Total |
|--------|--------|---------------|--------|---------|
| 89,441 | 77,388 | 593 | 230 | 167,654 |

(2) Property and equipment

As the amount of property and equipment in Japan exceeds 90% of the amount stated in the consolidated balance sheets, description is omitted.

3. Information of major clients

(Million yen)

| Name of client | Net sales | Related segments |
|--------------------|-----------|-----------------------|
| Sharp Corporation | 29,045 | Mainly device segment |
| Japan Display Inc. | 28,860 | Mainly device segment |

c. Information regarding impairment loss for non-current assets in each report segment

March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016)

None

March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017)

(Million yen)

| | Device segment | Solution segment | Elimination/Corporate | Total |
|-----------------|----------------|------------------|-----------------------|-------|
| Impairment loss | - | - | 34 | 34 |

d. Information regarding the amount of amortization of goodwill and the balance in each report segment

March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016)

(Million yen)

| | Device segment | Solution segment | Elimination/Corporate | Total |
|------------------------|----------------|------------------|-----------------------|-------|
| Amount of amortization | 18 | - | - | 18 |
| Balance at term-end | 120 | - | - | 120 |

March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017)

(Million yen)

| | Device segment | Solution segment | Elimination/Corporate | Total |
|------------------------|----------------|------------------|-----------------------|-------|
| Amount of amortization | 40 | - | - | 40 |
| Balance at term-end | 125 | - | - | 125 |

e. Information regarding profit on negative goodwill in each report segment

None

(Per Share Information)

(Yen)

| | March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016) | March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017) |
|-----------------------------|---|---|
| Net assets per share | 2,249.40 | 2,183.84 |
| Net profit (loss) per share | 34.70 | (55.90) |

Notes: 1. Diluted net profit per share is not presented since the Company has no dilutive shares.

2. Net profit (loss) per share was calculated on the following basis.

(Million yen)

| | March 2016 Term (Apr. 1, 2015 – Mar. 31, 2016) | March 2017 Term (Apr. 1, 2016 – Mar. 31, 2017) |
|---|---|---|
| Net profit (loss) attributable to shareholders of parent company | 977 | (1,575) |
| Amount not attributable to ordinary shareholders | - | - |
| Net profit (loss) attributable to shareholders of parent company available to ordinary shares | 977 | (1,575) |
| Average shares outstanding available to ordinary shares (thousand shares) | 28,179 | 28,178 |

(Important Later Event)

[Solicitation of Voluntary Retirement]

On the Board of Directors meeting held on April 19, 2017, the Company resolved to solicit voluntary retirement.

1. Reasons for solicitation of voluntary retirement

As there has been a decline in the earning capacity of the Company's device business due to aggravation of structural business environment, we have been striving to address the problem by improving business portfolio, but these efforts did not bear fruit in the fiscal year ended March 31, 2017. Therefore, in order to speed up the recovery of earning capacity and achieve a shift to a stable revenue structure, it was decided to promote consolidation and integration of business bases, consolidate organizations and functions, promote multitasking on the organizational level, rationalize the business processes, and optimize the personnel structure.

2. Outline of solicitation for voluntary retirement

- (1) Eligible persons : Key personnel aged 45 to 58 as of June 30, 2017 on the register in the device business segment of the Company.
- (2) Target number of applicants : 50
- (3) Application period : From May 29 to May 31, 2017
- (4) Date of retirement : June 30, 2017
- (5) Preferential treatment : A special retirement benefit will be paid in addition to the normal retirement benefit paid to those leaving at the convenience of the company. Re-employment support services will also be provided on request.

3. Future outlook

The special retirement benefits paid on this solicitation of voluntary retirement will be recorded as extraordinary loss in the fiscal year ending March 31, 2018.

4. Other

(1) Changes in Officers (Scheduled for June 23, 2017)

1) Changes in Representative Directors

None.

2) Changes in Other Officers

- Nominee as new director
 - Director, Operating Officer Mitsuhiro Ogawa (currently Operating Officer, Senior General Manager of CE Unit in Device Business Group)
- Director scheduled to retire
 - Director, Senior Operating Officer Yasuhiko Ota (to become Senior Operating Officer after retirement)