

Consolidated Financial Statements

**NHK Spring Co., Ltd.
and Consolidated Subsidiaries**

*For the years ended March 31, 2017 and 2016
with Independent Auditor's Report*



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Independent Auditor's Report

The Board of Directors
NHK Spring Co., Ltd.

We have audited the accompanying consolidated financial statements of NHK Spring Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017, 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 NHK Spring Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, 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 4.

Ernst & Young ShinNihon LLC

June 28, 2017
Tokyo, Japan

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Assets			
Current assets:			
Cash and bank deposits <i>(Notes 5 and 22)</i>	¥ 82,576	¥ 72,553	\$ 736,625
Notes and accounts receivable, trade <i>(Note 22)</i>	140,343	133,422	1,251,942
Allowance for doubtful notes and accounts	(56)	(133)	(503)
Inventories <i>(Note 6)</i>	44,036	43,287	392,832
Deferred tax assets <i>(Note 17)</i>	5,305	5,135	47,323
Other current assets	22,548	22,570	201,146
Total current assets	294,752	276,834	2,629,365
Investments and long-term receivables:			
Investment securities <i>(Notes 11 and 22)</i>	58,178	46,242	518,983
Investments in unconsolidated subsidiaries and affiliated companies <i>(Note 22)</i>	20,669	19,973	184,382
Long-term loans receivable <i>(Note 22)</i>	10,383	8,831	92,624
Deferred tax assets <i>(Note 17)</i>	5,533	5,438	49,353
Net defined benefit asset <i>(Note 12)</i>	2,825	–	25,203
Other investments	3,355	3,289	29,928
Allowance for doubtful receivables	(1,084)	(741)	(9,673)
Total investments and long-term receivables	99,859	83,032	890,800
Property, plant and equipment:			
Buildings and structures <i>(Note 14)</i>	137,065	134,343	1,222,707
Machinery and transport equipment	231,875	223,282	2,068,467
Jigs, tools and equipment	66,435	62,579	592,640
Land <i>(Note 14)</i>	30,700	31,483	273,858
Construction in progress	5,990	12,027	53,433
	472,065	463,714	4,211,105
Less – Accumulated depreciation	(328,824)	(318,571)	(2,933,307)
Net property, plant and equipment	143,241	145,143	1,277,798
Intangible and other assets			
	3,889	4,802	34,698
Total assets <i>(Note 24)</i>	¥541,741	¥509,811	\$ 4,832,661

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Liabilities and net assets			
Current liabilities:			
Short-term borrowings <i>(Notes 13 and 22)</i>	¥ 2,215	¥ 1,546	\$ 19,758
Current portion of long-term debt <i>(Notes 13, 14 and 22)</i>	19,781	27,600	176,460
Notes and accounts payable, trade <i>(Note 22)</i>	115,904	111,222	1,033,933
Accrued expenses	20,238	19,130	180,539
Accrued income taxes <i>(Note 22)</i>	7,245	3,311	64,631
Deferred tax liabilities <i>(Note 17)</i>	813	576	7,248
Allowance for directors bonuses	278	268	2,484
Other current liabilities <i>(Note 22)</i>	14,051	10,754	125,340
Total current liabilities	180,525	174,407	1,610,393
Long-term liabilities:			
Long-term debt <i>(Notes 13 and 22)</i>	20,176	16,917	179,984
Convertible bond-type bonds with subscription rights to shares <i>(Notes 13 and 22)</i>	11,219	11,268	100,080
Net defined benefit liability <i>(Note 12)</i>	13,926	24,217	124,230
Accrued retirement benefits for directors and corporate auditors	580	571	5,171
Accrued retirement benefits to corporate officers	746	644	6,657
Deferred tax liabilities <i>(Note 17)</i>	12,979	7,968	115,780
Other long-term liabilities <i>(Note 22)</i>	8,813	3,981	78,614
Total long-term liabilities	68,439	65,566	610,516
Guarantees and contingent liabilities <i>(Note 19)</i>			
Net assets:			
Shareholders' equity			
Common stock:			
Authorized: 600,000,000 shares			
Issued: 244,066,144 shares at March 31, 2017;			
244,066,144 shares at March 31, 2016	17,010	17,010	151,736
Capital surplus	19,579	19,405	174,658
Retained earnings <i>(Notes 18 and 26)</i>	216,233	196,478	1,928,928
Treasury stock	(7,516)	(802)	(67,047)
Total shareholders' equity	245,306	232,091	2,188,275
Accumulated other comprehensive income:			
Unrealized holding gain on securities	30,177	21,513	269,195
Translation adjustments	6,570	9,442	58,614
Retirement benefit liability adjustments <i>(Note 12)</i>	(2,353)	(5,803)	(20,990)
Total accumulated other comprehensive income	34,394	25,152	306,819
Non-controlling interests	13,077	12,595	116,658
Total net assets	292,777	269,838	2,611,752
Total liabilities and net assets	¥541,741	¥ 509,811	\$4,832,661

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Net sales (Note 24)	¥626,950	¥ 640,517	\$5,592,777
Cost of sales (Note 16)	542,831	561,669	4,842,381
Gross profit	84,119	78,848	750,396
Selling, general and administrative expenses (Note 16)	43,505	43,806	388,099
Operating profit (Note 24)	40,614	35,042	362,297
Other income (expenses):			
Interest income	963	1,079	8,589
Dividend income	1,250	1,271	11,149
Gain on sales of fixed assets	62	46	551
Real estate rent	623	590	5,561
Interest expenses	(184)	(300)	(1,645)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies	(223)	21	(1,990)
Exchange loss, net	(926)	(2,113)	(8,260)
Loss on sales of fixed assets	–	(111)	–
Gain on revision of retirement benefit plan (Note 12)	1,064	–	9,495
Loss on impairment of long-lived assets (Note 7)	(1,659)	(392)	(14,799)
Loss on valuation of investment securities (Note 11)	–	(658)	–
Loss on valuation of shares of subsidiaries and affiliated companies (Note 11)	(1,450)	(538)	(12,930)
Loss on valuation of investments in capital of subsidiaries and affiliated companies	(36)	(841)	(318)
Loss on business of subsidiaries and affiliated companies (Note 8)	(207)	–	(1,844)
Loss on plant closing (Note 9)	(1,109)	–	(9,892)
Lawyers' fees and others (Note 10)	(576)	–	(5,139)
Other, net	(537)	476	(4,793)
	(2,945)	(1,470)	(26,265)
Profit before income taxes	37,669	33,572	336,032
Income taxes (Note 17):			
Current	11,647	10,813	103,897
Deferred	(903)	(555)	(8,052)
	10,744	10,258	95,845
Profit	26,925	23,314	240,187
Profit attributable to non-controlling interests	1,826	1,722	16,290
Profit attributable to owners of parent	¥ 25,099	¥ 21,592	\$ 223,897
	(Yen)		(U.S. dollars)
Earnings per share (Notes 1 (19) and 18)			
– Basic	¥ 103.70	¥ 88.90	\$ 0.9251
– Diluted	99.91	85.66	0.8913
Cash dividends per share	23.00	22.00	0.2052

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Profit	¥ 26,925	¥ 23,314	\$ 240,187
Other comprehensive income <i>(Note 23)</i> :			
Unrealized holding gain (loss) on securities	8,675	(5,767)	77,392
Translation adjustments	(3,299)	(9,025)	(29,429)
Retirement benefit liability adjustments	3,457	(6,751)	30,834
Share of other comprehensive loss of affiliated companies accounted for by the equity method	(31)	(1,201)	(277)
Total other comprehensive income (loss)	<u>8,802</u>	<u>(22,744)</u>	<u>78,520</u>
Comprehensive income	<u>¥ 35,727</u>	<u>¥ 570</u>	<u>\$ 318,707</u>
Comprehensive income attributable to:			
Owners of parent	¥ 34,340	¥ (404)	\$ 306,338
Non-controlling interests	1,387	974	12,369

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				Total shareholders' equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock		
	<i>(Millions of yen)</i>					
Balances as of April 1, 2016	¥17,010	¥19,405	¥196,478	¥(802)	¥232,091	
Changes during the fiscal year:						
Dividends paid			(5,344)		(5,344)	
Profit attributable to owners of parent			25,099		25,099	
Purchase of treasury stock				(6,714)	(6,714)	
Disposal of treasury stock		0		0	0	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		174			174	
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	–	174	19,755	(6,714)	13,215	
Balances as of March 31, 2017	¥17,010	¥19,579	¥216,233	¥(7,516)	¥245,306	
	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>					
Balances as of April 1, 2016	¥21,513	¥9,442	¥(5,803)	¥25,152	¥12,595	¥269,838
Changes during the fiscal year:						
Dividends paid						(5,344)
Profit attributable to owners of parent						25,099
Purchase of treasury stock						(6,714)
Disposal of treasury stock						0
Change in treasury shares of parent arising from transactions with non-controlling shareholders						174
Net changes of items other than shareholders' equity	8,664	(2,872)	3,450	9,242	482	9,724
Total changes during the fiscal year	8,664	(2,872)	3,450	9,242	482	22,939
Balances as of March 31, 2017	¥30,177	¥6,570	¥(2,353)	¥34,394	¥13,077	¥292,777

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				Total shareholders' equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock		
	<i>(Millions of yen)</i>					
Balances as of April 1, 2015	¥17,010	¥19,309	¥179,986	¥(800)	¥215,505	
Changes during the fiscal year:						
Dividends paid			(5,100)		(5,100)	
Profit attributable to owners of parent			21,592		21,592	
Purchase of treasury stock				(2)	(2)	
Disposal of treasury stock		0		0	0	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		96			96	
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	-	96	16,492	(2)	16,586	
Balances as of March 31, 2016	¥17,010	¥19,405	¥196,478	¥(802)	¥232,091	
	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>					
Balances as of April 1, 2015	¥27,247	¥19,063	¥839	¥47,149	¥12,239	¥274,893
Changes during the fiscal year:						
Dividends paid						(5,100)
Profit attributable to owners of parent						21,592
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Change in treasury shares of parent arising from transactions with non-controlling shareholders						96
Net changes of items other than shareholders' equity	(5,734)	(9,621)	(6,642)	(21,997)	356	(21,641)
Total changes during the fiscal year	(5,734)	(9,621)	(6,642)	(21,997)	356	(5,055)
Balances as of March 31, 2016	¥21,513	¥9,442	¥(5,803)	¥25,152	¥12,595	¥269,838

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				Total shareholders' equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock		
	<i>(Thousands of U.S. dollars) (Note 4)</i>					
Balances as of April 1, 2016	\$151,736	\$173,101	\$1,752,699	\$(7,149)	\$2,070,387	
Changes during the fiscal year:						
Dividends paid			(47,668)		(47,668)	
Profit attributable to owners of parent			223,897		223,897	
Purchase of treasury stock				(59,899)	(59,899)	
Disposal of treasury stock		0		1	1	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1,557			1,557	
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	–	1,557	176,229	(59,898)	117,888	
Balances as of March 31, 2017	\$151,736	\$174,658	\$1,928,928	\$(67,047)	\$2,188,275	
	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 4)</i>					
Balances as of April 1, 2016	\$191,912	\$84,233	\$(51,767)	\$224,378	\$112,350	\$2,407,115
Changes during the fiscal year:						
Dividends paid						(47,668)
Profit attributable to owners of parent						223,897
Purchase of treasury stock						(59,899)
Disposal of treasury stock						1
Change in treasury shares of parent arising from transactions with non-controlling shareholders						1,557
Net changes of items other than shareholders' equity	77,283	(25,619)	30,777	82,441	4,308	86,749
Total changes during the fiscal year	77,283	(25,619)	30,777	82,441	4,308	204,637
Balances as of March 31, 2017	\$269,195	\$58,614	\$(20,990)	\$306,819	\$116,658	\$2,611,752

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Cash flows from operating activities:			
Profit before income taxes	¥ 37,669	¥ 33,572	\$ 336,032
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	23,138	23,582	206,400
Increase (decrease) in net defined benefit liability	(718)	217	(6,402)
Exchange loss	346	381	3,087
Equity in losses (earnings) of unconsolidated subsidiaries and affiliated companies	223	(21)	1,990
Loss on disposal of property, plant and equipment	254	472	2,264
Loss on impairment of long-lived assets	1,659	392	14,799
Loss on write-down of investment securities	-	658	-
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable, trade	(8,420)	(1,434)	(75,112)
Increase in inventories	(1,172)	(948)	(10,452)
Increase (decrease) in notes and accounts payable, trade	5,869	(4,300)	52,359
Other, net	(3,184)	(9,897)	(28,405)
Net cash provided by operating activities	55,664	42,674	496,560
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	784	692	6,992
Purchase of property, plant and equipment	(24,408)	(26,340)	(217,732)
Purchase of intangible assets	(210)	(465)	(1,872)
Purchase of investment securities	(3,890)	(2,136)	(34,707)
Proceeds from sales of investment securities	611	548	5,449
Decrease (Increase) in time deposits	219	(79)	1,955
Disbursements for loans receivable	(5,258)	(9,282)	(46,903)
Collection of loans receivable	4,516	1,933	40,285
Other, net	(117)	1	(1,042)
Net cash used in investing activities	(27,753)	(35,128)	(247,575)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	16,000	10,000	142,730
Repayment of long-term debt	(8,560)	(8,546)	(76,361)
Decrease in short-term borrowings	748	157	6,668
Proceeds from commercial paper	51,000	52,000	454,951
Repayment of commercial paper	(53,000)	(50,000)	(472,792)
Redemption of bonds	(10,000)	(10,000)	(89,206)
Payment for purchase of treasury stock	(6,714)	(2)	(59,899)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(5,344)	(5,101)	(47,668)
Cash dividends paid to non-controlling shareholders	(719)	(523)	(6,413)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8)	(1,284)	(72)
Other, net	(319)	(373)	(2,841)
Net cash used in financing activities	(16,916)	(13,672)	(150,903)
Effect of exchange rate changes on cash and cash equivalents	(739)	(5,075)	(6,598)
Net increase (decrease) in cash and cash equivalents	10,256	(11,201)	91,484
Cash and cash equivalents at beginning of year	72,238	83,439	644,411
Cash and cash equivalents at end of year <i>(Note 5)</i>	¥ 82,494	¥ 72,238	\$ 735,895
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ (180)	¥ (311)	\$ (1,602)
Income taxes	(8,139)	(13,172)	(72,602)

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements of NHK Spring Co., Ltd. (the “Company”) and consolidated subsidiaries (collectively, the “Group”) have been prepared by the Company in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accounts of the Company and its consolidated subsidiaries in Japan are maintained in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and in conformity with generally accepted accounting principles and practices prevailing in Japan.

Foreign consolidated subsidiaries of the Company maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

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

(2) Scope of consolidation and application of equity method

The Company had 71 subsidiaries at March 31, 2017 (71 at March 31, 2016). The accompanying consolidated financial statements for the year ended March 31, 2017 include the accounts of the Company and its 35 significant subsidiaries (35 in 2016).

The accounts of the remaining 36 unconsolidated subsidiaries for the year ended March 31, 2017 (36 in 2016) were excluded from consolidation since the aggregate amounts of these subsidiaries’ combined assets, net sales, profit and retained earnings were immaterial in relation to those of the consolidated financial statements of the Group.

1. Summary of Significant Accounting Policies (continued)

(2) Scope of consolidation and application of equity method (continued)

The Company had 12 (13 in 2016) affiliated companies at March 31, 2017. For the year ended March 31, 2017, the equity method has been applied to the investments in 4 of the major unconsolidated subsidiaries (4 in 2016) and 5 of the major affiliated companies (5 in 2016). The investments in the remaining unconsolidated subsidiaries and affiliated companies were stated at cost or less because they did not have a material effect on the consolidated financial statements.

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Group have been eliminated.

The difference between the cost of an investment in a consolidated subsidiary and the amount of the underlying equity in the net assets of the subsidiary is allocated to identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition.

Goodwill is amortized on a straight-line basis over a period within five years.

(3) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing at the year end. The components of net assets excluding non-controlling interests of foreign subsidiaries and affiliated companies are translated at historical rates. All income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation differences are debited or credited to translation adjustments, or non-controlling interests in the consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the year end and the resulting gains and losses are included in profit or loss for the year.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(5) Inventories

Inventories are mainly stated at the lower of cost, determined by average cost, or market.

1. Summary of Significant Accounting Policies (continued)

(6) Investment securities

Available-for-sale securities categorized as “other securities” under applicable Japanese accounting standards for which market values are readily available are stated at fair market value at the balance sheet date, with unrealized gains or losses reported as a separate component of net assets, net of applicable income taxes. Available-for-sale securities for which market values are not readily available are stated at weighted average cost.

The amortized cost (straight-line) method has been used for held-to-maturity securities.

(7) Derivative financial instruments and hedge accounting

In accordance with applicable Japanese accounting standards, gains or losses arising from changes in the fair value of derivative financial instruments designated as “hedging instruments” are deferred as an asset or a liability until the gains or losses on the underlying hedged items or transactions are recognized.

In accordance with the exceptional treatment permitted under the Japanese accounting standard for foreign currency translation, the Company does not record certain forward foreign exchange contracts, foreign currency option contracts and certain foreign currency interest arrangements at market value but translates the underlying foreign currency denominated assets and liabilities hedged by derivative transactions into yen using the contractual rates under these arrangements, provided that such arrangements meet the hedging criteria specified under applicable Japanese accounting standards.

In addition, in accordance with the special treatment permitted under applicable Japanese accounting standards, the Company does not record certain interest-rate swap arrangements at market value but charges or credits net cash flows arising from the interest-rate swap arrangements, which satisfy the hedging criteria specified under the standard, to interest expenses arising from the hedged interest-bearing debt.

(8) Property, plant and equipment (excluding leased assets)

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the respective assets as prescribed by the Corporation Tax Act of Japan.

Buildings and structures at the Company’s headquarters are depreciated by the straight-line method.

1. Summary of Significant Accounting Policies (continued)

(8) Property, plant and equipment (excluding leased assets) (continued)

The Company and its domestic consolidated subsidiaries compute depreciation for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 by the straight-line method.

The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gains or losses are reflected in income as incurred.

Normal repairs and maintenance, including minor renewals and improvements, are charged to expenses as incurred.

(9) Intangible assets (excluding leased assets)

Intangible assets are amortized on a straight-line basis.

Expenditure related to computer software development for internal use is capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life (five years) of the software.

(10) Leases

Leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same depreciation methods as applied to equivalent assets owned by the Group using the economic useful lives of the leased assets.

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated with the residual value of zero by the straight-line method using the terms of the contracts as the useful lives.

(11) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts at an amount calculated using a bad debt loss ratio primarily based on historical experience, plus the estimated uncollectible amount of individual receivables.

(12) Allowance for directors bonuses

Bonuses to directors are recorded on an accrual basis with a related charge to income.

1. Summary of Significant Accounting Policies (continued)

(13) Retirement benefits for employees

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service costs are amortized as incurred by the straight-line method over a certain period (15 to 16 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 to 16 years), which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating net defined benefit liability and retirement benefit expenses.

(14) Accrued retirement benefits for directors and corporate auditors

As is customary practice in Japan, the Company and its domestic consolidated subsidiaries pay lump-sum retirement benefits to retiring directors or corporate auditors, the amounts of which are determined by internal rules. Although the payment of such retirement benefits is subject to approval by shareholders at the time of retirement/resignation, the Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all directors and corporate auditors at the year-end date.

(15) Accrued retirement benefits for corporate officers

The Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all corporate officers at the fiscal year end.

(16) Income taxes

The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(17) Consumption taxes

In Japan, consumption taxes are imposed at a flat rate of 8% on all domestic consumption of goods and services (with certain exceptions). Consumption taxes imposed on the Group's domestic sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. Consumption taxes withheld upon sale and consumption taxes paid by the Group on purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

1. Summary of Significant Accounting Policies (continued)

(18) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements in order to make them consistent with the current year's presentation.

(19) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding subscription rights to shares.

2. Accounting Changes

Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Effective from the year ended March 31, 2017, the Group has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 32, issued on June 17, 2016) in conjunction with changes in the Corporation Tax Act of Japan. As a result, the Group has changed its depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effects on operating profit and profit before income taxes for the year ended March 31, 2017 were immaterial. Also, the effects on basic and diluted earnings per share for the year ended March 31, 2017 were immaterial.

3. Additional Information

Effective from the year ended March 31, 2017, the Group has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016).

4. United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and the notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥112.1 = U.S.\$1, the approximate rate of exchange prevailing at March 31, 2017. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with an original maturity of three months or less that are exposed to minor risk of fluctuation in value.

A reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2017 and 2016 are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥ 82,576	¥ 72,553	\$ 736,625
Bank deposits with maturity of over three months included in cash and bank deposits	(82)	(315)	(730)
Cash and cash equivalents	<u>¥ 82,494</u>	<u>¥ 72,238</u>	<u>\$ 735,895</u>

6. Inventories

Inventories at March 31, 2017 and 2016 are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished products	¥ 16,402	¥ 16,788	\$ 146,319
Work in process	8,609	7,554	76,801
Raw materials and supplies	14,080	14,336	125,599
Other	4,945	4,609	44,113
Total	<u>¥ 44,036</u>	<u>¥ 43,287</u>	<u>\$ 392,832</u>

7. Loss on Impairment of Long-Lived Assets

Year ended March 31, 2017

The Group has recorded impairment losses for the following assets.

			2017	
Location	Applications	Type	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Koto-ku, Tokyo	Assets for sale	Buildings and structures	¥ 69	\$ 615
		Land	620	5,531
Sendai, Miyagi Prefecture	Business assets (offices)	Land	13	115
Akita, Akita Prefecture	Business assets (offices)	Land	45	402
Koriyama, Fukushima Prefecture	Business assets (offices)	Land	92	818
Hubei, China	Production facilities	Machinery and transport equipment, others	820	7,318

[Background of recognition of impairment losses]

The book value of the above assets for sale was written down to the recoverable value and the difference was recorded as an impairment loss since losses are expected from the sale.

The book value of the above business assets was written down to the recoverable value and the difference was recorded as an impairment loss since the market value of land has been declining and future recoverability of amounts invested in the above land is not expected.

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

[Method of calculating recoverable value]

The recoverable value was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others. The net realizable value for the assets for sale was determined as the contracted amount.

7. Loss on Impairment of Long-Lived Assets (continued)

Year ended March 31, 2016

The Group has recorded impairment losses for the following assets.

2016			
Location	Applications	Type	<i>(Millions of yen)</i>
Ota, Gunma Prefecture	Idle real estate	Land and Buildings	¥ 21
Yasu, Shiga Prefecture	Idle real estate	Land	69
Omaezaki, Shizuoka Prefecture	Idle real estate	Land	38
Kentucky, the United States	Idle production facilities	Machinery	264

[Background of recognition of impairment losses]

The book value of the above assets was written down to the recoverable value and the difference was recorded as an impairment loss since the land and buildings are idle and the market value of these assets has been declining. In addition, the machinery is not expected to be used in the future and has become idle.

[Method of calculating recoverable value]

The recoverable value was determined as the net realizable value based on reasonable estimates using the real estate appraisal value or the value in use.

8. Loss on Business of Subsidiaries and Affiliated Companies

Loss on business of a domestic affiliated company (unconsolidated subsidiary) was recognized for the year ended March 31, 2017. No such loss was recognized for the year ended March 31, 2016.

9. Loss on Plant Closing

The expected loss due to the closure of a plant owned by a foreign affiliated company (unconsolidated subsidiary) was recognized for the year ended March 31, 2017. No such loss was recognized for the year ended March 31, 2016.

10. Lawyers' Fees and Others

Lawyers' fees and others were incurred to deal with investigations by the Japan Fair Trade Commission and the United States Department of Justice concerning trading of hard disk drive devices of the Group for the year ended March 31, 2017. No such fee was recorded for the year ended March 31, 2016.

11. Investment Securities

The aggregate cost, fair value and net unrealized gains or losses of investment securities at March 31, 2017 and 2016 for which market value was readily available are summarized as follows:

Other securities with market value

	At March 31, 2017		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their cost:			
Equity securities	¥12,562	¥56,474	¥43,912
Securities whose fair value does not exceed their cost:			
Equity securities	900	744	(156)
Total	¥13,462	¥57,218	¥43,756
	At March 31, 2016		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their cost:			
Equity securities	¥11,383	¥43,017	¥31,634
Securities whose fair value does not exceed their cost:			
Equity securities	1,860	1,541	(319)
Total	¥13,243	¥44,558	¥31,315

11. Investment Securities (continued)

	At March 31, 2017		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
	<i>(Thousands of U.S. dollars)</i>		
Securities whose fair value exceeds their cost:			
Equity securities	\$112,058	\$503,779	\$391,721
Securities whose fair value does not exceed their cost:			
Equity securities	8,030	6,643	(1,387)
Total	\$120,088	\$510,422	\$390,334

(Note) Impairment is recognized in case the fair market value decreases by 50% or more compared with the acquisition cost, except if a recovery is expected. If the fair value decreases by 30% or more but less than 50%, the possibility of recovery is assessed. If the Company determines that there is no possibility of recovery, an impairment loss is recognized.

Other securities which were sold in the years ended March 31, 2017 and 2016 were as follows:

	2017		
	Amount of sale	Gain on sale	Loss on sale
	<i>(Millions of yen)</i>		
Equity securities	¥111	¥42	¥11
	2016		
	Amount of sale	Gain on sale	Loss on sale
	<i>(Millions of yen)</i>		
Equity securities	¥428	¥295	–
	2017		
	Amount of sale	Gain on sale	Loss on sale
	<i>(Thousands of U.S. dollars)</i>		
Equity securities	\$989	\$377	\$100

Impairment loss of ¥1,450 million (\$12,930 thousand) for shares of subsidiaries and affiliated companies was recognized during the year ended March 31, 2017. Impairment loss of ¥1,196 million (shares of subsidiaries and affiliated companies of ¥538 million and other securities of ¥658 million) was recognized during the year ended March 31, 2016.

11. Investment Securities (continued)***Held-to-maturity securities with market value***

There were no held-to-maturity securities at March 31, 2017.

	At March 31, 2016		
	Cost	Fair value	Net unrealized gains
	<i>(Millions of yen)</i>		
Corporate debt securities	¥500	¥505	¥ 5
	¥500	¥505	¥ 5

The aggregate carrying amount of the securities for which market value was not readily available at March 31, 2017 and 2016 is summarized as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Equity securities of non-listed companies	¥960	¥1,184	\$ 8,561
	¥960	¥1,184	\$ 8,561

12. Retirement Benefits for Employees

The Group has defined benefit plans and defined contribution plans such as corporate pension plans and lump-sum payment plans. The Group has primarily established cash balance plans, in which a hypothetical individual account is established for each participant. In addition to monthly contribution credits, interest credits based on market interest rates are also accumulated in the hypothetical individual accounts. Retirement benefit trusts are established for certain corporate pension plans and lump-sum payment plans.

A part of lump-sum payment plans of the Company has been transferred to defined contribution plans as of April 1, 2016. As a result, gain on revision of retirement benefit plan of ¥1,064 million (\$9,495 thousand) was recognized in other income (expenses) in the consolidated statement of income for the year ended March 31, 2017.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses.

In addition to the above, certain domestic consolidated subsidiaries participate in multi-employer pension plans. These plans are accounted for in the same manner as a defined contribution plan when reasonable estimates for pension assets of the participating companies cannot be obtained.

12. Retirement Benefits for Employees (continued)**Defined Benefit Plans**

(1) The reconciliation between retirement benefit obligations at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Retirement benefit obligations at beginning of year	¥61,865	¥56,065	\$551,875
Service costs	2,530	2,766	22,567
Interest costs	291	590	2,599
Actuarial gains or losses	(410)	5,245	(3,655)
Retirement benefits paid	(1,989)	(2,087)	(17,749)
Prior service costs	–	120	–
Transfer to defined contribution plans	(10,353)	–	(92,353)
Other	(287)	(834)	(2,560)
Retirement benefit obligations at end of year	<u>¥51,647</u>	<u>¥61,865</u>	<u>\$460,724</u>

(2) The reconciliation between plan assets at the beginning of the year and the end of the year (excluding plans applying simplified method) is as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Plan assets at beginning of year	¥40,925	¥44,499	\$365,073
Expected return on plan assets	1,071	1,017	9,552
Actuarial gains or losses	2,230	(4,928)	19,898
Contributions from employer	895	1,454	7,985
Retirement benefits paid	(1,175)	(1,112)	(10,477)
Other	1	(5)	7
Plan assets at end of year	<u>¥43,947</u>	<u>¥40,925</u>	<u>\$392,038</u>

(3) The reconciliation between defined benefit liability of plans applying the simplified method at the beginning of the year and the end of the year is as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Defined benefit liability at beginning of year	¥ 3,276	¥ 3,667	\$ 29,227
Retirement benefit expenses	432	363	3,854
Retirement benefits paid	(200)	(281)	(1,783)
Contribution to the plans	(107)	(70)	(957)
Other	–	(403)	–
Defined benefit liability at end of year	<u>¥ 3,401</u>	<u>¥ 3,276</u>	<u>\$ 30,341</u>

12. Retirement Benefits for Employees (continued)

(4) The reconciliation between retirement benefit obligations and plan assets at the end of the year and defined benefit liability and defined benefit asset on the consolidated balance sheet is as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligations	¥40,586	¥51,567	\$ 362,054
Plan assets	(43,947)	(40,925)	(392,038)
	(3,361)	10,642	(29,984)
Unfunded retirement benefit obligations	14,462	13,575	129,011
Net defined benefit liability (asset) recorded on the consolidated balance sheet	<u>¥11,101</u>	<u>¥24,217</u>	<u>\$ 99,027</u>
Net defined benefit liability	¥13,926	¥24,217	\$ 124,230
Net defined benefit asset	(2,825)	-	(25,203)
Net defined benefit liability (asset) recorded on the consolidated balance sheet	<u>¥11,101</u>	<u>¥24,217</u>	<u>\$ 99,027</u>

(Note) The amounts in above table include plans applying the simplified method.

(5) The breakdown of retirement benefit expenses for the years ended March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service costs	¥ 2,530	¥ 2,766	\$ 22,567
Interest costs	291	590	2,599
Expected return on plan assets	(1,071)	(1,017)	(9,552)
Amortization of actuarial gains or losses	1,145	762	10,215
Amortization of prior service costs	134	109	1,190
Retirement benefit expenses calculated using the simplified method	432	363	3,854
Retirement benefit expenses on defined benefit plans	<u>¥ 3,461</u>	<u>¥ 3,573</u>	<u>\$ 30,873</u>

(6) The components of retirement benefit liability adjustments for the years ended March 31, 2017 and 2016 in other comprehensive income (before income tax effect) are as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service costs	¥ (133)	¥ 19	\$ (1,190)
Actuarial gains or losses	(4,841)	9,418	(43,183)
Total	<u>¥ (4,974)</u>	<u>¥ 9,437</u>	<u>\$ (44,373)</u>

12. Retirement Benefits for Employees (continued)

(7) The components of retirement benefit liability adjustments as of March 31, 2017 and 2016 in accumulated other comprehensive income (before income tax effect) are as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service costs	¥ (186)	¥ (52)	\$ (1,658)
Unrecognized actuarial gains or losses	3,658	8,504	32,626
Total	<u>¥ 3,472</u>	<u>¥ 8,452</u>	<u>\$ 30,968</u>

(8) Plan assets

(i) Breakdown of plan assets

The percentages of various assets to total plan assets by major category as of March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Equity securities	54%	50%
Debt securities	23	25
General accounts	15	16
Other	8	9
Total	<u>100%</u>	<u>100%</u>

(Note) 40% and 37% of the total plan assets are held by retirement benefit trusts, which are established for corporate pension plans, as of March 31, 2017 and 2016, respectively.

(ii) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets is determined based on the current and the expected allocation of plan assets and the current and the long-term expected rates of return from various assets constituting the plan assets.

(9) Actuarial assumptions

The major actuarial assumptions for the years ended March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rates		
Domestic plans	0.0 – 0.5%	0.0 – 0.3%
Foreign plans	2.6 – 7.5%	3.5 – 8.0%
Long-term expected rates of return on plan assets		
Domestic plans	1.9 – 3.0%	2.2 – 3.0%
Foreign plans	–	–

(Note) The benefit formula method is primarily applied (this does not reflect estimated future increases in points due to salary increases).

12. Retirement Benefits for Employees (continued)

Defined Contribution Plans

The required contributions to defined contribution plans of the Group, including multi-employer pension plans which are accounted for in the same manner as a defined contribution plan, were ¥1,453 million (\$12,958 thousand) and ¥940 million for the years ended March 31, 2017 and 2016, respectively.

13. Short-Term Borrowings and Long-Term Debt

The components of short-term borrowings, long-term debt, other interest-bearing debt and lease obligations due within one year as of March 31, 2017 and 2016 are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term borrowings:			
Loans from banks and other financial institutions with weighted average interest rates of 2.410% and 1.335% at March 31, 2017 and 2016, respectively	¥ 2,215	¥ 1,546	\$ 19,758
Current portion of long-term loans from banks and other financial institutions	11,781	7,600	105,096
0.544% unsecured bonds due 2016	–	10,000	–
Other interest-bearing debt (commercial paper)	8,000	10,000	71,364
Current portion of lease obligations	274	305	2,442
	<u>¥22,270</u>	<u>¥29,451</u>	<u>\$198,660</u>

Long-term debt and lease obligations

Long-term debt and lease obligations at March 31, 2017 and 2016 are comprised of the following:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Bonds:			
U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019	¥11,219	¥11,268	\$100,080
Loans from banks and other financial institutions with weighted average interest rates of 0.285% and 0.443% at March 31, 2017 and 2016, respectively	31,957	24,517	285,080
Lease obligations (excluding current portion)	520	482	4,635
	<u>43,696</u>	<u>36,267</u>	<u>389,795</u>
Less: current portion	(11,781)	(7,600)	(105,096)
	<u>¥31,915</u>	<u>¥28,667</u>	<u>\$284,699</u>

13. Short-Term Borrowings and Long-Term Debt (continued)

Details of the convertible bond-type bonds with subscription rights to shares are as follows:

Description	U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019
Shares to be issued	Common stock
Issue price of subscription rights to shares	No consideration
Issue price of shares	\$10.90
Total issue amount	\$100,000 thousand
Total issue amount of shares as a result of exercise of subscription rights to shares	–
Percentage of vested subscription rights to shares	100%
Exercise period of subscription rights to shares	From October 6, 2014 to September 6, 2019
Matters related to substitute payments	Upon exercise of each subscription right to shares, the corresponding bond shall be redeemed as a capital contribution in kind at the price equal to the face value of the bond.

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

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2019	¥ 5,885	\$ 52,498
2020	7,591	67,718
2021	3,740	33,363
2022 and thereafter	2,960	26,405
	¥20,176	\$179,984

The year-by-year breakdown of lease obligations due as of March 31, 2017 is as follows:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2019	¥175	\$1,557
2020	170	1,517
2021	107	952
2022 and thereafter	68	609
	¥520	\$4,635

14. Pledged Assets

Assets pledged as collateral at March 31, 2017 and 2016 are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings and structures	¥ –	¥ 246	\$ –
Land	–	982	–
	<u>¥ –</u>	<u>¥ 1,228</u>	<u>\$ –</u>

Liabilities secured by the assets pledged as collateral are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Current portion of long-term debt	¥ –	¥ 53	\$ –

15. Asset Retirement Obligations

(1) Summary of relevant asset retirement obligations

Asset retirement obligations include obligations associated with the removal of asbestos used in certain property, plant and equipment required under the “Ordinance on Prevention of Health Impairment due to Asbestos of Japan” at the time of their retirement.

(2) Calculation of the amount of relevant asset retirement obligations

Asset retirement obligations are calculated with the remaining useful lives of the relevant assets as the basis for the estimated period until expenditure and a discount rate of 2.1%.

(3) The changes in asset retirement obligations at March 31, 2017 and 2016 are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥305	¥307	\$2,720
Increase due to change in estimates	37	–	330
Accretion expense	0	0	2
Decrease due to settlement of asset retirement obligations	(1)	(2)	(5)
Other decrease	(4)	–	(40)
Balance at end of year	<u>¥337</u>	<u>¥305</u>	<u>\$3,007</u>

(4) Change in estimated amount of asset retirement obligations

During the year ended March 31, 2017, the Company reviewed the expenditure amount expected to arise at the time of retirement of buildings and structures of consolidated subsidiaries. The Company obtained quotations and other new sources of information and consequently changed the estimated amount of the asset retirement obligations.

An increase of asset retirement obligation of ¥37 million (\$330 thousand) due to this change in estimates was added to the balance as of April 1, 2016. The effect of this change in estimates on profit or loss for the year ended March 31, 2017 was immaterial.

16. Research and Development Expenses

Research and development expenses included in “Cost of sales” and “Selling, general and administrative expenses” amounted to ¥16,130 million (\$143,892 thousand) and ¥16,329 million for the years ended March 31, 2017 and 2016, respectively.

17. Income Taxes

The statutory tax rates in Japan for the years ended March 31, 2017 and 2016 were 30.6% and 32.8%, respectively.

At March 31, 2017 and 2016, significant components of deferred tax assets and liabilities are summarized as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,956	¥ 2,907	\$ 26,367
Accrued enterprise taxes	461	261	4,112
Net defined benefit liability	6,057	8,262	54,030
Depreciation	1,591	1,628	14,192
Allowance for doubtful receivables	866	305	7,726
Accrued retirement benefits for directors and corporate auditors	405	370	3,614
Unrealized inter-company profit	685	311	6,109
Accumulated impairment losses	1,407	1,020	12,555
Tax losses carried forward	3,607	4,795	32,176
Loss from securities revaluation	788	597	7,031
Other	2,300	3,967	20,516
Total gross deferred tax assets	21,123	24,423	188,428
Valuation allowance	(6,039)	(5,489)	(53,868)
Total deferred tax assets	¥ 15,084	¥ 18,934	\$ 134,560
Deferred tax liabilities:			
Reserved profit of subsidiaries	¥ (716)	¥ (500)	\$ (6,383)
Special tax purpose reserve	(2,768)	(2,857)	(24,692)
Unrealized holding gain on securities	(14,075)	(10,292)	(125,560)
Other	(479)	(3,256)	(4,277)
Total deferred tax liabilities	¥(18,038)	¥(16,905)	\$ (160,912)
Net deferred tax assets (liabilities)	¥ (2,954)	¥ 2,029	\$ (26,352)

17. Income Taxes (continued)

At March 31, 2017 and 2016, reconciliations of the statutory tax rate and the effective tax rate were as follows:

	<u>2017</u>	<u>2016</u>
Statutory tax rate	30.6%	32.8%
Different tax rates applied to subsidiaries	(2.5)	(3.7)
Permanent differences	(3.9)	(4.2)
Foreign tax credit	(0.2)	(0.4)
Investment tax credit	(2.0)	(1.2)
Remeasurement of deferred tax assets resulting from the change in statutory tax rate	—	0.9
Dividend income from the consolidated subsidiaries	6.3	6.7
Special deduction for research and development expenses	(0.8)	(1.1)
Other	1.0	0.8
Effective income tax rate	<u>28.5%</u>	<u>30.6%</u>

18. Distributions of Retained Earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period or by resolution of the Board of Directors if certain conditions are met. The accounts for that period do not, therefore, reflect such distributions.

19. Guarantees and Contingent Liabilities

As of March 31, 2017 and 2016, the Group had the following guarantees:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Borrowings from financial institutions by unconsolidated subsidiaries and affiliated subsidiaries, affiliated companies and employees	¥ 3,338	¥ 2,140	\$ 29,775

On July 26, 2016, the Company and NHK International Corporation, a consolidated subsidiary in the United States, underwent an on-site inspection by the Japan Fair Trade Commission and the United States Department of Justice on suspicion of violating the Antimonopoly Act of Japan and the Antitrust Law of the United States concerning trading of hard disk drive devices. The Company and NHK International Corporation have been cooperating with the Japan Fair Trade Commission and the United States Department of Justice in the investigations. The investigation is on-going and its effect on the financial position and the result of operations is unknown.

20. Leases

Finance lease transactions are depreciated by the straight-line method using the lease term as the useful life and a residual value of zero.

Non-cancellable operating lease commitments are as follows:

	At March 31,		
	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Due within one year	¥202	¥209	\$1,804
Due over one year	381	554	3,393
Total	¥583	¥763	\$5,197

21. Derivative Financial Instruments

In the normal course of business, the Group utilizes derivative financial instruments, including forward foreign exchange contracts, foreign currency options and foreign currency swap contracts, to manage its exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. In addition, the Group uses interest-rate swap contracts to limit its exposure to losses in relation to short-term investments and debt with floating interest rates, resulting from adverse fluctuations in interest rates. The Group does not use derivatives for speculative or trading purposes.

[Derivatives not meeting the criteria for hedge accounting]

There were no outstanding derivative transactions at March 31, 2017 and 2016.

21. Derivative Financial Instruments (continued)

[Derivatives meeting the criteria for hedge accounting]

The contract amount (notional principal amount) and estimated fair value of the outstanding contracts at March 31, 2017 and 2016 are summarized as follows:

	At March 31, 2017			Fair value
	Hedged items	Contract amount (notional principal amount)		
		Total	Over one year	
		<i>(Millions of yen)</i>		
Foreign exchange forward contracts:				
Sell U.S. dollar	Receivables/ payables denominated in foreign currencies	¥1,121	–	¥1,132
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	7,240	4,300	(Note 2)
Interest rate and currency swap contracts:				
To receive Japanese yen floating/ to pay U.S. dollar fixed	Long-term debt	4,546	–	(Note 2)
		At March 31, 2016		
		Contract amount (notional principal amount)		
	Hedged items	Total	Over one year	Fair value
		<i>(Millions of yen)</i>		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	¥11,981	¥7,240	(Note 2)
Interest rate and currency swap contracts:				
To receive Japanese yen floating/ to pay U.S. dollar fixed	Long-term debt	4,546	4,546	(Note 2)

21. Derivative Financial Instruments (continued)

	At March 31, 2017			Fair value
	Hedged items	Contract amount (notional principal amount)		
		Total	Over one year	
<i>(Thousands of U.S. dollars)</i>				
Foreign exchange forward contracts:				
Sell U.S. dollar	Receivables/ payables denominated in foreign currencies	\$10,000	–	\$10,095
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	64,585	38,359	(Note 2)
Interest rate and currency swap contracts:				
To receive Japanese yen floating/ to pay U.S. dollar fixed	Long-term debt	40,555	–	(Note 2)

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The fair values of interest rate swap contracts and interest rate and currency swap contracts meeting certain conditions for hedge accounting are included in that of the corresponding long-term debt because interest rate swap contracts and interest rate and currency swap contracts are treated together with the long-term debt as the hedged item.

22. Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group invests only in short-term bank deposits and obtains financing through borrowings from banks or the issuance of bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described herein.

(2) Type of financial instruments and related risk

Receivables such as notes and accounts receivable, trade are exposed to customer credit risk. Receivables denominated in foreign currencies arising from global business transactions are exposed to foreign currency exchange fluctuation risk; however, the risk associated with principal export transactions is constantly maintained within the limits established based on historical experience and the exposures are hedged by forward exchange rate contracts. Equity investments are exposed to the risk of market price fluctuations; nevertheless, they mainly consist of equity of companies with which the Company has business relationships, and their fair values are evaluated quarterly and reported to the Board of Managing Directors. Payment terms of payables, such as notes and accounts payable, trade are mostly less than one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, those risks are constantly netted against the balance of receivables denominated in the same foreign currency. Borrowings and commercial papers are used to raise necessary funds for working capital and capital expenditures. Although some borrowings with floating interest rates are exposed to interest rate fluctuation risk, such exposure is hedged by using derivatives (interest rate swaps).

(3) Risk management for financial instruments

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

The Group monitors payment terms and the balances of receivables by individual customer in accordance with internal rules on management of accounts receivable and has a system to periodically assess the credit risk of the customers.

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

The Group mitigates foreign currency exchange fluctuation risks in connection with receivables and short/long-term debt denominated in foreign currencies by using exchange rate contracts for a certain proportion of such receivables and debt. In addition, the Company uses interest rate swap contracts for long-term debt to fix interest payments on borrowings with floating interest rates; therefore, there is no interest rate fluctuation risk exposure for interest payments on long-term debt.

22. Financial Instruments (continued)

(3) Risk management for financial instruments (continued)

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

The Group manages liquidity risk by timely making projection and revision of cash flow plans by the department in charge of finance based on reports from each relevant department.

(4) Supplementary explanation of estimated fair value of financial instruments

Not applicable

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2017 and 2016 are as follows:

22. Financial Instruments (continued)

	At March 31, 2017		
	Carrying amount	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 82,576	¥ 82,576	¥ –
(2) Notes and accounts receivable, trade	140,343	140,343	–
(3) Investment securities			
Other securities	57,218	57,218	–
(4) Long-term loans receivable	10,383	10,634	251
Total assets	<u>¥ 290,520</u>	<u>¥ 290,771</u>	<u>¥ 251</u>
(1) Notes and accounts payable, trade	¥ 115,904	¥ 115,904	¥ –
(2) Short-term borrowings	2,215	2,215	–
(3) Current portion of long-term debt	11,781	11,781	–
(4) Accrued income taxes	7,245	7,245	–
(5) Notes payable-facilities	2,904	2,904	–
(6) U.S. dollar denominated convertible bond-type bonds with subscription rights to shares	11,219	12,715	1,496
(7) Long-term debt	20,176	20,262	86
(8) Long-term lease obligations	520	518	(2)
Total liabilities	<u>¥ 171,964</u>	<u>¥ 173,544</u>	<u>¥ 1,580</u>
Derivative financial instruments (*1)	<u>¥ 27</u>	<u>¥ 27</u>	<u>¥ –</u>

	At March 31, 2016		
	Carrying amount	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 72,553	¥ 72,553	¥ –
(2) Notes and accounts receivable, trade	133,422	133,422	–
(3) Investment securities			
1) Held-to-maturity securities	500	505	5
2) Other securities	44,558	44,558	–
(4) Long-term loans receivable	8,831	8,984	153
Total assets	<u>¥ 259,864</u>	<u>¥ 260,022</u>	<u>¥ 158</u>
(1) Notes and accounts payable, trade	¥ 111,222	¥ 111,222	¥ –
(2) Short-term borrowings	1,546	1,546	–
(3) Current portion of long-term debt	7,600	7,600	–
(4) Accrued income taxes	3,311	3,311	–
(5) Notes payable-facilities	2,321	2,321	–
(6) U.S. dollar denominated convertible bond-type bonds with subscription rights to shares	11,268	11,802	534
(7) Long-term debt	16,917	16,895	(22)
(8) Long-term lease obligations	482	477	(5)
Total liabilities	<u>¥ 154,667</u>	<u>¥ 155,174</u>	<u>¥ 507</u>
Derivative financial instruments (*1)	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>

22. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

	At March 31, 2017		
	Carrying amount	Fair value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
(1) Cash and bank deposits	\$ 736,625	\$ 736,625	\$ –
(2) Notes and accounts receivable, trade	1,251,942	1,251,942	–
(3) Investment securities			
Other securities	510,422	510,422	–
(4) Long-term loans receivable	92,624	94,865	2,241
Total assets	<u>\$2,591,613</u>	<u>\$2,593,854</u>	<u>\$ 2,241</u>
(1) Notes and accounts payable, trade	\$1,033,933	\$1,033,933	–
(2) Short-term borrowings	19,758	19,758	–
(3) Current portion of long-term debt	105,096	105,096	–
(4) Accrued income taxes	64,631	64,631	–
(5) Notes payable-facilities	25,910	25,910	–
(6) U.S. dollar denominated convertible bond-type bonds with subscription rights to shares	100,080	113,426	13,346
(7) Long-term debt	179,984	180,754	770
(8) Long-term lease obligations	4,635	4,614	(21)
Total liabilities	<u>\$1,534,027</u>	<u>\$1,548,122</u>	<u>\$ 14,095</u>
Derivative financial instruments (*1)	<u>\$ 239</u>	<u>\$ 239</u>	<u>\$ –</u>

(*1) Receivables and payables under derivative transactions are presented on a net basis. Payables are presented in parentheses.

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets:

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

These assets are recorded using book values because fair values approximate book values due to their short-term maturities.

(3) Investment securities

The fair values of equity securities are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price obtained from the financial institutions.

Please see Note 11 “Investment Securities” for information on securities by holding purpose.

(4) Long-term loans receivable

The fair values of long-term loans receivable are determined by the present value, calculated based on the estimated amount of principal and interest receivable, reflecting the collectability and discounted using the interest rate of Japanese government bonds with the corresponding maturities.

22. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

Liabilities

- (1) Notes and accounts payable, trade, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Accrued income taxes, and (5) Note payable-facilities

These payables are recorded using book values because fair values approximate book values due to their short-term maturities.

- (6) U.S. dollar denominated convertible bond-type bonds with subscription rights to shares

The fair value of U.S. dollar denominated convertible bond-type bonds with subscription rights to shares is determined using the quoted price obtained from the financial institutions.

- (7) Long-term debt and (8) Long-term lease obligations

The fair values of long-term debt and lease obligations are determined by discounting the aggregated values of the principal and interest using an assumed interest rate applied in case the same type of loans or leases should be newly made. Long-term debt with floating interest rates is hedged by interest rate swap contracts meeting certain conditions for hedge accounting, and the fair values are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using the reasonably estimated interest rate to be applied when the same types of loans are newly made.

Derivative financial instruments:

Please see the Note 21 “Derivative Financial Instruments.”

- (Note 2) Financial instruments for which it is extremely difficult to determine the fair value

	2017	2016	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Equity investments of unlisted subsidiaries and affiliated companies	¥13,908	¥14,789	\$124,069
Other unlisted equity securities	960	1,184	8,561

The items above are not included in “(3) Investment securities” because there is no market price and it is very difficult to determine their fair values.

22. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

(Note 3) Redemption schedule of monetary assets and investment securities with contractual maturities as of March 31, 2017

(Millions of yen)

	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	¥ 82,576	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	140,343	–	–	–
Investment securities:				
Held-to-maturity securities (bonds)	–	–	–	–
Long-term loans receivable	–	10,282	79	22
Total	<u>¥222,919</u>	<u>¥ 10,282</u>	<u>¥ 79</u>	<u>¥ 22</u>

(Thousands of U.S. dollars)

	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	\$ 736,625	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	1,251,942	–	–	–
Investment securities:				
Held-to-maturity securities (bonds)	–	–	–	–
Long-term loans receivable	–	91,722	704	198
Total	<u>\$1,988,567</u>	<u>\$ 91,722</u>	<u>\$ 704</u>	<u>\$ 198</u>

(Note 4) Redemption schedule of short-term borrowings, bonds, long-term debt and long-term lease obligations as of March 31, 2017

(Millions of yen)

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥ 2,215	¥ –	¥ –	¥ –	¥ –	¥ –
U.S. dollar denominated convertible bond-type bonds with subscription rights to shares	–	–	11,219	–	–	–
Long-term debt	11,781	5,885	7,591	3,740	2,960	–
Long-term lease obligations	–	175	170	107	67	1
Total	<u>¥ 13,996</u>	<u>¥ 6,060</u>	<u>¥18,980</u>	<u>¥ 3,847</u>	<u>¥ 3,027</u>	<u>¥ 1</u>

22. Financial Instruments (continued)

	<i>(Thousands of U.S. dollars)</i>					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	\$ 19,758	\$ –	\$ –	\$ –	\$ –	\$ –
U.S. dollar denominated convertible bond-type bonds with subscription rights to shares	–	–	100,080	–	–	–
Long-term debt	105,096	52,498	67,718	33,363	26,405	–
Long-term lease obligations	–	1,557	1,517	952	597	12
Total	<u>\$124,854</u>	<u>\$ 54,055</u>	<u>\$169,315</u>	<u>\$ 34,315</u>	<u>\$ 27,002</u>	<u>\$ 12</u>

23. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized holding gain (loss) on securities:			
Amount arising during year	¥ 12,495	¥ (9,545)	\$ 111,467
Reclassification adjustments	(31)	363	(277)
Amount before the adjustment of tax effect	12,464	(9,182)	111,190
Tax effect	(3,789)	3,415	(33,798)
Unrealized holding gain (loss) on securities	<u>8,675</u>	<u>(5,767)</u>	<u>77,392</u>
Translation adjustments:			
Amount arising during year	<u>(3,299)</u>	<u>(9,025)</u>	<u>(29,429)</u>
Retirement benefit liability adjustments:			
Amount arising during year	2,645	(10,170)	23,594
Reclassification adjustments	2,329	733	20,779
Amount before the adjustment of tax effect	4,974	(9,437)	44,373
Tax effect	(1,517)	2,686	(13,539)
Retirement benefit liability adjustments	<u>3,457</u>	<u>(6,751)</u>	<u>30,834</u>
Share of other comprehensive loss of affiliated companies accounted for by the equity method:			
Amount arising during year	<u>(31)</u>	<u>(1,201)</u>	<u>(277)</u>
Total other comprehensive income (loss)	<u>¥ 8,802</u>	<u>¥(22,744)</u>	<u>\$ 78,520</u>

24. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of management resources and to assess performance.

The Company operates principally in four industrial segments: automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others based on manufacturing divisions of the Company. The main products of each segment are as follows:

Automotive suspension springs:	Coil springs, stabilizer bars, leaf springs, torsion bars, stabilizer links, bellows, stabilinker and others
Automotive seating:	Seats, mechanical seating components, trim parts and others
Precision springs and components:	HDD suspensions and mechanical components, wire springs, flat springs, LCD/semiconductor testing probe units, fastener (screw), precision machine components and others
Industrial machinery and equipment, and others:	Brazed products, ceramic products, spring mechanisms, pipe support systems, automatic parking systems, polyurethane products, metal-based printed wiring boards, security products, lighting equipment, golf club shafts and others

(2) Calculation method of net sales, income, assets and other items by reportable segment

The accounting treatments for reportable segments are consistent with those described in Note 1. Summary of Significant Accounting Policies. Segment income is based on operating income.

24. Segment Information (continued)

(3) Net sales, income or loss, assets and other items by reportable segment

	Year ended March 31, 2017						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	<i>(Millions of yen)</i>						
Sales:							
Sales to external customers	¥ 119,542	¥ 285,925	¥ 139,087	¥ 82,396	¥ 626,950	¥ –	¥ 626,950
Inter-segment sales	1,740	41	1,641	8,811	12,233	(12,233)	–
Net sales	¥ 121,282	¥ 285,966	¥ 140,728	¥ 91,207	¥ 639,183	¥ (12,233)	¥ 626,950
Segment income	¥ 11,533	¥ 13,985	¥ 9,606	¥ 5,490	¥ 40,614	¥ –	¥ 40,614
Segment assets	¥ 102,352	¥ 135,122	¥ 117,091	¥ 82,463	¥ 437,028	¥ 104,713	¥ 541,741
Other items:							
Depreciation and amortization	¥ 5,368	¥ 5,668	¥ 8,248	¥ 2,296	¥ 21,580	¥ 1,558	¥ 23,138
Investments in affiliated companies accounted for by the equity-method	1,691	1,592	3,084	101	6,468	–	6,468
Increase in property, plant and equipment and intangible and other assets	5,490	5,074	10,311	3,744	24,619	1,019	25,638
	Year ended March 31, 2016						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	<i>(Millions of yen)</i>						
Sales:							
Sales to external customers	¥ 124,512	¥ 296,055	¥ 142,944	¥ 77,006	¥ 640,517	¥ –	¥ 640,517
Inter-segment sales	1,894	71	1,659	8,703	12,327	(12,327)	–
Net sales	¥ 126,406	¥ 296,126	¥ 144,603	¥ 85,709	¥ 652,844	¥ (12,327)	¥ 640,517
Segment income	¥ 12,063	¥ 9,824	¥ 10,075	¥ 3,080	¥ 35,042	¥ –	¥ 35,042
Segment assets	¥ 98,870	¥ 122,507	¥ 117,180	¥ 75,527	¥ 414,084	¥ 95,727	¥ 509,811
Other items:							
Depreciation and amortization	¥ 5,315	¥ 4,919	¥ 8,807	¥ 2,189	¥ 21,230	¥ 2,352	¥ 23,582
Investments in affiliated companies accounted for by the equity-method	2,318	1,463	3,340	91	7,212	–	7,212
Increase in property, plant and equipment and intangible and other assets	9,987	5,131	8,813	2,504	26,435	958	27,393

24. Segment Information (continued)

(3) Net sales, income or loss, assets and other items by reportable segment (continued)

	Year ended March 31, 2017						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	<i>(Thousands of U.S. dollars)</i>						
Sales:							
Sales to external customers	\$ 1,066,392	\$ 2,550,623	\$ 1,240,738	\$ 735,024	\$ 5,592,777	\$ –	\$ 5,592,777
Inter-segment sales	15,518	365	14,638	78,601	109,122	(109,122)	–
Net sales	\$ 1,081,910	\$ 2,550,988	\$ 1,255,376	\$ 813,625	\$ 5,701,899	\$ (109,122)	\$ 5,592,777
Segment income	\$ 102,881	\$ 124,753	\$ 85,691	\$ 48,972	\$ 362,297	\$ –	\$ 362,297
Segment assets	\$ 913,046	\$ 1,205,367	\$ 1,044,521	\$ 735,619	\$ 3,898,553	\$ 934,108	\$ 4,832,661
Other items:							
Depreciation and amortization	\$ 47,888	\$ 50,558	\$ 73,574	\$ 20,484	\$ 192,504	\$ 13,896	\$ 206,400
Investments in affiliated companies accounted for by the equity-method	15,089	14,203	27,512	898	57,702	–	57,702
Increase in property, plant and equipment and intangible and other assets	48,972	45,266	91,980	33,403	219,621	9,083	228,704

(Note 1) Adjustments for segment assets of ¥104,713 million (\$934,108 thousand) and ¥95,727 million at March 31, 2017 and 2016, respectively, include corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and bank deposits that are not attributable to any reportable segment.

(Note 2) Adjustments for depreciation and amortization relate to the head office building.

(Note 3) Adjustments for increase in property, plant and equipment and intangible and other assets of ¥1,019 million (\$9,083 thousand) and ¥958 million at March 31, 2017 and 2016, respectively, relate to increased corporate assets that are not attributable to any reportable segment.

24. Segment Information (continued)

(4) Information by geographic area

	As of/ Year ended March 31, 2017				
	Japan	North America	Asia	Other	Total
	<i>(Millions of yen)</i>				
Sales	¥343,622	¥112,059	¥167,824	¥3,445	¥626,950
Property, plant and equipment (excluding leased assets)	85,959	25,827	32,032	–	143,818
	As of/ Year ended March 31, 2016				
	Japan	North America	Asia	Other	Total
	<i>(Millions of yen)</i>				
Sales	¥321,324	¥118,622	¥197,646	¥2,925	¥640,517
Property, plant and equipment (excluding leased assets)	82,951	27,029	35,657	–	145,637
	As of/ Year ended March 31, 2017				
	Japan	North America	Asia	Other	Total
	<i>(Thousands of U.S. dollars)</i>				
Sales	\$3,065,319	\$999,628	\$1,497,095	\$30,735	\$5,592,777
Property, plant and equipment (excluding leased assets)	766,804	230,392	285,746	–	1,282,942

(5) Information on major customers

Year ended March 31, 2017			
Name of customer	Net sales		Reportable segments
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Fuji Heavy Industries Ltd.	¥67,183	\$599,316	Automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others
Year ended March 31, 2016			
Name of customer	Net sales		Reportable segments
	<i>(Millions of yen)</i>		
Fuji Heavy Industries Ltd.	¥66,628		Automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others

24. Segment Information (continued)**(6) Information on impairment loss of long-lived assets by reportable segment**

Year ended March 31, 2017							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Millions of yen)</i>						
Impairment loss	¥-	¥820	¥-	¥839	¥1,659	¥-	¥1,659
Year ended March 31, 2016							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Millions of yen)</i>						
Impairment loss	¥-	¥-	¥302	¥90	¥392	¥-	¥392
Year ended March 31, 2017							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Thousands of U.S. dollars)</i>						
Impairment loss	\$-	\$7,318	\$-	\$7,481	\$14,799	\$-	\$14,799

24. Segment Information (continued)

(7) Information on amortization and unamortized balance of goodwill by reportable segment

As of/ Year ended March 31, 2017							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Millions of yen)</i>						
Amortization	¥71	¥2	¥0	¥58	¥131	¥-	¥131
Unamortized balance	72	1	0	-	73	-	73
As of/ Year ended March 31, 2016							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Millions of yen)</i>						
Amortization	¥71	¥1	¥0	¥59	¥131	¥-	¥131
Unamortized balance	144	2	0	58	204	-	204
As of/ Year ended March 31, 2017							
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	<i>(Thousands of U.S. dollars)</i>						
Amortization	\$627	\$17	\$1	\$521	\$1,166	\$-	\$1,166
Unamortized balance	643	7	2	-	652	-	652

25. Related Party Transactions

Year ended March 31, 2017

Transactions between the Company and related parties:

Type:	Affiliate
Name:	Faurecia-NHK Co., Ltd.
Address:	Naka-ku, Yokohama
Capital:	¥400 million (\$3,568 thousand)
Business area:	Automotive Seating Division
Proportion of voting rights owned:	50.0%
Related party transactions:	Customer of the Company One concurrent director
Details of transactions:	Purchase of products from the Company
Amount of transactions:	¥8,988 million (\$80,178 thousand)
Accounts recorded:	Account receivable
Balance at end of year:	¥4,586 million (\$40,911 thousand)

Transactions between subsidiaries of the Company and related parties:

There were no transactions between subsidiaries of the Company and related parties during the year ended March 31, 2017.

25. Related Party Transactions (continued)

Year ended March 31, 2016

Transactions between the Company and related parties:

Type:	Affiliate
Name:	Faurecia-NHK Co., Ltd.
Address:	Naka-ku, Yokohama
Capital:	¥400 million
Business area:	Automotive Seating Division
Proportion of voting rights owned:	50.0%
Related party transactions:	Customer of the Company One concurrent director
Details of transactions:	Purchase of products from the Company
Amount of transactions:	¥5,171 million
Accounts recorded:	Account receivable
Balance at end of year:	¥3,861 million

Transactions between subsidiaries of the Company and related parties:

Type:	Subsidiary
Name:	Nippan Business Support Co., Ltd.
Address:	Koto-ku, Tokyo
Capital:	¥10 million
Business area:	Supply of services to all business areas (factoring)
Proportion of voting rights owned:	100%
Related party transactions:	Transfer of accounts payable
Details of transactions:	Transfer of accounts payable by consolidated subsidiaries
Amount of transactions:	¥20,489 million
Accounts recorded:	Account payable
Balance at end of year:	¥6,601 million

26. Subsequent Event

[Distribution of retained earnings]

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved by the shareholders of the Company at the Annual General Meeting of Shareholders held on June 28, 2017:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends of ¥12.0 (\$0.11) per share	¥2,845	\$25,380