

FY2017 Consolidated Financial and Operating Results<JGAAP>

(Overview – English translation of the Japanese original)

April 27, 2017

Company Name: SANYO DENKI CO., LTD.

Code Number: 6516 (Listed on the First Section of the Tokyo Stock Exchange)

(URL: <http://www.sanyodenki.co.jp/>)

Representative: Shigeo Yamamoto, President & CEO

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Scheduled date for the Ordinary General Meeting of Shareholders: June 14, 2017

Scheduled date for commencement of dividend payments: June 15, 2017

Scheduled date for submitting the Securities Report: June 14, 2017

Availability of supplementary briefing material on annual results: Yes

Schedule of annual results briefing session: Yes (For analysts)

(Amounts below one million yen are truncated.)

1. Overview of the Consolidated Financial and Operating Results for FY2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2017	74,798	(6.8)	5,390	0.9	5,504	2.2	4,066	10.3
FY2016	80,282	(12.5)	5,342	(28.6)	5,387	(35.9)	3,685	(35.6)

Note: Comprehensive income: FY2017: ¥5,802 million (261.1%) FY2016: ¥1,606 million (-79.1%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2017	66.41	—	7.5	6.3	7.2
FY2016	59.34	—	7.1	6.2	6.7

(Reference) Equity in earnings of affiliates: FY2017: ¥– million FY2016: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
FY2017	89,487	56,275	62.9	920.34
FY2016	84,945	52,099	61.3	838.80

(Reference) Equity: FY2017: ¥56,269 million FY2016: ¥52,092 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	¥ Million	¥ Million	¥ Million	¥ Million
FY2017	5,588	(1,924)	(2,544)	13,766
FY2016	4,863	(2,057)	(2,708)	12,743

2. Dividends

	Annual cash dividend per share					Total amount of cash dividends (Annual)
	1Q	2Q	3Q	4Q	Annual	
	Yen	Yen	Yen	Yen	Yen	¥ Million
FY2016	–	9.00	–	9.00	18.00	1,117
FY2017	–	9.00	–	9.00	18.00	1,100
FY2018 (Forecast)	–	9.00	–	9.00	18.00	

	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	%	%
FY2016	30.3	2.2
FY2017	27.1	2.0
FY2018 (Forecast)	22.5	

3. Forecast for FY2018 (from April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding term)

	Sales revenue		Operating income		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Interim period	40,800	–	3,100	–	3,200	–	2,400	–	39.25
Full year	82,500	–	6,500	–	6,600	–	4,900	–	80.14

As the Company decided to voluntarily adopt the International Financial Reporting Standards (IFRS), starting from the "Consolidated Financial Statements in the FY2017 Securities Report," the above consolidated earnings forecasts were calculated based on IFRS. Therefore, the year-on-year comparison with the results of the fiscal year ended March 31, 2017 prepared on a Japanese GAAP basis are not stated.

4. Others

(1) Significant changes in subsidiaries during FY2017: None

(Change of certain subsidiaries that involves the scope of consolidation)

(2) Changes in accounting policies, changes in accounting estimates, and restatements of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards: None

2) Changes in accounting policies due to other than 1): None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury stock)

	FY2017	FY2016
	64,860,935 shares	64,860,935 shares

2) Number of treasury stock at the end of the period

	FY2017	FY2016
	3,720,831 shares	2,757,424 shares

3) Average number of shares during the period

	FY2017	FY2016
	61,223,839 shares	62,107,090 shares

(Reference) Summary of the Non-consolidated Financial and Operating Results

1. Overview of the Non-consolidated Financial and Operating Results for FY2017

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

(1) Non-consolidated operating results

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2017	60,702	0.7	3,061	7.4	3,874	10.2	2,955	30.0
FY2016	60,301	(11.5)	2,851	(42.6)	3,516	(40.4)	2,272	(42.4)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2017	48.27	—
FY2016	36.60	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
FY2017	67,058	41,904	62.5	685.38
FY2016	60,430	39,117	64.7	629.87

(Reference) Equity: FY2017: ¥41,904 million FY2016: ¥39,117 million

* These consolidated financial results are outside the scope of audit.

*Explanation for the appropriate use of performance forecasts and other special notes

Statements in these reports regarding the next fiscal year and other future events are evaluations made based upon the information available at the time these reports were prepared and believed to be reasonable. Accordingly, actual results may vary significantly from the forecast results stated here for a number of factors. Please refer to "Overview of Operating Results, etc." on page 2 of the attached material for the assumptions underlying the forecasts and precautions when using the forecasts.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for FY2017

During the fiscal year under review, the Japanese economy remained stagnant in the first half due to such factors as the appreciation of the yen and the deceleration of emerging economies, but in the second half, it sustained a moderate recovery aided by a halt in the yen's up-trend as well as improved corporate earnings due to the recovery of overseas economies.

Under such circumstances, the demand was solid for machine tools, robots, and semiconductor manufacturing equipment in the equipment industries, which are the Group's main target markets. On the other hand, demand for power conditioners for photovoltaic generation decreased.

As a result, consolidated net sales totaled ¥74,798 million in the fiscal year under review, down 6.8% from the previous year. Consolidated operating income increased by 0.9% to ¥5,390 million, consolidated ordinary income increased by 2.2% to ¥5,504 million, and profit attributable to owners of parent amounted to ¥4,066 million, up 10.3%.

Order received decreased by 2.4% to ¥77,530 million, while order backlog increased by 22.9% to ¥14,637 million.

Segment operating results by geographical area are as follows:

1) Japan

Companies operating in Japan are the Company and its consolidated subsidiaries: SANYO KOGYO CO., LTD. and SANYO DENKI Techno Service CO., LTD. Segment sales amounted to ¥75,832 million, down 5.4% from the previous year. Segment profit decreased by 1.1% to ¥3,774 million.

2) North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Segment sales increased by 17.9% to ¥9,674 million. Segment profit increased by 174.8% to ¥625 million.

3) Europe

The Company's consolidated subsidiaries operating in Europe are SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Segment sales decreased by 4.6% to ¥4,395 million. Segment profit decreased by 6.9% to ¥278 million.

4) East Asia

The Company's consolidated subsidiaries operating in East Asia include SANYO DENKI SHANGHAI CO., LTD., SANYO DENKI (H.K.) CO., LIMITED, SANYO DENKI TAIWAN CO., LTD., SANYO DENKI KOREA CO., LTD., SANYO DENKI ENGINEERING (Shanghai) CO., LTD., SANYO DENKI (Shenzhen) CO., LTD., SANYO DENKI (Zhongshan) CO., LTD., and SANYO DENKI Techno Service (Shenzhen) CO., LIMITED. Segment sales increased by 3.0% to ¥12,124 million. Segment loss was ¥89 million (segment profit was ¥52 million in the previous year).

5) Southeast Asia

The Company's consolidated subsidiaries operating in Southeast Asia include SANYO DENKI PHILIPPINES, INC., SANYO DENKI SINGAPORE PTE. LTD., SANYO DENKI INDIA PRIVATE LIMITED and SANYO DENKI (THAILAND) CO., LTD. Segment sales increased by 5.0% to ¥17,280 million. Segment profit decreased by 12.7% to ¥548 million.

The general state of business by division is as follows:

1) Cooling Systems Division

“San Ace,” Sanyo Denki’s brand name for cooling system products, experienced increased demand for servers for data centers. Demand from information telecommunications also remained steady. In addition, demand from the factory automation industry for capital investment for smartphone-related products and semiconductor equipment was also solid. In contrast, we saw a decline in demand for power conditioners for photovoltaic generation.

As a result, net sales increased 4.1% year on year, to ¥22,081 million. The amount of orders received increased 4.6%, to ¥22,465 million, and the order backlog increased by 12.0%, to ¥3,581 million.

2) Power Systems Division

“SANUPS,” Sanyo Denki’s brand name for power supply equipment, saw stagnant demand for power conditioners due to the continuously sluggish market condition of the feed-in tariff scheme for electricity generated by photovoltaic power. Conversely, demand for uninterruptible power systems from manufacturers of factory equipment and semiconductor equipment remained steady.

As a result, net sales decreased by 17.1% year on year, to ¥9,287 million. The amount of orders received dropped by 17.6%, to ¥9,208 million, and the order backlog decreased by 3.5%, to ¥2,181 million.

3) Servo Systems Division

“SANMOTION,” Sanyo Denki’s brand name for servo system products, experienced steady demand from manufacturers of semiconductor equipment and robots reflecting continuously brisk capital investment by manufacturers of semiconductor-related equipment. In addition, demand from machine tools, general industrial machines, and chip mounters increased due to a recovery in capital investment by smartphone manufacturers in China.

Consequently, net sales increased 1.2% year on year, to ¥36,248 million. The amount of orders received increased 13.2%, to ¥39,013 million, and the order backlog increased 56.5%, to ¥7,661 million.

4) Electrical Equipment Sales Division

Sales of industrial electrical equipment, control equipment and material for electronic equipment remained solid in the markets of general industrial equipment, medical-related equipment, and semiconductor-related equipment. On the other hand, we experienced a significant decline in demand for photovoltaic generation-related products for overseas markets in the current fiscal year while their sales increased sharply during the previous fiscal year.

In iron and steel-related business sectors, demand for the replacement of aged equipment for production facilities and spare parts for repair remained strong while capital investment in new facilities declined.

As a result, net sales decreased 49.1% year on year, to ¥4,930 million. The amount of orders received fell 52.8%, to ¥4,633 million, and the order backlog decreased 37.4%, to ¥496 million.

5) Electrical Works Contracting Division

As for works related to steel mill plant equipment, the volume of renewal construction and repair works was in line with the initial plan. With regard to works related to photovoltaic generation equipment, we saw a solid demand in construction of large-scale mega-solar plants but demand for others was on a declining trend generally.

As a result, net sales decreased 5.1% year on year, to ¥2,250 million. The amount of orders received dropped 12.0%, to ¥2,208 million, and the order backlog decreased 5.5%, to ¥716 million.

(2) Overview of Financial Position for FY2017

As for the financial position in the fiscal year under review, total assets increased by ¥4,541 million from the previous fiscal year, liabilities increased by ¥364 million, and net assets increased by ¥4,176 million.

Major factors of changes in total assets were an increase of ¥2,310 million in investments in securities, an increase of ¥1,799 million in electronically recorded monetary claims – operating, and an increase of ¥1,322 million in cash and bank deposit.

Major factors of changes in liabilities were an increase of ¥888 million in accrued income taxes, a decrease of ¥438 million in short-term debt, and a decrease of ¥376 million in net defined benefit liability.

Major factors of changes in net assets included an increase of ¥2,956 million in retained earnings, an increase of ¥1,569 million in unrealized holding gain on securities, and an increase of ¥516 million in treasury stock.

(3) Overview of Cash Flows for FY2017

Cash and cash equivalents (hereinafter referred to as “cash”) for the fiscal year under review increased by ¥1,023 million year on year to ¥13,766 million. The conditions of each cash flow and factors thereof are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review increased by ¥725 million year on year to ¥5,588 million. This is mainly attributable to income before income taxes of ¥5,448 million, an increase of ¥2,203 million in notes and accounts receivable – trade, and depreciation and amortization of ¥2,182 million.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review amounted to ¥1,924 million and the cash used decreased by ¥132 million from the previous year. Cash was mainly used for expenditure of ¥1,279 million incurred in the purchase of property, plant and equipment, including production facilities.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review amounted to ¥2,544 million, down ¥164 million from the previous year. Primary outflows of cash included dividends paid of ¥1,108 million, repayments of long-term debt of ¥738 million, and acquisition of treasury shares of ¥516 million.

(Reference) Changes in cash flow related indicators

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Shareholders' equity ratio	60.2%	58.6%	57.2%	61.3%	62.9%
Shareholders' equity ratio based on fair value	61.4%	53.0%	59.0%	38.4%	56.8%
Ratio of cash flow to interest-bearing debt	1.9 years	1.8 years	1.5 years	1.5 years	1.2 years
Interest coverage ratio	43.2	66.9	67.3	62.8	147.5

Shareholders' equity ratio:

Shareholders' equity/total assets

Shareholders' equity ratio based on fair value:

Total market value of stock/total assets

Ratio of cash flow to interest-bearing debt:

Interest-bearing debt/cash flow

Interest coverage ratio:

Cash flow/interest paid

* The indicators were calculated by using consolidated financial figures.

* The total market value of stock was calculated based on the total number of shares outstanding,

excluding the treasury stock.

- * The figures of cash flows from operating activities are used in the table.
- * Interest-bearing debt includes all debts recorded on the balance sheets for which interest is paid.

(4) Future Outlook

We expect the economy to remain on a moderate recovery trend, supported by domestic demand spurred by economic measures and increased capital expenditures in line with a recovery in corporate earnings. This should occur despite concerns about a possible slowdown in the economy reflecting the deflation observed in Europe and deceleration in the Chinese economy.

In this environment, the Group intends to continue to expand all the corporate activities on a global scale and to promote manufacturing and selling of industry-leading products in terms of quality, performance, and reliability.

In the active pursuit of business development on a global basis, the Group has decided to voluntarily adopt International Financial Reporting Standards (IFRS) to enhance convenience for various stakeholders, including shareholders and investors, by improving the international comparability of its financial information, starting from the "Consolidated Financial Statements in the FY2017 Securities Report." For the next consolidated fiscal year, the Group forecasts are calculated based on IFRS as follows: sales revenue of ¥82,500 million, operating income of ¥6,500 million, income before income taxes of ¥6,600 million, and profit attributable to owners of parent of ¥4,900 million.

(5) Dividend Policy and Payments for the Current Fiscal Year and the Next Fiscal Year

The Company will further reinforce its business structure that can survive intensifying competition in the industry and increase internal reserves in consideration of business developments in the future, and its basic policy is to pay dividends in proportion to the achievements the Company has made.

As for the cash dividend for the fiscal year under review, the year-end cash dividend is set at ¥9 per share, and the total dividend for the year will be ¥18 per share, including a ¥9 interim dividend per share. The cash dividend for the next fiscal year is scheduled to be ¥18 per share, including a ¥9 interim dividend per share and a ¥9 year-end dividend per share.

2. Overview of the Group

The Group is comprised of the Company and 17 subsidiaries, and its major businesses include manufacturing and sale of cooling fans, power supply equipment, stepping motors, drive units, servomotors, controllers and others.

Some of the products of the Group are manufactured by its subsidiaries, SANYO DENKI PHILIPPINES, INC. and SANYO DENKI (Zhongshan) CO., LTD. In Japan, its products are manufactured by its subsidiary, SANYO DENKI Techno Service CO., LTD. Products are sold in Japan by its subsidiary, SANYO KOGYO CO., LTD., in Europe by SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH, in North America by SANYO DENKI AMERICA, INC., and in China, Asia and Oceania by Asian-based subsidiaries that are SANYO DENKI SHANGHAI CO., LTD., SANYO DENKI (H.K.) CO., LIMITED, SANYO DENKI SINGAPORE PTE. LTD., SANYO DENKI KOREA CO., LTD., SANYO DENKI TAIWAN CO., LTD., SANYO DENKI Techno Service (Shenzhen) CO., LTD., SANYO DENKI (THAILAND) CO., LTD., and SANYO DENKI INDIA PRIVATE LIMITED. Among all the subsidiaries, SANYO DENKI ENGINEERING (Shanghai) CO., LTD. and SANYO DENKI Techno Service (Shenzhen) CO., LTD. are mainly responsible for repair of equipment.

Our subsidiaries are as follows:

Consolidated subsidiaries

Japan

SANYO KOGYO CO., LTD.	Sale and installation of electrical machinery and equipment
SANYO DENKI Techno Service CO., LTD.	Manufacturing and repair of electrical machinery and equipment

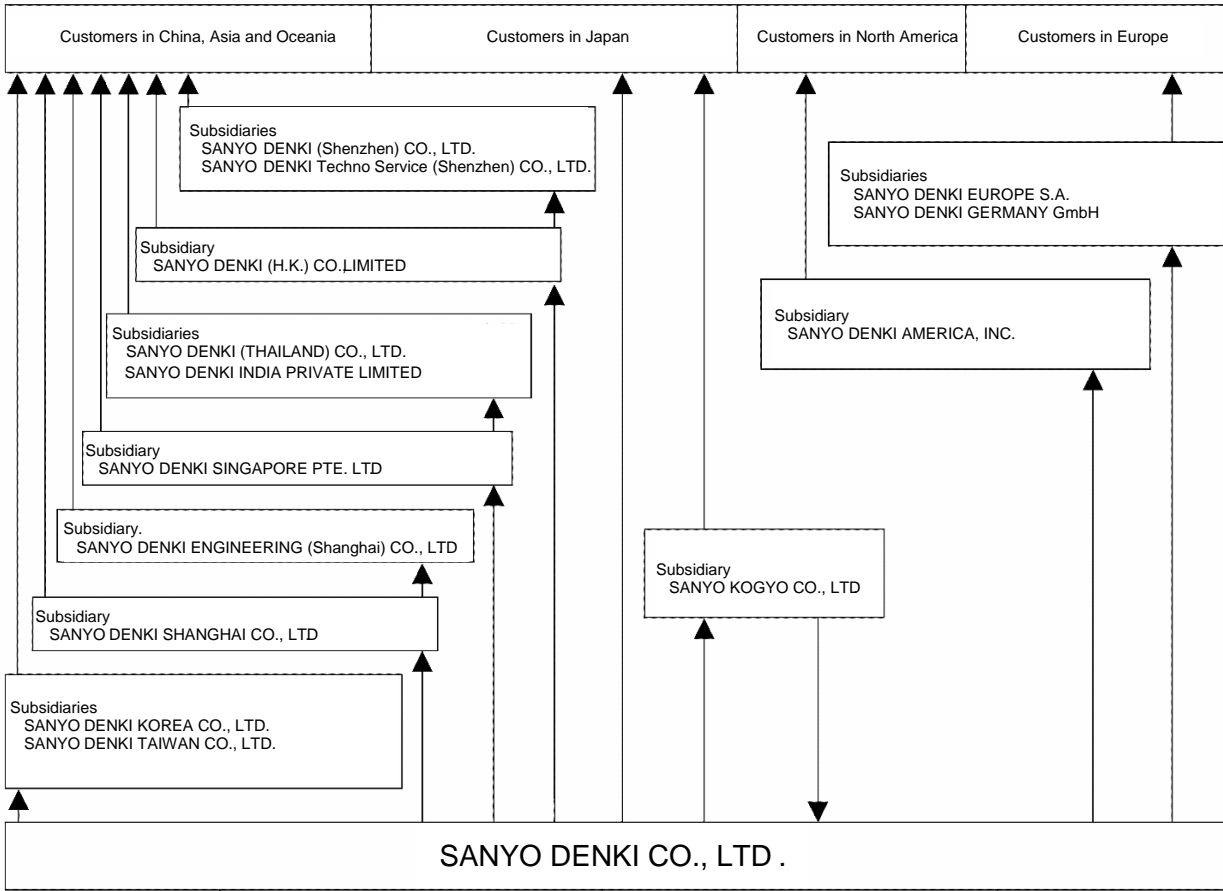
Overseas

SANYO DENKI PHILIPPINES, INC.	Manufacturing of electrical machinery and equipment
SANYO DENKI (Zhongshan) CO., LTD.	Manufacturing of electrical machinery and equipment
SANYO DENKI EUROPE S.A.	Sale of electrical machinery and equipment
SANYO DENKI AMERICA, INC.	Sale of electrical machinery and equipment
SANYO DENKI SHANGHAI CO., LTD.	Sale of electrical machinery and equipment
SANYO DENKI (H.K.) CO., LIMITED	Sale of electrical machinery and equipment
SANYO DENKI TAIWAN CO., LTD.	Sale of electrical machinery and equipment
SANYO DENKI SINGAPORE PTE. LTD.	Sale of electrical machinery and equipment
SANYO DENKI GERMANY GmbH	Sale of electrical machinery and equipment
SANYO DENKI KOREA CO., LTD.	Sale of electrical machinery and equipment
SANYO DENKI (Shenzhen) CO., LTD.	Sale of electrical machinery and equipment
SANYO DENKI (THAILAND) CO., LTD.	Sale of electrical machinery and equipment
SANYO DENKI INDIA PRIVATE LIMITED	Sale of electrical machinery and equipment
SANYO DENKI ENGINEERING (Shanghai) CO., LTD.	Repair of electrical machinery and equipment
SANYO DENKI Techno Service (Shenzhen) CO., LTD.	Repair of electrical machinery and equipment

Non-consolidated subsidiaries

There is no relevant information.

The business diagram of the Company is as shown below:



↑
Flow of products and services

3. Management Policies

(1) Basic Management Policies of the Company

The Group aims to increase its existence value in human society and has declared the following corporate philosophy: “We SANYO DENKI make the dreams of people come true for the happiness of people in cooperation with people.” To realize this corporate philosophy, we have decided the following six management philosophies and the code of conduct that we ourselves must comply with in our business activities.

- For society and the natural environment, we will help preserve the global environment and contribute to the prosperity of mankind through our corporate activities.
- For customers and users, we will create new values through technology, products and services.
- For suppliers and vendors, we will strive for integrated technical development and harmonious mutual prosperity through parts purchase, production contracting and joint development.
- For investors and financial institutions, we will increase our investment worth and credit through sound management policy and good access to information.
- For competitors and the industry, we will strive to build industrial and technical development through technical alliances and competition.
- For all of our employees, we will help individuals to achieve self-fulfillment through their work and the company.

(2) Management Targets

1. Management with focus on free cash flow (FCF)
2. Maintenance of return on equity (ROE) at 8% or higher

(3) Medium- to Long-Term Business Strategies of the Company

The Group started the five-year “8th Mid-term Management Plan” in April 2016.

With an aim to become a global enterprise and create the “world’s top brand” with the entire Group working as one, we will implement measures under the following important policies and action guidelines.

Policies

- 1) Expand markets in new regions and in new industries.
- 2) Develop products that will realize new dreams.
- 3) Aim to be No. 1 in the industry in operation quality.
- 4) Establish a corporate structure capable of turning environmental changes into opportunities.

Action guidelines

- 1) We take on challenges in fields in which we do not excel and change ourselves so that we come to excel in them.
- 2) We become No. 1 in fields in which we excel.
- 3) We provide products and services of consistently high quality to our customers worldwide.
- 4) We execute business processes of consistently high quality by sharing information across the entire Group in a timely manner.

(4) Issues to be Addressed by the Company

With the “ensuring of orders received” and “lowering of break-even point” as the basics, we aim to “promote the Company’s brand to the world’s top level,” and create a system for production, sale and technical support that can quickly and appropriately cope with any environmental changes.

(5) Other Important Matters for Management of the Company

There is an insurance contract concluded between the Company and KYODO KOGYO CO., LTD. (Representative Director: Shoichi Yamamoto) as a major shareholder of the Company.

4. Basic Policy on Selection of Accounting Standards

In its active pursuit of business development on a global basis, the Group has decided to voluntarily adopt International Financial Reporting Standards (IFRS) to enhance convenience for various stakeholders, including shareholders and investors, by improving the international comparability of its financial information, starting from the “Consolidated Financial Statements in the FY2017 Securities Report.”

5. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and bank deposits	13,213	14,535
Notes and accounts receivable - trade	20,393	20,763
Electronically recorded monetary claims - operating	3,412	5,212
Merchandise and finished goods	5,757	5,127
Raw materials	7,007	7,323
Work in process	3,245	3,508
Costs on uncompleted construction contracts	249	196
Supplies	35	41
Other receivables	360	363
Deferred tax assets	762	948
Others	925	406
Allowance for doubtful accounts	(24)	(26)
Total current assets	55,339	58,401
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	9,483	9,152
Machinery, equipment and vehicles, net	2,833	2,575
Land	6,450	6,461
Construction in progress	516	548
Others, net	1,104	1,268
Total property, plant and equipment	20,388	20,005
Intangible fixed assets	489	577
Investments and other assets		
Investments in securities	5,382	7,692
Deferred tax assets	651	37
Others	2,712	2,790
Allowance for doubtful accounts	(17)	(18)
Total investments and other assets	8,728	10,503
Total fixed assets	29,606	31,086
Total assets	84,945	89,487

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,701	11,641
Electronically recorded obligations - operating	1,922	3,135
Short-term debt	6,816	6,378
Accrued income taxes	220	1,108
Deferred tax liabilities	3	1
Reserve for bonuses to directors and corporate auditors	89	83
Others	4,085	4,678
Total current liabilities	25,839	27,028
Long-term liabilities		
Long-term debt	514	159
Lease obligations	304	180
Deferred tax liabilities	0	31
Deferred tax liabilities - revaluation	840	840
Net defined benefit liability	5,347	4,970
Total non-current liabilities	7,007	6,182
Total liabilities	32,846	33,211
Net assets		
Shareholders' equity		
Common stock	9,926	9,926
Capital surplus	11,460	11,460
Retained earnings	29,998	32,955
Treasury stock	(919)	(1,436)
Total shareholders' equity	50,466	52,906
Accumulated other comprehensive income		
Unrealized holding gain on securities	1,220	2,789
Revaluation reserve for land, net of tax	936	936
Foreign currency translation adjustments	1,365	1,123
Remeasurements of defined benefit plans	(1,895)	(1,486)
Total accumulated other comprehensive income	1,626	3,362
Non-controlling interests	6	6
Total net assets	52,099	56,275
Total liabilities and net assets	84,945	89,487

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	80,282	74,798
Cost of sales	61,808	56,913
Gross profit	18,474	17,885
Selling, general and administrative expenses	13,131	12,494
Operating income	5,342	5,390
Other income		
Interest income	39	33
Dividend income	114	123
Gain on sales of securities	0	–
Subsidy income	–	39
Rent income	82	82
Others	134	71
Total other income	370	349
Other expenses		
Interest expense	65	31
Loss on sales of notes payable	9	5
Foreign exchange loss	239	193
Others	10	6
Total other expenses	325	235
Ordinary income	5,387	5,504
Extraordinary income		
Gain on sales of fixed assets	1	–
Total extraordinary income	1	–
Extraordinary loss		
Loss on retirement of fixed assets	3	56
Total extraordinary loss	3	56
Income before income taxes	5,385	5,448
Income taxes-current	1,280	1,763
Income taxes-deferred	419	(381)
Total income taxes	1,699	1,381
Profit	3,685	4,066
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	3,685	4,066

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Profit	3,685	4,066
Other comprehensive income		
Unrealized holding gain on securities	(369)	1,569
Revaluation reserve for land, net of tax	44	–
Foreign currency translation adjustments	(978)	(242)
Remeasurements of defined benefit plans	(775)	409
Total other comprehensive income	(2,079)	1,736
Comprehensive income	1,606	5,802
Comprehensive income attributable to:		
Owners of parent	1,606	5,802
Non-controlling interests	0	0

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	9,926	11,460	27,431	(912)	47,906
Changes of items during the year					
Cash dividends			(1,117)		(1,117)
Profit attributable to owners of parent			3,685		3,685
Acquisition of treasury stock				(7)	(7)
Net changes of items other than shareholders' equity					
Total changes of items during the year	–	–	2,567	(7)	2,559
Balance at the end of the year	9,926	11,460	29,998	(919)	50,466

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,589	891	2,343	(1,119)	3,705	6	51,618
Changes of items during the year							
Cash dividends							(1,117)
Profit attributable to owners of parent							3,685
Acquisition of treasury stock							(7)
Net changes of items other than shareholders' equity	(369)	44	(978)	(775)	(2,078)	0	(2,078)
Total changes of items during the year	(369)	44	(978)	(775)	(2,078)	0	480
Balance at the end of the year	1,220	936	1,365	(1,895)	1,626	6	52,099

For the fiscal year ended March 31, 2017

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	9,926	11,460	29,998	(919)	50,466
Changes of items during the year					
Cash dividends			(1,109)		(1,109)
Profit attributable to owners of parent			4,066		4,066
Acquisition of treasury stock				(516)	(516)
Net changes of items other than shareholders' equity					
Total changes of items during the year	–	–	2,956	(516)	2,440
Balance at the end of the year	9,926	11,460	32,955	(1,436)	52,906

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,220	936	1,365	(1,895)	1,626	6	52,099
Changes of items during the year							
Cash dividends							(1,109)
Profit attributable to owners of parent							4,066
Acquisition of treasury stock							(516)
Net changes of items other than shareholders' equity	1,569	–	(241)	409	1,736	(0)	1,736
Total changes of items during the year	1,569	–	(241)	409	1,736	(0)	4,176
Balance at the end of the year	2,789	936	1,123	(1,486)	3,362	6	56,275

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	5,385	5,448
Depreciation and amortization	1,978	2,182
Increase (decrease) in net defined benefit liability	(12)	211
Increase (decrease) in allowance for doubtful accounts	(1)	2
Increase (decrease) in reserve for bonuses to directors and corporate auditors	(3)	(5)
Interest and dividend income	(154)	(157)
Net loss (gain) on sales of securities	3	-
Interest expenses	65	31
Loss on sales of notes payable	9	5
Foreign exchange loss (gain)	(47)	(85)
Net loss (gain) on sales of fixed assets	(1)	-
Net loss (gain) on disposal of fixed assets	3	56
Decrease (increase) in notes and accounts receivable-trade	1,942	(2,203)
Decrease (increase) in inventories	585	(161)
Decrease (increase) in other receivables	228	(7)
Increase (decrease) in notes and accounts payable-trade	(860)	206
Others	(1,000)	668
Subtotal	8,121	6,191
Interest and dividend received	154	158
Interest paid	(77)	(37)
Income taxes paid	(3,335)	(723)
Net cash provided by (used in) operating activities	4,863	5,588
Cash flows from investing activities		
Increase in time deposits	(0)	(351)
Decrease in time deposits	312	68
Purchase of property, plant and equipment	(2,180)	(1,279)
Proceeds from sales of property, plant and equipment	3	7
Purchase of intangible fixed assets	(147)	(201)
Purchase of investment securities	(46)	(90)
Proceeds from sales of investment securities	88	8
Payment of loans	(10)	-
Proceeds from loans	16	11
Others	(93)	(98)
Net cash provided by (used in) investing activities	(2,057)	(1,924)

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from financing activities		
Increase (decrease) in short-term debt	(136)	(36)
Proceeds from long-term debt	21	-
Repayments of long-term debt	(1,180)	(738)
Acquisition of treasury stock	(7)	(516)
Dividends paid	(1,113)	(1,108)
Dividends paid to non-controlling interests	(0)	(0)
Payment of lease obligations payable	(152)	(143)
Others	(139)	-
Net cash provided by (used in) financing activities	(2,708)	(2,544)
Effect of exchange rate change on cash and cash equivalents	(504)	(96)
Net increase (decrease) in cash and cash equivalents	(407)	1,023
Cash and cash equivalents at beginning of year	13,151	12,743
Cash and cash equivalents at end of year	12,743	13,766

(5) Notes to the Consolidated Financial Statements
(Notes on Going Concern Assumption)

There is no relevant information.

(Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

Consolidated subsidiaries: 17

Non-consolidated subsidiaries: –

2. Application of the equity method

There is no relevant company.

3. Closing dates of consolidated subsidiaries

Companies with same closing dates as the company that submits consolidated financial statements: 3 (March 31)

Companies with differing closing dates as the company that submits consolidated financial statements: 14 (December 31)

For preparation of consolidated financial statements, financial statements based on provisional settlements of accounts as of the consolidated closing date are used.

(Omission of Disclosure)

Disclosure is omitted with respect to notes on consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, lease transactions, transactions with related parties, tax effect accounting, financial instruments, securities and retirement benefits, since the Company considers there to be no great necessity for disclosing such information in the financial results.

(Additional Information)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the fiscal year under review.

(Segment Information, etc.)

1 Description of reporting segment

(1) Method of decision on reporting segments

The Group's reporting segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments.

The Group mainly produces and sells cooling fans, power supply equipment and servomotors. The Company and its domestic subsidiaries are in charge of such operations in Japan, and overseas subsidiaries are in charge of such operations in their respective regions. Each of the consolidated subsidiaries is an independent business unit, and formulates comprehensive business strategies for their products and promotes its business activities.

(2) Types of regions that belong to reporting segments

The Group is composed of five reporting segments, Japan, North America, Europe, East Asia and Southeast Asia, which are determined by grouping the respective consolidated subsidiaries by region.

2 Calculation method for the amounts of net sales, profit (loss), assets, liabilities and other items for each reporting segment

The accounting method used for reporting business segments is generally the same as stated in "Important Matters That Form the Basis for Preparing Consolidated Financial Statements."

Profit amounts of reporting segments are based on operating income. Intersegment sales and transfers are based on actual market prices.

(Change in depreciation method of property, plant and equipment)

The Company and its domestic consolidated subsidiaries previously used the declining-balance method for certain property, plant and equipment. However, from the fiscal year ended March 31, 2016, the straight-line method has been applied.

As a result of this change, segment profit in "Japan" for the fiscal year ended March 31, 2016 increased by ¥254 million, compared with the amount under the formerly applied method.

3 Information on net sales, profit (loss), assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2016

(Million yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	58,322	8,142	4,576	8,032	1,207	80,282
Intersegment sales or transfers	21,801	65	32	3,737	15,255	40,892
Total	80,124	8,208	4,609	11,769	16,463	121,175
Segment profit	3,816	227	299	52	627	5,023
Segment assets	73,298	3,468	2,844	6,736	9,303	95,652
Segment liabilities	29,468	1,608	1,038	2,480	3,138	37,734
Other items						
Depreciation and amortization	1,242	58	6	68	608	1,983
Increase in property, plant and equipment and intangible fixed assets	1,802	28	11	16	643	2,502

For the fiscal year ended March 31, 2017

(Million yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	51,535	9,610	4,372	8,111	1,168	74,798
Intersegment sales or transfers	24,297	63	23	4,012	16,112	44,509
Total	75,832	9,674	4,395	12,124	17,280	119,308
Segment profit	3,774	625	278	(89)	548	5,137
Segment assets	78,620	4,587	2,844	7,880	9,842	103,775
Segment liabilities	31,619	2,372	1,017	3,694	3,252	41,957
Other items						
Depreciation and amortization	1,467	53	7	57	602	2,186
Increase in property, plant and equipment and intangible fixed assets	1,340	11	7	15	597	1,972

- 4 Differences between amounts recognized in reporting segments and the corresponding amounts reported in the consolidated financial statements, and the primary items contributing to the difference

(Million yen)

Sales	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reporting segments	121,175	119,308
Elimination of intersegment transactions	(40,892)	(44,509)
Consolidated net sales	80,282	74,798

(Million yen)

Profit	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reporting segments	5,023	5,137
Elimination of intersegment transactions	318	253
Consolidated operating income	5,342	5,390

(Million yen)

Assets	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reporting segments	95,652	103,775
Elimination of intersegment transactions	(10,706)	(14,288)
Consolidated total assets	84,945	89,487

(Million yen)

Liabilities	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reporting segments	37,734	41,957
Elimination of intersegment transactions	(4,888)	(8,745)
Consolidated total liabilities	32,846	33,211

(Million yen)

Other items	Total of reporting segments		Adjustments		Consolidated	
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017
Depreciation and amortization	1,983	2,186	(5)	(4)	1,978	2,182
Increase in property, plant and equipment and intangible fixed assets	2,502	1,972	(21)	(10)	2,480	1,962

(Note) Adjustments for increase in property, plant and equipment and intangible fixed assets are due to elimination of intersegment transactions.

(Per Share Information)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net assets per share	¥838.80	¥920.34
Net income per share	¥59.34	¥66.41
Diluted net income per share	—	—

(Note) 1. Diluted net income per share is not disclosed since there are no potentially dilutive shares.

2. The basis for the calculation of net income per share is as follows:

Items	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net income per share		
Profit attributable to owners of parent (million yen)	3,685	4,066
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent relating to common stock (million yen)	3,685	4,066
Average number of common stock outstanding (shares)	62,107,090	61,223,839

3. The basis for the calculation of net assets per share is as follows:

Items	As of March 31, 2016	As of March 31, 2017
Total net assets (million yen)	52,099	56,275
Deductible amount from total net assets (million yen)	6	6
(Subscription rights to shares)	—	—
(Non-controlling interests)	6	6
Net assets relating to common stock at end of year (million yen)	52,092	56,269
Number of common stocks for calculation of net assets per share at end of year	62,103,511	61,140,104

(Material Subsequent Events)

There is no relevant information.

6. Non-consolidated Financial Statements and Primary Notes
(1) Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and bank deposits	2,704	3,536
Notes receivable - trade	457	612
Electronically recorded monetary claims - operating	3,037	4,820
Accounts receivable-trade	15,588	17,770
Finished goods	3,559	2,492
Raw materials	4,505	4,439
Work in process	2,850	2,962
Supplies	35	41
Prepaid expense	79	82
Deferred tax assets	386	561
Others	948	903
Allowance for doubtful accounts	(1)	(26)
Total current assets	34,150	38,196
Fixed assets		
Property, plant and equipment		
Buildings	7,065	6,884
Structures	227	212
Machinery and equipment	1,641	1,485
Vehicles	24	17
Tools, furniture and fixtures	599	587
Land	6,188	6,200
Construction in progress	412	526
Total property, plant and equipment	16,159	15,914
Intangible fixed assets		
Leasehold right	44	44
Software	326	425
Others	22	21
Total intangible fixed assets	393	492
Investments and other assets		
Investments in securities	4,647	6,738
Stocks of subsidiaries and affiliates	2,718	2,861
Investments in capital of subsidiaries and affiliates	208	679
Long-term loans receivable	67	56
Long-term prepaid expenses	109	118
Deferred tax assets	122	-
Others	1,853	2,000
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	9,727	12,455
Total fixed assets	26,280	28,861
Total assets	60,430	67,058

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	1,069	1,112
Electronically recorded obligations - operating	–	2,528
Accounts payable - trade	7,325	6,657
Short-term debt	5,780	5,780
Long-term debt due within one year	450	50
Lease obligations	141	122
Accounts payable - other	647	744
Accrued expenses	2,029	2,338
Accrued income taxes	27	897
Advances received	23	19
Deposits received	151	439
Notes payable - facilities	115	435
Reserve for bonuses to directors and corporate auditors	70	70
Total current liabilities	17,831	21,194
Long-term liabilities		
Long-term debt	62	12
Lease obligations	302	180
Deferred tax liabilities	–	430
Deferred tax liabilities - revaluation	840	840
Reserve for retirement benefits	2,276	2,495
Total non-current liabilities	3,482	3,959
Total liabilities	21,313	25,154
Net assets		
Shareholders' equity		
Common stock	9,926	9,926
Capital surplus		
Legal capital surplus	11,458	11,458
Other capital surplus	2	2
Total capital surplus	11,460	11,460
Retained earnings		
Legal retained earnings	1,032	1,032
Other retained earnings	15,931	17,777
Reserve for retirement allowances	900	900
Reserve for dividends	790	790
Reserve for advanced depreciation of fixed assets	62	62
General reserve	1,500	1,500
Retained earnings brought forward	12,678	14,524
Total retained earnings	16,963	18,809
Treasury stock	(1,409)	(1,926)
Total shareholders' equity	36,941	38,270
Valuation and translation adjustments		
Unrealized holding gain on securities	1,239	2,697
Revaluation reserve for land, net of tax	936	936
Total valuation and translation adjustments	2,175	3,633
Total net assets	39,117	41,904
Total liabilities and net assets	60,430	67,058

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	60,301	60,702
Cost of sales	49,195	49,716
Gross profit	11,105	10,986
Selling, general and administrative expenses	8,254	7,924
Operating income	2,851	3,061
Other income		
Interest and dividend income	689	647
Foreign exchange gain	–	33
Subsidy income	–	29
Rent income	93	104
Others	41	23
Total other income	824	837
Other expenses		
Interest expense	40	19
Foreign exchange loss	108	–
Loss on sales of notes payable	9	5
Others	0	0
Total other expenses	159	24
Ordinary income	3,516	3,874
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on retirement of property, plant and equipment	1	56
Loss on valuation of stocks of subsidiaries and affiliates	285	–
Total extraordinary loss	286	56
Income before income taxes	3,230	3,818
Income taxes-current	686	1,106
Income taxes-deferred	271	(243)
Total income taxes	957	863
Profit	2,272	2,955

(3) Non-consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the year	9,926	11,458	2	11,460	1,032
Changes of items during the year					
Cash dividends					
Profit					
Provision of reserve for advanced depreciation of fixed assets					
Acquisition of treasury stock					
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	-	-	-
Balance at the end of the year	9,926	11,458	2	11,460	1,032

	Shareholders' equity					
	Retained earnings					
	Other retained earnings					Total retained earnings
	Reserve for retirement allowances	Reserve for dividends	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	
Balance at the beginning of the year	900	790	61	1,500	11,525	15,808
Changes of items during the year						
Cash dividends					(1,117)	(1,117)
Profit					2,272	2,272
Provision of reserve for advanced depreciation of fixed assets			1		(1)	-
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes of items during the year	-	-	1	-	1,153	1,154
Balance at the end of the year	900	790	62	1,500	12,678	16,963

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the year	(1,401)	35,794	1,390	891	2,282	38,076
Changes of items during the year						
Cash dividends		(1,117)				(1,117)
Profit		2,272				2,272
Provision of reserve for advanced depreciation of fixed assets		-				-
Acquisition of treasury stock	(7)	(7)				(7)
Net changes of items other than shareholders' equity			(150)	44	(106)	(106)
Total changes of items during the year	(7)	1,147	(150)	44	(106)	1,040
Balance at the end of the year	(1,409)	36,941	1,239	936	2,175	39,117

For the fiscal year ended March 31, 2017

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the year	9,926	11,458	2	11,460	1,032
Changes of items during the year					
Cash dividends					
Profit					
Provision of reserve for advanced depreciation of fixed assets					
Acquisition of treasury stock					
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	-	-	-
Balance at the end of the year	9,926	11,458	2	11,460	1,032

	Shareholders' equity					
	Retained earnings					
	Other retained earnings					Total retained earnings
	Reserve for retirement allowances	Reserve for dividends	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	
Balance at the beginning of the year	900	790	62	1,500	12,678	16,963
Changes of items during the year						
Cash dividends					(1,109)	(1,109)
Profit					2,955	2,955
Provision of reserve for advanced depreciation of fixed assets			-		-	-
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes of items during the year	-	-	-	-	1,846	1,846
Balance at the end of the year	900	790	62	1,500	14,524	18,809

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the year	(1,409)	36,941	1,239	936	2,175	39,117
Changes of items during the year						
Cash dividends		(1,109)				(1,109)
Profit		2,955				2,955
Provision of reserve for advanced depreciation of fixed assets		—				—
Acquisition of treasury stock	(516)	(516)				(516)
Net changes of items other than shareholders' equity			1,457	—	1,457	1,457
Total changes of items during the year	(516)	1,329	1,457	—	1,457	2,786
Balance at the end of the year	(1,926)	38,270	2,697	936	3,633	41,904

(4) Notes to the Non-consolidated Financial Statements
(Notes on Going Concern Assumption)

There is no relevant information.

7. Others

(1) Changes in Directors and Corporate Auditors

1. Changes in Representative Directors

There is no relevant information.

2. Changes in Other Directors and Corporate Auditors (scheduled as of June 14, 2017)

Candidate for new Director

Shigejiro Miyata