ANNUAL REPORT 2017

Report for the Fiscal Year Ended March 31, 2017

FINANCIAL SECTION

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries

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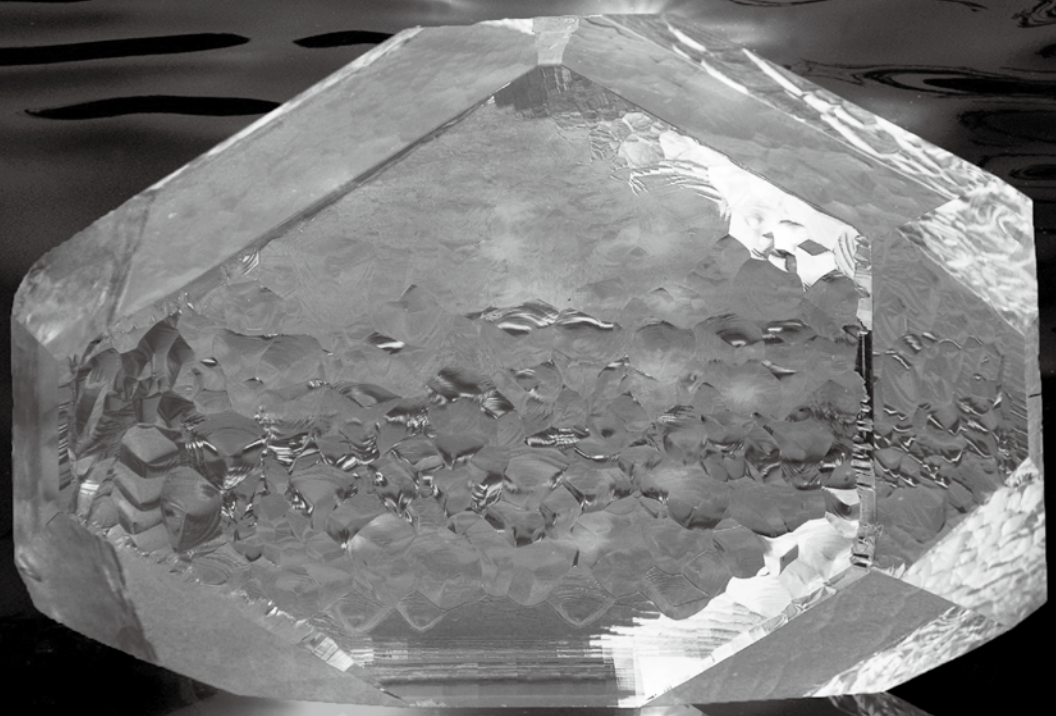


SIX-YEAR SUMMARY

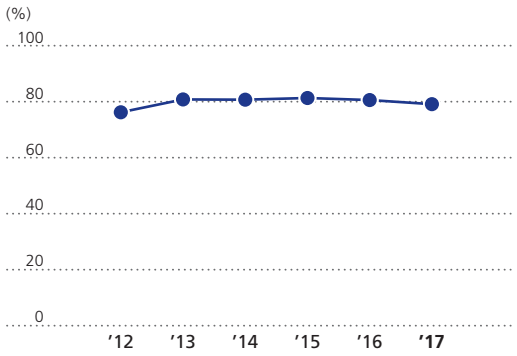
Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note)
	2017	2016	2015	2014	2013	2012	**2017**
Net sales	**¥43,791**	¥44,850	¥47,730	¥50,774	¥50,623	¥50,804	**$390,328**
Cost of sales	**34,620**	36,137	38,801	40,978	40,752	38,744	**308,583**
Selling, general and administrative expenses	**6,479**	6,718	7,713	7,496	7,186	7,417	**57,750**
Research and development expenses	**2,035**	1,921	2,133	2,221	2,579	2,686	**18,138**
Operating income	**727**	410	175	240	235	2,081	**6,480**
Income/(loss) before income tax	**472**	102	359	191	(37)	1,615	**4,207**
Net income/(loss)	**611**	317	(569)	181	(289)	1,759	**5,446**
Net income/(loss) attributable to owners of the parent	**611**	317	(569)	181	(289)	1,759	**5,446**
Total comprehensive (loss)/income for the period	**(72)**	(1,414)	1,319	827	1,307	1,863	**(641)**
Total assets	**68,830**	67,966	71,670	76,218	71,367	67,216	**613,512**
Total equity	**25,234**	25,700	27,507	26,581	26,147	26,123	**224,922**
Depreciation and amortisation	**3,641**	3,558	3,809	3,923	3,425	3,040	**32,453**
Capital expenditures	**6,779**	2,099	2,024	2,733	4,736	4,873	**60,424**

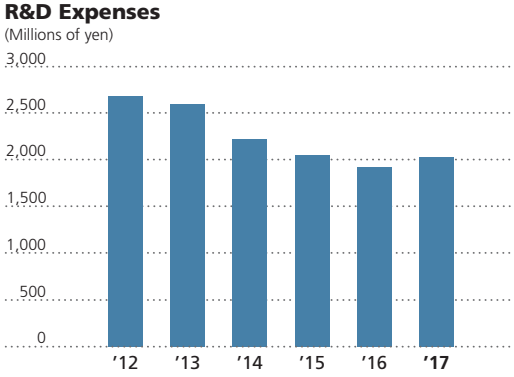
	Yen						U.S. dollars (Note)
Per Share Data:							
Net income/(loss):							
Basic	**¥31.16**	¥16.17	¥(29.00)	¥ 9.25	¥(14.75)	¥89.66	**$0.27**
Diluted	**—**	—	—	—	—	89.66	**—**
Cash dividends applicable to the period	**20.00**	20.00	20.00	20.00	20.00	20.00	**0.17**

Notes: 1. Figures are presented in accordance with International Financial Reporting Standards. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥112.19 to U.S.$1.00, which was the rate prevailing on March 31, 2017.
2. The results for the year of 2014 are retrospective in line with changes in accounting policies.

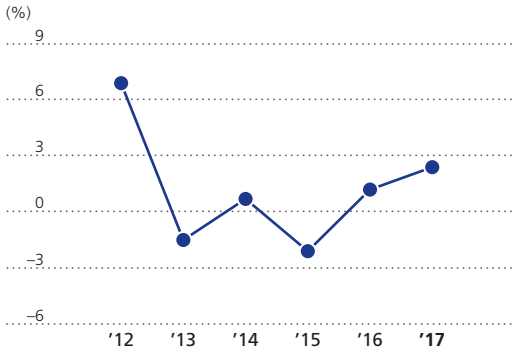
Cost of Sales/Net Sales



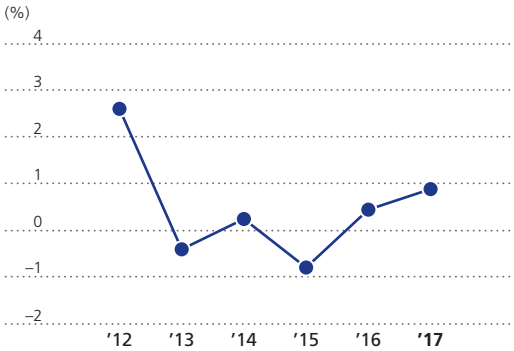
R&D Expenses



ROE



ROA



MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

During the year ended March 31, 2017, although recovery in the U.S. economy continued, driven by consumer spending against a background of recovery in the labor market, uncertainties remained regarding future trends as doubts continued about whether the Trump administration will be able to implement its economic policies. In Japan and Europe, gradual recovery trends continued, and China sustained real GDP growth in the latter half of the 6%-to-7% range, and the economy experienced a pause in the slowdown in growth.

In the operating environment, as growth in worldwide shipments of smartphones weakened, Chinese smartphone manufacturers expanded their market share, and demand for crystal devices increased. In the automotive electronics market, along with the rise in the number of automobiles installed with advanced driver assistance systems (ADASs), demand for crystal devices increased.

Amid these operating conditions, sales to Chinese smartphone manufacturers increased. In addition, NDK's production lines for surface acoustic wave (SAW) devices went into operation, and sales of these products began. Sales to the mobile communications market expanded over the previous year due to these activities. Moreover, beginning in the fourth quarter of the fiscal year, NDK began the full-scale production of 1612-sized temperature compensated crystal oscillators (TCXOs) for the latest smartphones, and sales of these devices contributed to earnings. In the automotive electronics market, although sales volume expanded more than 10% over the previous year, as a result of the progressive shift toward SMDs (which changed NDK's product mix) and the appreciation of the yen, average unit prices declined. Consequently, net sales declined from the previous year, but income remained level with the previous year. In the industrial products market, demand for crystal devices for mobile communications base stations was weaker than expected because of the upcoming transition to fifth-generation (5G) systems. As a result, sales decreased from the previous year and income declined slightly.

Results of Operations

Orders on a consolidated basis for the fiscal year decreased 1.7% year on year, to ¥44,433 million, and net sales were down 2.4%, to ¥43,791 million. Operating income, however, rose 77.1%, to ¥727 million, income before income tax rose a sharp 359.8%, to ¥472 million, and net income expanded 92.6%, to ¥611 million.

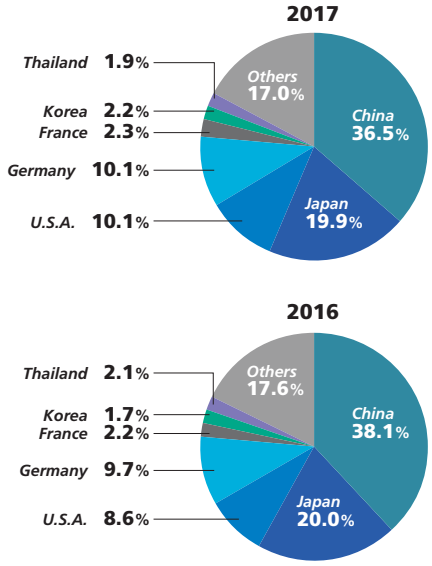
Sales by Product

Sales by product were as follows.

(1) Crystal Units

From the latter half of the previous fiscal year into the first quarter of the fiscal year under review, in the mobile communications market, sales of crystal units declined, but from the second quarter onward, sales expanded, led by growth in crystal units with temperature sensors, but failed to return to the level of the previous year. Although the number of sales of crystal units for automotive products increased more than 10% from the previous fiscal year, the product mix changed along with the shift to SMD products, and together with the appreciation of the yen, resulted in a decline in average unit prices. As a result of these factors, sales of crystal units for the fiscal year decreased 7.5%, to ¥24,780 million.

Sales by Customer-Based Geographic Area



(2) Crystal Devices

Crystal device sales declined because demand for crystal devices for mobile communications base stations was weaker than anticipated because of the upcoming transition to 5G systems. On the other hand, NDK began mass production of compact 1612-sized units for products in the TCXO market. In addition, sales of TCXOs to smartphone manufacturers in China increased. Moreover, NDK began production of SAW devices for use in mobile communications products, and this brought an increase in sales to the mobile communications market. As a result, sales of crystal devices rose 10.6%, to ¥15,070 million.

(3) Other

Sales of ultrasonic devices and optical devices decreased. As a result, sales declined 10.9%, to ¥3,941 million.

Performance by Customer-Based Geographic Area

Performance by customer-based geographic area was as follows.

Japan

Sales of optical devices for use in digital cameras decreased. As a result, sales declined 2.6%, to ¥8,719 million.

Asia

NDK began mass production of 1612-sized TCXOs for the mobile communications market, and sales of TCXOs to smartphone manufacturers in China increased, but sales of crystal units decreased. In addition, sales of products for use in PCs, TVs, and cameras as well as other AV/OA products declined. As a result, sales in China were down 6.4%, to ¥15,998 million, but sales in South Korea increased 30.3%, to ¥978 million. Sales in Thailand dropped 13.3%, to ¥822 million, but sales in other areas rose 0.6%, to ¥2,662 million.

Europe

Sales of crystal units for automotive products in Germany increased, but in Europe as a whole, although sales volume expanded, the

product mix changed along with the shift to SMD products, resulting in a decline in average unit prices. Sales of products for automotive electronics decreased. In addition, demand for crystal devices for mobile communications base stations was weaker than anticipated because of the upcoming transition to 5G systems, and sales declined. As a consequence, sales in Germany expanded 1.8%, to ¥4,414 million, as sales in France grew 0.7%, to ¥996 million, and sales in the rest of the region fell 11.9%, to ¥3,436 million.

North America

Sales of products for automotive electronics decreased because of the effect on average unit prices of the change in the product mix along with the shift to SMDs and the impact of the appreciation of the yen. On the other hand, NDK commenced production and sales of SAW devices for mobile communications, and sales to the mobile communications market expanded. As a result, sales in the United States rose 14.7%, to ¥4,433 million, as sales in other parts of the region rose 6.8%, to ¥130 million.

R&D Expenses

NDK engages in R&D programs aiming at establishing new technologies and manufacturing methods that will be the foundation for future products in the medium and long terms. To better meet customer crystal device needs, the Group is strengthening its R&D systems, with the Sayama Plant as its hub, and is conducting R&D to develop next-generation frequency control, selection, and detection devices as well as enhancing its design and process technologies, which form the core of its R&D.

R&D expenses on a consolidated basis during the fiscal year under review totaled ¥2,035 million.

Financial Condition

At fiscal year-end, total assets amounted to ¥68,830 million, an increase of ¥863 million from the previous fiscal year-end. Factors accounting for this included a decrease of ¥3,811 million in cash and cash equivalents, an increase of ¥1,567 million in inventories, and an increase of ¥2,660 million in property, plant and equipment. Total liabilities amounted to ¥43,596 million, an increase of ¥1,329 million from the previous fiscal year-end, owing to factors that included a decrease of ¥1,323 million in loans and borrowings and an increase of ¥2,098 million in trade and other payables. Equity attributable to the owners of the Company amounted to ¥25,234 million, a decrease of ¥465 million due to a total comprehensive loss for the period of ¥72 million and ¥392 million in dividend payments from retained earnings.

As a result, the ratio of equity attributable to owners of the Company was 36.7%, 1.1 percentage points lower than at the previous fiscal year-end.

Capital Financing and Cash Flow Analysis

The Group obtains funds for working capital and capital investments from internal sources and bank loans. Bank loans include short-term loans with periods of one year or less procured for working capital and longer-term loans for long-term funding, such as for production facilities. As of March 31, 2017, the Group had outstanding balances of short-term loans and borrowings of ¥6,673 million and long-term loans and borrowings of ¥21,184 million.

The balance of cash and cash equivalents on a consolidated basis at the end of the fiscal year under review amounted to ¥13,350 million, which was ¥3,811 million lower than at the end of the previous fiscal year. Factors positively influencing this change included cash inflow from ¥10,500 million in proceeds from long-term loans and borrowings and depreciation and amortization of ¥3,641 million. Factors subtracting from the balance included repayment of long-term loans and borrowings of ¥16,873 million and purchases of property, plant and equipment of ¥5,785 million.

Free cash flow amounted to a negative ¥1,794 million, which was ¥6,257 million lower than in the previous fiscal year. This was because net cash provided by operating activities was ¥3,891 million, but net cash used in investing activities amounted to ¥5,686 million.

Net cash provided by operating activities was negatively affected by an increase in inventories of ¥1,754 million and a rise in trade receivables of ¥255 million. However, these negative factors were offset by depreciation and amortization of ¥3,641 million, an increase in trade payables of ¥706 million, and other factors. As a consequence, net cash provided by operating activities was ¥3,891 million (which was ¥1,775 million less than in the previous year).

Net cash used in investing activities was positively affected by proceeds from sales of investments and other assets of ¥1,252 million. However, this inflow was more than offset by purchases of property, plant and equipment of ¥5,785 million, purchases of investments and other assets amounting to ¥1,149 million, and other factors. As a result, net cash used in investing activities was ¥5,686 million (which was a ¥4,482 million larger outflow than in the previous year).

Net cash used in financing activities was ¥1,765 million (which was a ¥663 million larger outflow than in the previous year) because proceeds from long-term loans and borrowings of ¥10,500 million were offset by repayment of long-term loans and borrowings of ¥16,873 million and other factors.

Dividends

NDK regards returning profit to shareholders as a management priority and aims to maintain stable dividend payments while taking into account earnings, financial position, and other factors. NDK seeks to maintain a virtuous circle through a reasonable balance between accumulation of retained earnings and shareholder dividend payments, and we are committed to further improving earnings performance by conducting R&D and capital investments that enable NDK to manufacture high-value-added and high-quality products that will effectively strengthen the Company's business structure.

Based on a comprehensive consideration of the business performance during the year, the management environment, and other factors, the Company has set a year-end dividend of ¥10 per share for the year ended March 31, 2017. As a consequence, combined with the ¥10 per share interim dividend, the total dividend for the fiscal year amounted to ¥20 per share.

For the year ending March 31, 2018, with the assumption that the Company attains its forecasts for performance, the Company plans to pay total dividends of ¥20 per share, consisting of an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
ASSETS	***2017***	*2016*	***2017***
Current assets:			
Cash and cash equivalents (Note 4)	**¥13,350**	¥17,161	**$118,994**
Trade receivables (Note 5)	**10,500**	10,390	**93,591**
Inventories (Note 6)	**12,188**	10,621	**108,637**
Income taxes refundable	**55**	5	**490**
Derivative assets (Note 27)	**0**	373	**0**
Others (Note 7)	**2,719**	2,334	**24,235**
Total current assets	**38,814**	40,886	**345,966**
Non-current assets:			
Property, plant and equipment (Note 8)	**26,165**	23,504	**233,220**
Intangible assets (Note 9)	**988**	1,041	**8,806**
Investment securities (Note 10)	**978**	839	**8,717**
Deferred tax assets (Note 25)	**1,303**	1,101	**11,614**
Others (Note 11)	**580**	594	**5,169**
Total non-current assets	**30,016**	27,080	**267,546**
Total assets	**¥68,830**	¥67,966	**$613,512**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Current liabilities:			
Loans and borrowings (Note 14)	**¥15,183**	¥17,254	**$135,332**
Trade and other payables (Note 12)	**9,471**	7,373	**84,419**
Derivative liabilities (Note 27)	**212**	83	**1,889**
Provisions (Note 30)	**—**	32	**—**
Income taxes payable	**233**	165	**2,076**
Others (Note 13)	**1,285**	570	**11,453**
Total current liabilities	**26,386**	25,478	**235,190**
Non-current liabilities:			
Loans and borrowings (Note 14)	**12,756**	12,008	**113,699**
Deferred tax liabilities (Note 25)	**403**	430	**3,592**
Employee benefits (Note 15)	**3,624**	3,827	**32,302**
Provisions (Note 30)	**52**	91	**463**
Deferred government grants	**124**	180	**1,105**
Others	**249**	249	**2,219**
Total non-current liabilities	**17,209**	16,788	**153,391**
Total liabilities	**43,596**	42,266	**388,590**
Equity:			
Share capital (Note 16)	**10,649**	10,649	**94,919**
Share premium (Note 16)	**8,563**	8,563	**76,325**
Other components of equity (Note 16)	**(1,025)**	(174)	**(9,136)**
Retained earnings	**7,046**	6,660	**62,804**
Total equity attributable to owners of the Company	**25,234**	25,700	**224,922**
Total equity	**25,234**	25,700	**224,922**
Total liabilities and equity	**¥68,830**	¥67,966	**$613,512**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net sales	**¥43,791**	¥44,850	**$390,328**
Cost of sales (Notes 18, 22 and 23)	**(34,620)**	(36,137)	**(308,583)**
Gross profit	**9,171**	8,713	**81,745**
Selling, general and administrative expenses (Notes 19, 22, 23 and 28)	**(6,479)**	(6,718)	**(57,750)**
Research and development expenses (Notes 20, 22 and 23)	**(2,035)**	(1,921)	**(18,138)**
Other operating income (Note 21)	**443**	571	**3,948**
Other operating expenses (Notes 21 and 23)	**(371)**	(234)	**(3,306)**
Operating income	**727**	410	**6,480**
Financial income (Note 24)	**216**	331	**1,925**
Financial expenses (Note 24)	**(471)**	(639)	**(4,198)**
Income before income tax	**472**	102	**4,207**
Income tax benefits (Note 25)	**138**	214	**1,230**
Net income for the period	**611**	317	**5,446**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan	**166**	(296)	**1,479**
Subtotal	**166**	(296)	**1,479**
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations (Note 16)	**(815)**	(1,416)	**(7,264)**
Foreign currency translation differences for foreign operations transferred to profit or loss	**3**	—	**26**
Change in fair value of available-for-sale financial assets (Note 16)	**68**	(238)	**606**
Change in fair value of available-for-sale financial assets transferred to profit or loss	**(107)**	210	**(953)**
Income tax relating to items that may be reclassified (Note 25)	**(1)**	8	**(8)**
Subtotal	**(851)**	(1,434)	**(7,585)**
Other comprehensive loss for the period, net of income tax	**(684)**	(1,731)	**(6,096)**
Total comprehensive loss for the period	**¥ (72)**	¥ (1,414)	**$ (641)**
Net income attributable to:			
Owners of the Company	**¥ 611**	¥ 317	**$ 5,446**
Total comprehensive income attributable to:			
Owners of the Company	**¥ (72)**	¥ (1,414)	**$ (641)**
	Yen		U.S. dollars
Earnings per share (Note 26)**:**			
Basic earnings per share	**¥ 31.16**	¥ 16.17	**$ 0.27**

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen									
	Share capital	*Additional paid-in capital**	*Treasury shares**	*Share premium**	*Available-for-sale financial assets***	*Translation differences for foreign operations***	*Other components of equity***	*Retained earnings*	*Attributable to owners of the Company*	*Total equity*
Balance at March 31, 2015	¥10,649	¥11,353	¥(2,788)	¥8,564	¥ 8	¥1,251	¥ 1,260	¥7,032	¥27,507	¥27,507
Total comprehensive income for the period										
Net income				—			—	317	317	317
Other comprehensive loss, net of income tax										
Remeasurement of defined benefit plan				—			—	(296)	(296)	(296)
Foreign currency translation differences for foreign operations				—		(1,416)	(1,416)		(1,416)	(1,416)
Net change in fair value of available-for-sale financial assets				—	(18)		(18)		(18)	(18)
Total comprehensive loss for the period	—	—	—	—	(18)	(1,416)	(1,434)	20	(1,414)	(1,414)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Changes in treasury shares, net			(0)	(0)			—		(0)	(0)
Dividends declared (Note 17)				—			—	(392)	(392)	(392)
Total contributions by and distributions to owners	—	—	(0)	(0)	—	—	—	(392)	(393)	(393)
Total transactions with owners	—	—	(0)	(0)	—	—	—	(392)	(393)	(393)
Balance at March 31, 2016	¥10,649	¥11,353	¥(2,789)	¥8,563	¥ (10)	¥ (164)	¥ (174)	¥6,660	¥25,700	¥25,700
Total comprehensive income for the period										
Net income				**—**			**—**	**611**	**611**	**611**
Other comprehensive loss, net of income tax										
Remeasurement of defined benefit plan				**—**			**—**	**166**	**166**	**166**
Foreign currency translation differences for foreign operations				**—**		**(811)**	**(811)**		**(811)**	**(811)**
Net change in fair value of available-for-sale financial assets				**—**	**(39)**		**(39)**		**(39)**	**(39)**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(39)**	**(811)**	**(851)**	**778**	**(72)**	**(72)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Changes in treasury shares, net		**(0)**	**(0)**	**(0)**			**—**		**(0)**	**(0)**
Dividends declared (Note 17)				**—**			**—**	**(392)**	**(392)**	**(392)**
Total contributions by and distributions to owners	**—**	**(0)**	**(0)**	**(0)**	**—**	**—**	**—**	**(392)**	**(392)**	**(392)**
Total transactions with owners	**—**	**(0)**	**(0)**	**(0)**	**—**	**—**	**—**	**(392)**	**(392)**	**(392)**
Balance at March 31, 2017	**¥10,649**	**¥11,353**	**¥(2,789)**	**¥8,563**	**¥(49)**	**¥ (975)**	**¥(1,025)**	**¥7,046**	**¥25,234**	**¥25,234**

	Thousands of U.S. dollars									
	Share capital	*Additional paid-in capital**	*Treasury shares**	*Share premium**	*Available-for-sale financial assets***	*Translation differences for foreign operations***	*Other components of equity***	*Retained earnings*	*Attributable to owners of the Company*	*Total equity*
Balance at March 31, 2016	$94,919	$101,194	$(24,859)	$76,325	$ (89)	$(1,461)	$(1,550)	$59,363	$229,075	$229,075
Total comprehensive income for the period										
Net income				**—**			**—**	**5,446**	**5,446**	**5,446**
Other comprehensive loss, net of income tax										
Remeasurement of defined benefit plan				**—**			**—**	**1,479**	**1,479**	**1,479**
Foreign currency translation differences for foreign operations				**—**		**(7,228)**	**(7,228)**		**(7,228)**	**(7,228)**
Net change in fair value of available-for-sale financial assets				**—**	**(347)**		**(347)**		**(347)**	**(347)**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(347)**	**(7,228)**	**(7,585)**	**6,934**	**(641)**	**(641)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Changes in treasury shares, net		**(0)**	**(0)**	**(0)**			**—**		**(0)**	**(0)**
Dividends declared (Note 17)				**—**			**—**	**(3,494)**	**(3,494)**	**(3,494)**
Total contributions by and distributions to owners	**—**	**(0)**	**(0)**	**(0)**	**—**	**—**	**—**	**(3,494)**	**(3,494)**	**(3,494)**
Total transactions with owners	**—**	**(0)**	**(0)**	**(0)**	**—**	**—**	**—**	**(3,494)**	**(3,494)**	**(3,494)**
Balance at March 31, 2017	**$94,919**	**$101,194**	**$(24,859)**	**$76,325**	**$(436)**	**$(8,690)**	**$(9,136)**	**$62,804**	**$224,922**	**$224,922**

** The figures in the share premium column are calculated by totalling additional paid-in capital and treasury shares.*
*** The figures in the other components of the equity column are calculated by totalling available-for-sale financial assets and translation differences for foreign operations.*

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Operating activities:			
Income before income tax	**¥ 472**	¥ 102	**$ 4,207**
Depreciation and amortisation	**3,641**	3,558	**32,453**
Gain on sales of property, plant and equipment	**(9)**	(156)	**(80)**
Loss on disposal of property, plant and equipment	**68**	5	**606**
Impairment losses of property, plant and equipment	**8**	20	**71**
Gain on sales of investment securities	**(111)**	(102)	**(989)**
Impairment losses of investment securities	**4**	342	**35**
Gain on receipt of subsidies	**(86)**	(119)	**(766)**
Insurance claim income	**(70)**	(195)	**(623)**
(Increase)/Decrease in trade receivables	**(255)**	853	**(2,272)**
(Increase)/Decrease in inventories	**(1,754)**	1,487	**(15,634)**
Increase/(Decrease) in trade payables	**706**	(422)	**6,292**
Increase/(Decrease) in accrued bonuses	**318**	(347)	**2,834**
Decrease/(Increase) in derivative assets	**372**	(340)	**3,315**
Increase/(Decrease) in derivative liabilities	**134**	(89)	**1,194**
Decrease in provisions	**(72)**	(13)	**(641)**
Interest and dividend income	**(70)**	(83)	**(623)**
Interest expense	**183**	224	**1,631**
Interest and dividends received	**73**	84	**650**
Interest paid	**(149)**	(173)	**(1,328)**
Proceeds from insurance claim income	**70**	898	**623**
Income tax paid, net	**(174)**	(156)	**(1,550)**
Other, net	**591**	288	**5,267**
Net cash provided by operating activities	**3,891**	5,667	**34,682**
Investing activities:			
Purchase of property, plant and equipment	**(5,785)**	(1,709)	**(51,564)**
Purchase of intangible assets	**(61)**	(44)	**(543)**
Purchase of investments and other assets	**(1,149)**	(1,676)	**(10,241)**
Proceeds from sales of property, plant and equipment	**54**	240	**481**
Proceeds from sales of investments and other assets	**1,252**	1,978	**11,159**
Other, net	**2**	6	**17**
Net cash used in investing activities	**(5,686)**	(1,204)	**(50,681)**
Financing activities:			
Proceeds from long-term loans and borrowings	**10,500**	9,000	**93,591**
Repayment of long-term loans and borrowings	**(16,873)**	(10,586)	**(150,396)**
Net increase in short-term loans and borrowings	**5,000**	879	**44,567**
Cash dividends paid	**(391)**	(395)	**(3,485)**
Purchase and sales of treasury shares, net	**(0)**	(0)	**(0)**
Net cash used in financing activities	**(1,765)**	(1,101)	**(15,732)**
Net (decrease)/increase in cash and cash equivalents	**(3,560)**	3,361	**(31,731)**
Cash and cash equivalents at beginning of year	**17,161**	14,364	**152,963**
Net effect of currency translation on cash and cash equivalents	**(251)**	(564)	**(2,237)**
Cash and cash equivalents at end of year (Note 4)	**¥13,350**	¥17,161	**$118,994**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries

1. Reporting Entity

Nihon Dempa Kogyo Co., Ltd. ("NDK" or the "Company") is a company domiciled in Japan. The main activities of the Company and its subsidiaries (collectively, the "Group") are the production and sales of crystal-related products such as crystal devices. The consolidated financial statements of the Company as of and for the years ended March 31, 2017 and 2016 comprise those of the Group.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee.

The consolidated financial statements were authorized for issue by the board of directors on June 20, 2017.

(b) Basis of Measurement

The consolidated financial statements are presented in Japanese yen, which is the functional currency of NDK, and figures of less than one million yen are omitted. They are prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets, other than the securities which do not have a published price quotation in an active market and cannot be measured reliably, are measured at fair value.
- Defined benefit assets and liabilities are recognised as the present value of the defined benefit obligation, less the fair value of the plan assets.

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

Accounting policies have been consistently applied by the Group entities and are consistent with those used in the previous year unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the amounts recognised in the consolidated financial statements are as follows:

- Estimate of useful lives and residual values of property, plant, equipment and Intangible assets (refer to Notes 8 and 9)
- Accounting for and valuation of provisions (refer to Note 30)
- Devaluation of inventories (refer to Note 6)
- Valuation of trade and other receivables (refer to Notes 5, 7 and 27)
- Utilisation of tax losses and deductions (refer to Note 25)
- Planning and valuation premises upon which impairment tests are based (refer to Notes 8 and 9)
- Measurement of defined benefit obligations (refer to Note 15)

(c) New Standards and Interpretations Not Yet Adopted

The IASB has issued some standards, interpretations and amendments to existing standards whose application is not yet mandatory and which have not yet been applied by the Group ahead of time. These standards and interpretations are not expected to have significant effects on future consolidated financial statements of the Group, except IFRS 9 Financial Instruments which introduces new requirements for the classification and measurement of financial assets, IFRS 15 Revenue from Contracts with Customers which provides a single framework regarding revenue recognition and IFRS 16 Lease which requires to recognise a right-of-use asset and a lease liability about all leases with some exceptions.

IFRS 9 will be applied for the annual period beginning on April 1, 2018. The effects of adopting this standard on the consolidated financial statements of the Group are under review and cannot be estimated at this time.

IFRS 15 will be applied for the annual period beginning on April 1, 2018. The effects of adopting this standard on the consolidated financial statements of the Group are under review and cannot be estimated at this time.

IFRS 16 will be applied for the annual period beginning on April 1, 2019. The effects of adopting this standard on the consolidated financial statements of the Group are under review and cannot be estimated at this time.

(d) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. In case that the Group has exposure or right to variable returns from its involvement with the entity and ability to use its power to affect those returns, it controls that entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Scope of consolidation

The scope of consolidation, including NDK, comprises 14 and 16 consolidated companies as of March 31, 2017 and 2016, respectively. All domestic and overseas subsidiaries are consolidated for the years ended March 31, 2017 and 2016.

An absorption-type merger was executed as of June 29, 2016, in which NDK HOLDING USA, INC. was the surviving company and NDK CRYSTAL, INC. was the extinguished company.

NDK GERMANY GMBH has completed the liquidation procedure as of August 24, 2016.

(e) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into functional currencies at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into functional currencies at the foreign exchange rates ruling at the dates the fair values were determined.

ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, other than those for which the functional currency is Japanese yen, are translated into the presentation currency (Japanese yen) at the foreign exchange rates ruling at the consolidated statement of financial position date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the period. Foreign exchange differences arising on translation are recognised in other comprehensive income.

The exchange rates for major currencies against Japanese yen for the years ended March 31, 2017 and 2016 were as follows:

		Yen			
		Year-end rate		*Average rate*	
		2017	*2016*	***2017***	*2016*
U.S.A.	US$	**¥112.19**	¥112.68	**¥109.03**	¥120.16
U.K.	GBP	**140.08**	161.92	**143.04**	180.62
Italy, Germany	EUR	**119.79**	127.70	**119.37**	132.36
China	RMB	**16.29**	17.39	**16.20**	18.88
Hong Kong	HK$	**14.44**	14.53	**14.05**	15.49
Malaysia	MYR	**25.36**	28.66	**26.01**	29.99
Singapore	SG$	**80.27**	83.31	**78.77**	86.77

(f) Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Group does not apply hedge accounting, because the Group's derivative financial instruments do not qualify for hedge accounting.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The fair values of derivative financial instruments are based on quotes from financial institutions. Changes in the fair value of derivative financial instruments are recognised immediately in profit or loss.

(g) Cash and Cash Equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

(h) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based primarily on the moving-average cost for raw materials and first-in, first-out cost for finished products, semi-finished products and work in process. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

(j) Property, Plant and Equipment

(i) Owned assets

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses (refer to Basis of Preparation (m)).

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership of leased assets are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the leases, less accumulated depreciation and impairment losses (refer to Basis of Preparation (m)). The future lease payments are recorded as financial obligations.

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are expensed in profit or loss as incurred.

(iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the following estimated useful lives:

- Buildings and structures 3-50 years
- Machinery and vehicles 2-15 years
- Furniture and fixtures 2-20 years

Property, plant and equipment are depreciated from the date they are available for use.

Leased assets are depreciated over their estimated useful lives except where subsequent transfer of title is uncertain, in which case they are depreciated over their estimated useful lives or the respective lease term, whichever is shorter.

No depreciation is provided on land and construction in progress.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses (refer to Basis of Preparation (m)). Goodwill is subject to an annual impairment test and is subject to an impairment write-down, if applicable. Impairments of goodwill are not reversed.

(ii) Other intangible assets

Other intangible assets are measured at cost, less accumulated amortisation, and any accumulated impairment losses (refer to Basis of Preparation (m)), unless useful lives are indefinite. Other intangible assets mainly include software and patents.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Other development expenditure is recognised in profit or loss as incurred.

(iv) Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss as incurred.

(v) Amortisation
Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives are as follows:

• Software	3-5 years
• Patents	12 years

(l) Investment Securities
All investment securities are classified as available-for-sale and measured at fair value, other than securities which do not have a published price quotation in an active market and cannot be measured at fair value reliably. Securities which do not have a published price quotation in an active market and cannot be measured at fair value reliably are measured at historical cost.

The fair value of an available-for-sale investment is its closing price at the consolidated statement of financial position date. Investments held as available-for-sale are recognised/derecognised on the date the Group commits to purchase/sell the investments.

Gains and losses arising from the changes in the fair values of available-for-sale investments are recognised in other comprehensive income as net change in fair value of available-for-sale financial assets, until the investment is sold or otherwise disposed of or until it is determined to be impaired (refer to Basis of Preparation (m)), at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss for the period. Interest and dividends received on available-for-sale investments are reported as financial income.

(m) Impairment of Assets
(i) Non-derivative financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income and presented in change in fair value of available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale financial asset subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purpose. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Trade and Other Payables
Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

(o) Loans and Borrowings
Loans and borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

(p) Provisions
Provisions are recognised in the consolidated statements of financial position when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a financial expense.

(i) Asset retirement obligation
In accordance with a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, a provision for asset retirement obligation is recognised.

(ii) Settlement for products sold
The Company makes a provision for settlement for products sold regarding the damage incurred by customers attributed to the Company's products.

(q) Employee Benefits
(i) Defined benefit plans
The Group's net obligation with respect to defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the consolidated statement of financial position date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses and return on assets, excluding interest income, are recognised immediately in other comprehensive income.

(ii) Defined contribution plans
The employees of the Company and certain subsidiaries are provided defined contribution plans based on local practices and regulations. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred. In addition, the Company participates in a defined benefit multi-employer plan. The Company accounts for the plan as if it were a defined contribution plan because sufficient information on the Company's share of the defined benefit obligation and plan assets in the plan is not available to use defined benefit accounting.

(iii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid as a bonus or vacation pay if the Group has a present legal or constructive obligation to pay this amount, and the obligation can be estimated reliably.

(r) Net Sales
Revenue from the sale of goods in ordinary business operations is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable and the associated costs and amount of revenue can be measured reliably.

(s) Government Grants
Government grants related to certain investments are measured at fair value and are recognised in the consolidated statements of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to the grants. Grants that compensate the Group for expenses incurred are recognised as other operating income in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised as other operating income in profit or loss on a systematic basis over the useful life of the asset.

(t) Operating Lease
An operating lease is a lease other than a finance lease. Lease payments are recognised in profit or loss on a straight-line basis over the lease term.

(u) Financial Income and Expenses
Financial income and expenses mainly comprise interest income, dividend income, interest expense on borrowings calculated using the effective interest method, foreign exchange gains and losses, changes in the fair value of derivative financial instruments, impairment losses of available-for-sale financial assets, and gains and losses on sales of available-for-sale financial assets.

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in profit or loss on the date that the dividend is declared.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(v) Income Taxes
Income taxes comprise current and deferred taxes. Income taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

Current taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantially enacted at the consolidated statement of financial position date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred taxes recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the consolidated statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) Segment Information
An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the Group.

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals and there is no separate operating segment whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Therefore, the Group has a single reportable segment.

3. Segment Information

General information

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals, and there are no separate operating segments. Therefore, the Group has a single reportable segment.

Information about products and services

Net sales by type of products are as follows:

	Millions of yen						Thousands of U.S. dollars
	2017		2016		Increase/(decrease)		**2017**
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)	Amount
Quartz crystal units	**¥24,780**	**56.6**	¥26,795	59.7	¥(2,015)	(7.5)	**$220,875**
Crystal devices	**15,070**	**34.4**	13,630	30.4	1,439	10.6	**134,325**
Others	**3,941**	**9.0**	4,424	9.9	(482)	(10.9)	**35,127**
Total	**¥43,791**	**100.0**	¥44,850	100.0	¥(1,058)	(2.4)	**$390,328**

Information about geographical areas

Sales by geographical areas and non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts are as set out below. Sales by geographical areas are categorised by country or areas of customers and non-current assets are based on the geographical location of the assets.

	Millions of yen								
	2017								
	Japan	China	U.S.A.	Germany	France	Korea	Thailand	Others	Total
Net sales	**¥ 8,719**	**¥15,998**	**¥4,433**	**¥4,414**	**¥996**	**¥978**	**¥822**	**¥7,427**	**¥43,791**
Non-current assets	**23,129**	**1,940**	**407**	**—**	**—**	**—**	**—**	**1,799**	**27,276**

	Millions of yen								
	2016								
	Japan	China	U.S.A.	Germany	France	Korea	Thailand	Others	Total
Net sales	¥ 8,950	¥17,096	¥3,865	¥4,334	¥989	¥751	¥948	¥7,913	¥44,850
Non-current assets	20,070	2,107	438	—	—	—	—	2,073	24,689

	Thousands of U.S. dollars								
	2017								
	Japan	China	U.S.A.	Germany	France	Korea	Thailand	Others	Total
Net sales	**$ 77,716**	**$142,597**	**$39,513**	**$39,343**	**$8,877**	**$8,717**	**$7,326**	**$66,200**	**$390,328**
Non-current assets	**206,159**	**17,292**	**3,627**	**—**	**—**	**—**	**—**	**16,035**	**243,123**

Major customers

During the years ended March 31, 2017 and 2016, there were no major external customers with net sales exceeding 10% of Group's total net sales.

4. Cash and Cash Equivalents

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash on hand and bank deposits	**¥13,350**	¥16,161	**$118,994**
Short-term investments	**—**	1,000	**—**
Total	**¥13,350**	¥17,161	**$118,994**
Cash and cash equivalents in the consolidated statements of cash flows	**¥13,350**	¥17,161	**$118,994**

5. Trade Receivables

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Notes receivable and electronically recorded monetary claims	**¥ 429**	¥ 363	**$ 3,823**
Accounts receivable	**10,070**	10,026	**89,758**
Total	**¥10,500**	¥10,390	**$93,591**

6. Inventories

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Finished products	**¥ 6,193**	¥ 4,998	**$ 55,200**
Semi-finished products	**878**	723	**7,826**
Work in process	**2,355**	2,388	**20,991**
Raw materials and supplies	**2,761**	2,511	**24,610**
Total	**¥12,188**	¥10,621	**$108,637**
Write-down of inventories recognised as an expense*	**¥ 1,900**	¥ 1,846	**$ 16,935**
Reversal of write-down*, **	**¥ (1,790)**	¥ (1,417)	**$ (15,955)**

** Write-down and the reversal of write-down of inventories are included in cost of sales.*

*** Since it is not possible for the Company to track individual utilisation of the inventory allowance, the total amount of write-down recognised at the previous year-end is reversed to cost of sales in the current period.*

**** There were no inventories pledged as security as of March 31, 2017 and 2016.*

7. Other Current Assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prepaid expenses	**¥ 213**	¥ 182	**$ 1,898**
Trust beneficiary right	**—**	180	**—**
Other receivables	**254**	197	**2,264**
Advance payments	**45**	121	**401**
Consumption tax/ value-added tax receivables	**1,945**	1,433	**17,336**
Others	**259**	219	**2,308**
Total	**¥2,719**	¥2,334	**$24,235**

8. Property, Plant and Equipment

	Millions of yen					
	2016					
	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
Cost:						
At April 1	¥3,844	¥ 30,940	¥ 77,431	¥ 5,896	¥1,350	¥119,464
Additions	—	280	623	178	965	2,047
Disposals	(42)	(918)	(3,980)	(403)	(186)	(5,530)
Currency translation differences	(27)	(776)	(2,084)	(133)	(32)	(3,055)
Transfers and others	—	6	733	4	(769)	(24)
At March 31	¥3,775	¥ 29,532	¥ 72,723	¥ 5,542	¥1,327	¥112,901
Accumulated depreciation and impairment losses:						
At April 1	¥ —	¥(20,374)	¥(68,196)	¥(4,972)	¥ (277)	¥ (93,820)
Depreciation for the year	—	(1,038)	(2,107)	(300)	—	(3,446)
Impairment losses	—	—	(11)	(0)	(8)	(20)
Disposals	—	884	3,968	394	186	5,433
Currency translation differences	—	477	1,898	119	(58)	2,437
Transfers and others	—	(0)	(2)	(0)	23	19
At March 31	¥ —	¥(20,051)	¥(64,451)	¥(4,759)	¥ (134)	¥ (89,396)
Net book value	¥3,775	¥ 9,481	¥ 8,271	¥ 782	¥1,193	¥ 23,504

	Millions of yen						Thousands of U.S. dollars
	2017						2017
	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total	Total
Cost:							
At April 1	¥3,775	¥ 29,532	¥ 72,723	¥ 5,542	¥1,327	¥112,901	$1,006,337
Additions	—	568	4,140	185	1,835	6,730	59,987
Disposals	(77)	(220)	(2,379)	(238)	(2)	(2,919)	(26,018)
Currency translation differences	(21)	(506)	(1,309)	(80)	(16)	(1,932)	(17,220)
Transfers and others	—	20	864	2	(905)	(18)	(160)
At March 31	¥3,676	¥ 29,394	¥ 74,039	¥ 5,411	¥2,238	¥114,760	$1,022,907
Accumulated depreciation and impairment losses:							
At April 1	¥ —	¥(20,051)	¥(64,451)	¥(4,759)	¥ (134)	¥ (89,396)	$ (796,826)
Depreciation for the year	—	(952)	(2,331)	(257)	—	(3,541)	(31,562)
Impairment losses	—	—	(8)	—	—	(8)	(71)
Disposals	—	195	2,327	238	—	2,761	24,610
Currency translation differences	—	337	1,173	72	2	1,585	14,127
Transfers and others	—	1	3	(0)	0	3	26
At March 31	¥ —	¥(20,470)	¥(63,287)	¥(4,705)	¥ (131)	¥ (88,595)	$ (789,687)
Net book value	¥3,676	¥ 8,924	¥ 10,751	¥ 705	¥2,107	¥ 26,165	$ 233,220

Notes: 1. Depreciation is included in cost of sales, selling, general and administrative expenses, research and development expenses and other operating expenses in the consolidated statements of comprehensive income. Impairment losses are included in other operating expenses in the consolidated statements of comprehensive income.

2. There were no restrictions on title, on property, plant and equipment pledged as security as of March 31, 2017 and 2016.

Leased assets

The carrying amount of leased machinery and vehicles was ¥35 million ($311 thousand) and ¥28 million as of March 31, 2017 and 2016, respectively. The carrying amount of leased furniture and fixtures was ¥38 million ($338 thousand) and ¥23 million as of March 31, 2017 and 2016, respectively.

Property, plant and equipment acquired under finance leases for the years ended March 31, 2017 and 2016 amounted to ¥31 million ($276 thousand) and ¥25 million, respectively.

Construction in progress

During the years ended March 31, 2017 and 2016, the Group acquired new production lines under construction for crystal units, crystal oscillators and optical devices. The cost of acquisition was ¥2,107 million ($18,780 thousand) and ¥1,193 million as of March 31, 2017 and 2016, respectively.

Impairment losses

The Group is grouping assets or groups of assets by company and business location based on the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Idle assets which are not expected to be used in the future are grouped by individual asset units.

The Group expects that the business environment will deteriorate with decreasing demand in the digital camera market.

After testing relevant of property, plant and equipment for impairment, impairment losses were recognised in other operating expenses for those assets or asset group for which the carrying amount exceeded the recoverable amount.

Impairment losses for the years ended March 31, 2017 and 2016 were as follows:

			Millions of yen	Thousands of U.S. dollars
			2017	2017
Location	Asset/Asset group	Category	Total	Total
Sayama Plant (Sayama-city, Saitama, Japan)	Idle assets	Machinery	¥8	$71

Note: The recoverable amount of the asset group was measured at value in net selling price. The net selling price was based on the estimated amount on disposal after deducting the costs of disposal.

			Millions of yen
			2016
Location	Asset/Asset group	Category	Total
Sayama Plant (Sayama-city, Saitama, Japan)	Optical products	Machinery and others	¥ 6
	Idle assets	Machinery and others	13
Total			¥20

Note: The recoverable amount of the asset group was measured at value in use or net selling price. Value in use was calculated using the discounted present value of future cash flows. The pre-tax discount rate used in the calculation was 5.7%. The net selling price was based on the estimated amount on disposal after deducting the costs of disposal.

9. Intangible Assets

	Millions of yen				
	2016				
	Computer software	Goodwill	Patents	Others	Total
Cost:					
At April 1	¥ 766	¥1,356	¥ 35	¥ 66	¥ 2,225
Additions	51	—	—	—	51
Disposals	(54)	—	—	—	(54)
Currency translation differences	(11)	—	—	—	(11)
Transfers and others	18	—	—	(18)	—
At March 31	¥ 769	¥1,356	¥ 35	¥ 48	¥ 2,209
Accumulated amortisation and impairment losses:					
At April 1	¥(450)	¥ (644)	¥(13)	¥(11)	¥(1,119)
Amortisation for the year	(106)	—	(2)	(1)	(111)
Disposals	54	—	—	—	54
Currency translation differences	8	—	—	—	8
Transfers and others	—	—	—	—	—
At March 31	¥(494)	¥ (644)	¥(16)	¥(13)	¥(1,168)
Net book value	¥ 275	¥ 712	¥ 18	¥ 34	¥ 1,041

	Millions of yen					Thousands of U.S. dollars
	2017					**2017**
	Computer software	Goodwill	Patents	Others	Total	Total
Cost:						
At April 1	**¥ 769**	**¥1,356**	**¥ 35**	**¥ 48**	**¥ 2,209**	**$ 19,689**
Additions	**16**	**—**	**—**	**32**	**49**	**436**
Disposals	**(106)**	**—**	**—**	**(3)**	**(109)**	**(971)**
Currency translation differences	**(3)**	**—**	**—**	**—**	**(3)**	**(26)**
Transfers and others	**(16)**	**—**	**—**	**16**	**—**	**—**
At March 31	**¥ 659**	**¥1,356**	**¥ 35**	**¥ 94**	**¥ 2,145**	**$ 19,119**
Accumulated amortisation and impairment losses:						
At April 1	**¥(494)**	**¥ (644)**	**¥(16)**	**¥(13)**	**¥(1,168)**	**$(10,410)**
Amortisation for the year	**(95)**	**—**	**(2)**	**(1)**	**(100)**	**(891)**
Disposals	**106**	**—**	**—**	**2**	**108**	**962**
Currency translation differences	**2**	**—**	**—**	**—**	**2**	**17**
Transfers and others	**—**	**—**	**—**	**—**	**—**	**—**
At March 31	**¥(480)**	**¥ (644)**	**¥(19)**	**¥(13)**	**¥(1,157)**	**$(10,312)**
Net book value	**¥ 178**	**¥ 712**	**¥ 15**	**¥ 80**	**¥ 988**	**$ 8,806**

Note: Amortisation is included in cost of sales, selling, general and administrative expenses and research and development expenses.

Impairment losses

• Goodwill

As a result of annual impairment tests, the recoverable amount of the cash-generating unit exceeded the net book value and no impairment losses were recognised during the years ended March 31, 2017 and 2016.

The recoverable amount of the cash-generating unit, including the goodwill for SAW device production, was calculated by discounted future cash flows to be derived from continuing use on the basis of the value in use.

The post-tax discount rate calculated using weighted average capital cost of the nation to which the CGU belongs was 6.5% and 5.7% for the years ended March 31, 2017 and 2016, respectively.

The cash flows were projected based on actual operating results and the three-year plan approved by management. The plan was made based on external and internal information including management's assessment of future industry forecasts and historical results. The growth rates used for the cash flow estimation more than the three years were assumed to be zero by considering the long-term average growth rate of the market to which the CGU belongs and uncertainty of the long-term forecast.

Even if the discout rate, the planned profit and the growth rates as a basis for calculating the value in use were revised based on reasonably possible changes, it is considered that the probability of such recoverable amount becoming less than the carrying amount is unlikely.

• Other intangible assets

During the years ended March 31, 2017 and 2016, there were no impairment losses.

10. Investment Securities

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Available-for-sale financial assets	**¥978**	¥839	**$8,717**

11. Other Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease deposits	**¥107**	¥101	**$ 953**
Golf and resort club memberships	**115**	123	**1,025**
Long-term prepaid expenses	**123**	143	**1,096**
Insurance premium reserve	**222**	207	**1,978**
Others	**12**	18	**106**
Total	**¥580**	¥594	**$5,169**

12. Trade and Other Payables

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Trade accounts payable	**¥4,556**	¥3,918	**$40,609**
Accrued expenses	**2,699**	2,241	**24,057**
Other payables	**2,215**	1,212	**19,743**
Total	**¥9,471**	¥7,373	**$84,419**

13. Other Current Liabilities

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Accrued vacation pay	**¥ 471**	¥453	**$ 4,198**
Advance received	**701**	39	**6,248**
Others	**111**	77	**989**
Total	**¥1,285**	¥570	**$11,453**

14. Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Loans and borrowings at March 31, 2017 and 2016 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Short-term loans and borrowings:			
Unsecured bank loans	**¥ 6,673**	¥ 1,676	**$ 59,479**
Long-term loans and borrowings maturing within one year:			
Unsecured bank loans	**8,488**	15,561	**75,657**
Finance lease obligations	**21**	16	**187**
Total	**¥15,183**	¥17,254	**$135,332**
Long-term loans and borrowings:			
Unsecured bank loans	**¥12,695**	¥11,973	**$113,156**
Finance lease obligations	**60**	35	**534**
Total	**¥12,756**	¥12,008	**$113,699**

The maturities of long-term loans and borrowings at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
The second year	**¥ 6,364**	¥ 5,919	**$ 56,725**
The third year	**4,399**	3,571	**39,210**
The fourth year	**1,879**	1,904	**16,748**
The fifth year	**109**	613	**971**
Thereafter	**3**	—	**26**
Total	**¥12,756**	¥12,008	**$113,699**

Future minimum lease payments for the finance leases are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
	Present value	Future value	Present value	Future value	Present value	Future value
Within one year	**¥21**	**¥23**	¥16	¥19	**$187**	**$205**
From one year through five years	**60**	**62**	35	39	**534**	**552**
Total minimum lease obligations	**¥81**	**¥85**	¥52	¥58	**$721**	**$757**

Note: The difference between the future value of the minimum lease payments and their present value represents the interest element of the finance leases.

The following table indicates the effective interest rates and maturity dates of interest-bearing financial liabilities at the consolidated statement of financial position date.

As of March 31, 2017	Effective interest rate (weighted average)	Millions of yen		
		Carrying amount		
		Within one year	More than one year	Total
Short-term loans and borrowings:				
Unsecured bank loans with fixed rates	**0.30%**	**¥6,673**	**¥ —**	**¥ 6,673**
Long-term loans and borrowings:				
Unsecured bank loans with fixed rates	**0.38**	**6,222**	**7,796**	**14,018**
Unsecured bank loans with floating rates	**0.30**	**2,266**	**4,899**	**7,165**
Finance lease obligations with fixed rates	**3.79**	**21**	**60**	**81**

As of March 31, 2016	Effective interest rate (weighted average)	Millions of yen		
		Carrying amount		
		Within one year	More than one year	Total
Short-term loans and borrowings:				
Unsecured bank loans with fixed rates	0.60%	¥ 1,676	¥ —	¥ 1,676
Long-term loans and borrowings:				
Unsecured bank loans with fixed rates	0.43	12,614	7,002	19,617
Unsecured bank loans with floating rates	0.35	2,946	4,970	7,916
Finance lease obligations with fixed rates	5.91	16	35	52

As of March 31, 2017	Thousands of U.S. dollars		
	Carrying amount		
	Within one year	More than one year	Total
Short-term loans and borrowings:			
Unsecured bank loans with fixed rates	**$59,479**	**$ —**	**$ 59,479**
Long-term loans and borrowings:			
Unsecured bank loans with fixed rates	**55,459**	**69,489**	**124,948**
Unsecured bank loans with floating rates	**20,197**	**43,666**	**63,864**
Finance lease obligations with fixed rates	**187**	**534**	**721**

The Group's exposure to foreign currency and liquidity risks are described in Note 27.

15. Employee Benefits

Defined benefit plans

The Company and certain subsidiaries provide defined benefit plans for their employees. Benefits are dependent on the levels of wages and salaries at the times of retirement or termination, lengths of service and certain other factors. The defined benefit obligations are recognised on the basis of actuarial assumptions of discount rate and others. As a result, they are exposed to risk by movement of these assumptions.

The following table reconciles the funded status of the defined benefit plans to the amounts recognised in the consolidated statements of financial position:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Present value of funded obligations	**¥7,543**	¥7,338	**$67,234**
Fair value of plan assets	**(6,247)**	(5,801)	**(55,682)**
	1,296	1,536	**11,551**
Present value of unfunded obligations	**2,327**	2,290	**20,741**
Net liabilities recognised in the consolidated statements of financial position	**¥3,624**	¥3,827	**$32,302**

Movement in present value of the defined benefit obligations:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Defined benefit obligations at April 1	**¥9,628**	¥9,130	**$85,818**
Benefits paid by the plan	**(194)**	(289)	**(1,729)**
Benefits paid by the Group	**(69)**	(104)	**(615)**
Current service costs*	**555**	543	**4,946**
Interest cost*	**37**	61	**329**
Actuarial (gains)/losses**	**(85)**	287	**(757)**
Defined benefit obligations at March 31	**¥9,871**	¥9,628	**$87,984**

** Current service costs and interest cost (net interest after deducting interest income on plan assets) are included in cost of sales, selling, general and administrative expenses and research and development expenses.*

*** Actuarial (gains)/losses arose from changes in financial assumptions and others.*

Note: The weighted-average duration of the defined benefit obligation was 11 years as of March 31, 2017, and 12 years as of March 31, 2016.

Movement in fair value of plan assets:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Fair value of plan assets at April 1	**¥5,801**	¥5,501	**$51,706**
Contributions paid to the plan*	**536**	560	**4,777**
Benefits paid by the plan	**(194)**	(289)	**(1,729)**
Interest income	**22**	37	**196**
Return on plan assets, excluding interest income	**80**	(9)	**713**
Fair value of plan assets at March 31	**¥6,247**	¥5,801	**$55,682**

** The Company and certain subsidiaries expect to pay ¥535 million ($4,768 thousand) in contributions to defined benefit plans for the year ending March 31, 2018.*

The target of the management of plan assets is to secure needed total earnings in the long term to sustain the payment of pension and lump-sum benefits in the future, paying attention to medium-term risk of downward market trends.

The Group designs an optimal portfolio to achieve this target, attempts to maintain asset allocations based on this portfolio and reviews the necessity of rebalancing the portfolio as needed.

Plan assets consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Pension investment fund trust*	**¥4,655**	¥4,321	**$41,492**
Life insurance company general accounts**	**1,394**	1,275	**12,425**
Others	**196**	204	**1,747**
Total plan assets	**¥6,247**	¥5,801	**$55,682**

** The components of the pension investment fund trust were Domestic bonds 65%, Domestic equities 13%, Foreign-currency equities 12% and Foreign-currency bonds & others 10% as of March 31, 2017, and Domestic bonds 66%, Domestic equities 13%, Foreign-currency equities 13% and Foreign-currency bonds & others 8% as of March 31, 2016. The fair value measurement of these assets is classified as Level 2 in the fair value hierarchy (refer to Note 27).*

*** Life insurance company general accounts are group pension general accounts which are guaranteed certain assumed interest rates and return of principal, the fair value measurement of which is classified as Level 2 in the fair value hierarchy.*

Principal actuarial assumptions used to determine pension obligations as of March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	**0.4%**	0.4%

Note: Other actuarial assumptions include mortality rate, turnover rate, future salary growth rate, and others.

Changes of the discount rate would have affected the defined benefit obligation by the amounts shown below. This analysis assumes that all variables other than the discount rate remain constant.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Discount rate - 0.1% increase	**¥(105)**	¥(108)	**$(935)**
Discount rate - 0.1% decrease	**¥ 107**	¥ 110	**$ 953**

Defined contribution plans

In addition to the preceding plans, the Company and a majority of its subsidiaries, overseas and domestic, sponsor defined contribution plans based on local practices and regulations. The Group's contributions were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Contributions paid to the plans	**¥1,125**	¥1,162	**$10,027**

Note: Contributions are included in cost of sales, selling, general and administrative expenses and research and development expenses.

Multi-employer plan

The Company participates in the welfare pension fund for the Tokyo Electrical Industry Corporate Pension Fund Organization, a multi-employer defined benefit plan.

For the multi-employer defined benefit plan, sufficient information is not available to use defined benefit accounting since it is not possible to calculate the amount of plan assets corresponding to the Company's contributions. Therefore, the Company accounts for the plan as if it were a defined contribution plan, and the contributions are included in cost of sales, selling, general and administrative expenses and research and development expenses.

The contributions paid to the plan are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Contributions paid to the plan	**¥143**	¥149	**$1,274**

Notes: 1. Contributions are calculated by multiplying the standard salary of each member by a defined contribution rate. In case the plan is underfunded, future contributions to the plan may increase.

2. Assets contributed to the plan may be used to provide benefits to employees of other participating employers. If the other participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

3. This plan was approved to return its previous reserve fund to the Japanese government on October 1, 2015.

4. The Company expects to pay ¥156 million ($1,390 thousand) in contributions to the plan for the year ending March 31, 2018

Information for the multi-employer plan as a whole which is not in accordance with IAS 19 Employee Benefits is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2016	As of March 31, 2015	**As of March 31, 2016**
Fair value of plan assets	**¥ 122,897**	¥317,423	**$ 1,095,436**
Actuarial benefit obligation in the plan	**152,503**	302,957	**1,359,327**
Net	**¥ (29,605)**	¥ 14,465	**$ (263,882)**
Surplus	**¥(112,802)**	¥ 8,978	**$(1,005,455)**
General reserve	**105,156**	24,330	**937,302**
Unamortised past service obligation	**(21,959)**	(18,843)	**(195,730)**
Total	**¥ (29,605)**	¥ 14,465	**$ (263,882)**
Amortisation method of past service obligation	**The amounts of principal and interest are amortised equally for 20 years.**	The amounts of principal and interest are amortised equally for 20 years.	
Ratio of contributions by the Company to the plan as a whole	**2.72%**	2.75%	

Note: In case of withdrawing from the plan, the Company may be required to pay the amount of unfunded obligations proportional to the Company's ratio of contributions to the plan as a whole.

16. Share Capital

	Number of shares	
	2017	2016
Class of shares*	**Ordinary shares**	Ordinary shares
Number of authorised shares	**40,000,000**	40,000,000
Number of outstanding shares**		
At April 1	**20,757,905**	20,757,905
Increase or decrease	**—**	—
At March 31	**20,757,905**	20,757,905
Number of treasury shares		
At April 1	**1,131,823**	1,131,218
Number of purchased or sold shares less than a full trading unit	**459**	605
At March 31	**1,132,282**	1,131,823

** Ordinary shares have no par value.*
*** Outstanding shares are fully paid.*

Treasury shares
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Other components of equity
Available-for-sale financial assets
Available-for-sale financial assets includes the cumulative net change in the fair value of available-for-sale financial assets until they are sold or otherwise disposed of or are determined to be impaired.

Translation differences for foreign operations
This reserve is used for translation differences arising on the consolidation of financial statements of foreign subsidiaries.

17. Dividends

Payments of dividends in the year ended March 31, 2016:

		Amount of dividends		Dividend per share		
Resolution	*Class of shares*	*Millions of yen*	*Thousands of U.S. dollars*	*Yen*	*Record date*	*Payment date*
Annual general meeting on June 26, 2015	Ordinary shares	¥196	$1,747	¥10	March 31, 2015	June 29, 2015
Board of directors on November 5, 2015	Ordinary shares	¥196	$1,747	¥10	September 30, 2015	December 7, 2015

Payments of dividends in the year ended March 31, 2017:

		Amount of dividends		Dividend per share		
Resolution	*Class of shares*	*Millions of yen*	*Thousands of U.S. dollars*	*Yen*	*Record date*	*Payment date*
Annual general meeting on June 24, 2016	Ordinary shares	¥196	$1,747	¥10	March 31, 2016	June 27, 2016
Board of directors on November 7, 2016	Ordinary shares	¥196	$1,747	¥10	September 30, 2016	December 12, 2016

On June 23, 2017, a dividend of ¥196 million will be proposed to shareholders at the annual general meeting:

		Amount of dividends		Dividend per share		
Resolution	*Class of shares*	*Millions of yen*	*Thousands of U.S. dollars*	*Yen*	*Record date*	*Payment date*
Annual general meeting on June 23, 2017	Ordinary shares	¥196	$1,747	¥10	March 31, 2017	June 26, 2017

Note: In accordance with IAS 10 Events after the Reporting Period, the dividend has not been recorded in the consolidated financial statements for the year ended March 31, 2017.

18. Cost of Sales

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Raw materials	**¥16,346**	¥15,942	**$145,699**
Subcontract fees	**853**	635	**7,603**
Decrease/(increase) in products and work-in-process	**(1,427)**	1,071	**(12,719)**
Personnel expenses (refer to Note 22)	**10,685**	10,377	**95,240**
Depreciation and amortisation (refer to Note 23)	**2,872**	2,728	**25,599**
Electricity	**2,070**	2,225	**18,450**
Others	**3,219**	3,156	**28,692**
Total	**¥34,620**	¥36,137	**$308,583**

19. Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Personnel expenses (refer to Note 22)	**¥3,368**	¥3,375	**$30,020**
Depreciation and amortisation (refer to Note 23)	**264**	340	**2,353**
Commissions	**415**	423	**3,699**
Shipping charges	**656**	684	**5,847**
Travel	**314**	313	**2,798**
Welfare	**159**	211	**1,417**
Rent	**225**	234	**2,005**
Advertising	**75**	86	**668**
Communication	**85**	95	**757**
Others	**913**	953	**8,137**
Total	**¥6,479**	¥6,718	**$57,750**

20. Research and Development Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Personnel expenses (refer to Note 22)	**¥1,036**	¥1,004	**$ 9,234**
Depreciation and amortisation (refer to Note 23)	**353**	391	**3,146**
Materials	**426**	305	**3,797**
Others	**219**	219	**1,952**
Total	**¥2,035**	¥1,921	**$18,138**

21. Other Operating Income and Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Rental income*	**¥ 79**	¥ 4	**$ 704**
Gain on sales of property, plant and equipment ("PPE")**	**9**	156	**80**
Government grants***	**86**	119	**766**
Insurance claim income****	**70**	195	**623**
Reversal of provisions for settlement for products sold	**72**	—	**641**
Other income	**125**	96	**1,114**
Total other operating income	**¥443**	¥571	**$3,948**
Loss on disposal of PPE*****	**¥ 68**	¥ 5	**$ 606**
Depreciation of temporarily idle fixed assets	**94**	84	**837**
Loss due to accident******	**61**	—	**543**
Other expenses	**147**	144	**1,310**
Total other operating expenses	**¥371**	¥234	**$3,306**

** Rental income occurred mainly due to renting a part of a factory at subsidiaries in China for the year ended March 31, 2017.*

*** Gain on sales of PPE occurred mainly due to sales of real estate at subsidiaries in U.S.A. for the year ended March 31, 2016.*

**** Grants mainly include accounts received from national and local public entities for employment and investments in facilities and benefits received through low-interest loans using the lending system of the Bank of Japan, which are recognised in the periods when the related expenses are recognised.*

***** Insurance claim income represents the amount, regarding losses caused by the explosion of an autoclave at a subsidiary in the U.S.A. in December 2009 for the year ended March 31, 2016, and caused by the fire occurrence at an electric control room of Hakodate NDK Co., Ltd., our consolidated subsidiary for the year ended March 31, 2017, respectively.*

****** Loss on disposal of PPE occurred mainly due to sales of real estate at NDK for the year ended March 31, 2017.*

******* Loss due to accident incurred as a result of repair expenses caused by the fire occurrence at the electric control room of Hakodate NDK Co., Ltd., our consolidated subsidiary.*

22. Personnel Expenses and Number of Employees

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Wages and salaries	**¥12,149**	¥11,767	**$108,289**
Pension expenses	**1,838**	1,870	**16,382**
Fringe benefits (excluding expenses related to defined benefit plans) and others	**1,103**	1,120	**9,831**
Total	**¥15,090**	¥14,757	**$134,503**

The number of employees at the end of the year is as follows:

	2017	2016
Number of employees	**3,901**	3,940

Note: The average number of temporary staff is included in number of employees.

23. Depreciation and Amortisation Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Property, plant and equipment:			
Cost of sales	**¥2,851**	¥2,703	**$25,412**
Selling, general and administrative expenses	**191**	260	**1,702**
Research and development expenses	**347**	384	**3,092**
Other operating expenses	**150**	97	**1,337**
Subtotal—depreciation expenses	**¥3,541**	¥3,446	**$31,562**
Intangible assets and goodwill:			
Cost of sales	**¥ 21**	¥ 24	**$ 187**
Selling, general and administrative expenses	**72**	79	**641**
Research and development expenses	**6**	7	**53**
Subtotal—amortisation expenses	**¥ 100**	¥ 111	**$ 891**
Total depreciation and amortisation expenses	**¥3,641**	¥3,558	**$32,453**

24. Financial Income and Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Interest income:			
Financial assets measured at amortised cost	**¥ 48**	¥ 56	**$ 427**
Dividend income:			
Available-for-sale financial assets	**21**	26	**187**
Gain on sales of investment securities:			
Available-for-sale financial assets*	**111**	102	**989**
Gain arising from changes in the fair value of derivative financial instruments:			
Financial assets measured at fair value and recognised through profit or loss	**34**	—	**303**
Foreign exchange gains, net	**—**	116	**—**
Others	**—**	30	**—**
Total financial income	**¥216**	¥331	**$1,925**
Interest expense:			
Unwind of discount	**¥ 0**	¥ 0	**$ 0**
Financial liability measured at amortised cost	**183**	224	**1,631**
Loss on impairment of investment securities			
Available-for-sale financial assets*	**4**	342	**35**
Loss arising from changes in the fair value of derivative financial instruments:			
Financial assets measured at fair value and recognised through profit or loss	**—**	69	**—**
Foreign exchange losses, net	**278**	—	**2,477**
Others	**4**	3	**35**
Total financial expenses	**¥471**	¥639	**$4,198**

** Of these amounts, ¥(107) million ($(953) thousand) and ¥210 million for the years ended March 31, 2017 and 2016, respectively, were transferred from equity to profit or loss.*

25. Income Taxes

Deferred tax assets and liabilities are attributable to the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Accrued bonus	**¥ 30**	¥ 15	**$ 267**
Loss from devaluation of inventories	**131**	111	**1,167**
Impairment losses of PPE and intangible assets	**270**	134	**2,406**
Elimination of unrealised gains on inventories	**105**	78	**935**
Depreciation and amortisation	**23**	23	**205**
Tax losses carried forward	**565**	571	**5,036**
Others	**236**	229	**2,103**
Subtotal	**¥1,364**	¥1,163	**$12,157**
Offset by deferred tax liabilities within each entity	**¥ (60)**	¥ (62)	**$ (534)**
Deferred tax assets	**¥1,303**	¥1,101	**$11,614**
Deferred tax liabilities:			
Depreciation and amortisation	**¥ (193)**	¥ (222)	**$ (1,720)**
Unrealised gains on available-for-sale financial assets	**(7)**	(6)	**(62)**
Others	**(262)**	(263)	**(2,335)**
Subtotal	**¥ (464)**	¥ (492)	**$ (4,135)**
Offset by deferred tax assets within each entity	**¥ 60**	¥ 62	**$ 534**
Deferred tax liabilities	**¥ (403)**	¥ (430)	**$ (3,592)**
Net deferred tax assets	**¥ 900**	¥ 671	**$ 8,022**

Deferred tax assets have not been recognised in respect of the following items:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deductible temporary differences	**¥12,110**	¥13,460	**$107,941**
Tax losses	**16,829**	16,852	**150,004**
Total	**¥28,939**	¥30,313	**$257,946**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The deductible temporary differences and part of tax losses do not expire under current tax legislation. The tax losses carried forward for the Company and certain subsidiaries are with the following schedule of expiration:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
The first year	**¥ —**	¥ —	**$ —**
The second year	**2,837**	—	**25,287**
The third year	**3,252**	2,996	**28,986**
The fourth year	**1,244**	3,519	**11,088**
The fifth year and after	**9,085**	9,898	**80,978**

Deferred tax liabilities have not been recognised for temporary differences associated with investments in foreign subsidiaries of ¥177 million ($1,577 thousand) and ¥148 million at March 31, 2017 and 2016, respectively, as the Company has determined that the profits concerned will not be distributed in the foreseeable future.

Movement in net deferred tax assets during the year is as follows:

	Millions of yen								
	Balance April 1, 2015	*Recognised in profit or loss*	*Recognised directly in equity*	*Recognised in other comprehensive income*	*Balance March 31, 2016*	*Recognised in profit or loss*	*Recognised directly in equity*	*Recognised in other comprehensive income*	*Balance March 31, 2017*
Accrued bonus	¥ 68	¥ (53)	¥—	¥—	¥ 15	**¥ 15**	**¥—**	**¥—**	**¥ 30**
Loss from devaluation of inventories	40	71	—	—	111	**19**	**—**	**—**	**131**
Change in fair value of available-for-sale financial assets	(14)	—	—	8	(6)	**—**	**—**	**(1)**	**(7)**
Impairment losses of PPE and intangible assets	61	72	—	—	134	**136**	**—**	**—**	**270**
Elimination of unrealised gains on inventories	75	2	—	—	78	**26**	**—**	**—**	**105**
Depreciation and amortisation	(210)	11	—	—	(198)	**29**	**—**	**—**	**(169)**
Tax losses carried forward	773	(202)	—	—	571	**(5)**	**—**	**—**	**565**
Others	(422)	388	—	—	(34)	**8**	**—**	**—**	**(26)**
Total	¥ 372	¥ 290	¥—	¥ 8	¥ 671	**¥230**	**¥—**	**¥(1)**	**¥ 900**

Note: The difference between total of "Recognised in profit or loss" and "Deferred tax expenses/(benefits)" is due to exchange rate fluctuations.

	Thousands of U.S. dollars				
	Balance March 31, 2016	*Recognised in profit or loss*	*Recognised directly in equity*	*Recognised in other comprehensive income*	*Balance March 31, 2017*
Accrued bonus	$ 133	**$ 133**	**$—**	**$—**	**$ 267**
Loss from devaluation of inventories	989	**169**	**—**	**—**	**1,167**
Change in fair value of available-for-sale financial assets	(53)	**—**	**—**	**(8)**	**(62)**
Impairment losses of PPE and intangible assets	1,194	**1,212**	**—**	**—**	**2,406**
Elimination of unrealised gains on inventories	695	**231**	**—**	**—**	**935**
Depreciation and amortisation	(1,764)	**258**	**—**	**—**	**(1,506)**
Tax losses carried forward	5,089	**(44)**	**—**	**—**	**5,036**
Others	(303)	**71**	**—**	**—**	**(231)**
Total	$ 5,980	**$2,050**	**$—**	**$(8)**	**$8,022**

Income taxes are composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	*2016*	***2017***
Current tax expenses:			
Current year	**¥ 122**	¥ 143	**$ 1,087**
Deferred tax expenses/(benefits):			
Origination and reversal of temporary differences	**(21)**	(225)	**(187)**
Effect of change in tax rate	**0**	348	**0**
Benefit of tax losses recognised	**(4)**	166	**35**
Effect of unrecognised tax losses or temporary differences	**(235)**	(647)	**(2,094)**
Total	**(261)**	(358)	**(2,326)**
Total income tax expenses	**¥(138)**	¥(214)	**$(1,230)**

Notes: 1. Current tax expenses include the previously unrecognised tax losses, and it decreased the current tax expenses by ¥61 million ($543 thousand) at March 31, 2017.

2. The tax rate used to calculate deferred tax assets and liabilities of the Company as of March 31, 2016 was changed from 32.7% to 31.5% for temporary differences expected to reverse from April 1, 2016 to March 31, 2018, and 31.3% for those expected to reserve after April 1, 2018, because of amendments to Japanese tax laws enacted in March 2016.

Reconciliation between tax expense and the product of accounting profit or loss multiplied by the applicable tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	*2016*	***2017***
Income before income taxes	**¥ 472**	¥ 102	**$ 4,207**
Taxes at the Company's domestic tax rate*	**148**	34	**1,319**
Expenses not deductible for tax purposes	**26**	29	**231**
Non-taxable income	**(1)**	(1)	**(8)**
Impact of different tax rates in other countries	**(45)**	(43)	**(401)**
Effect of unrecognised tax losses or temporary differences	**(235)**	(647)	**(2,094)**
Effect of change in tax rate	**0**	348	**0**
Others	**(33)**	65	**(294)**
Total income tax expenses	**¥(138)**	¥(214)	**$(1,230)**

** The Company is subject to a number of income taxes that, in the aggregate, result in an applicable tax rate in Japan of approximately 31.5% and 33.3% for the years ended March 31, 2017 and 2016, respectively.*

26. Earnings per Share

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net income attributable to ordinary shareholders	**¥611**	¥317	**$5,446**

	Number of shares	
	2017	2016
Weighted-average number of shares outstanding	**19,625,867**	19,626,397

	Yen		U.S. dollars
	2017	2016	**2017**
Basic earnings per share	**¥31.16**	¥16.17	**$0.27**

Notes: 1. Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period.
2. Diluted earnings per share is not disclosed because there are no potential ordinary shares which have dilutive effects.

27. Financial Instruments

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount based on the report by credit research companies. The Group does not require collateral in respect of financial assets at the consolidated statement of financial position date.

Transactions involving derivative financial instruments are with creditworthy financial institutions. Given their creditworthiness, management does not expect any counterparty to fail to meet its obligations. At the consolidated statement of financial position date, there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statements of financial position. The maximum exposure to credit risk at the consolidated statement of financial position date was:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Financial assets at fair value through profit or loss	**¥ 0**	¥ 373	**$ 0**
Trade and other receivables	**10,755**	10,768	**95,864**
Cash and cash equivalents	**13,350**	17,161	**118,994**
Total	**¥24,105**	¥28,303	**$214,858**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Domestic	**¥ 3,635**	¥ 3,590	**$32,400**
Asia	**4,452**	4,380	**39,682**
Europe	**1,646**	1,721	**14,671**
North America	**765**	698	**6,818**
Total	**¥10,500**	¥10,390	**$93,591**

The aging of trade receivables at the reporting date was:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	**¥ 9,560**	**¥—**	¥ 9,902	¥—	**$85,212**	**$ —**
Past due 0–30 days	**760**	**—**	363	—	**6,774**	**—**
Past due 31–90 days	**149**	**—**	116	—	**1,328**	**—**
Past due 91–365 days	**19**	**13**	19	13	**169**	**115**
Past due more than 365 days	**66**	**42**	42	40	**588**	**374**
Total	**¥10,556**	**¥55**	¥10,444	¥54	**$94,090**	**$490**

The Group separately records an allowance for trade receivables based on the possibility of default.

An allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

Impairment losses are included in selling, general and administrative expenses.

Considering the past rate of default, the Group judges that there is no necessity to record impairment in respect of trade receivables not past due and past due within 30 days. In addition, the Group judges that it is possible to collect trade receivables past due more than 30 days for which an impairment is not recorded based on the analysis of each customer's financial and credit condition.

The movement in the allowance for doubtful receivables during the year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
At April 1	**¥54**	¥63	**$481**
Provision used during the year	**1**	(7)	**8**
Currency translation differences	**0**	(1)	**0**
At March 31	**¥55**	¥54	**$490**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by holding appropriate reserves, ensuring that it has access to credit facilities at financial institutions, and continuously monitoring forecasts and actual cash flows.

The maturity profile of financial assets and liabilities is also reconciled on a regular basis.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Millions of yen							
March 31, 2017	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	**¥ 6,673**	**¥ (6,683)**	**¥ (6,683)**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term loans and borrowings with fixed rates	**14,018**	**(14,091)**	**(6,263)**	**(4,153)**	**(2,741)**	**(933)**	**—**	**—**
Long-term loans and borrowings with floating rates	**7,165**	**(7,203)**	**(2,284)**	**(2,223)**	**(1,655)**	**(936)**	**(103)**	**—**
Finance lease obligations with fixed rates	**81**	**(88)**	**(24)**	**(22)**	**(18)**	**(13)**	**(6)**	**(3)**
Trade and other payables	**9,716**	**(9,716)**	**(9,471)**	**—**	**—**	**—**	**—**	**(244)**
Derivative financial liabilities:								
Forward exchange contracts	**200**	**(200)**	**(200)**	**—**	**—**	**—**	**—**	**—**
Currency swap	**12**	**(12)**	**(12)**	**—**	**—**	**—**	**—**	**—**
Total	**¥37,868**	**¥(37,995)**	**¥(24,940)**	**¥(6,399)**	**¥(4,414)**	**¥(1,883)**	**¥(109)**	**¥(247)**

	Millions of yen							
March 31, 2016	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	¥ 1,676	¥ (1,686)	¥ (1,686)	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans and borrowings with fixed rates	19,617	(19,703)	(12,671)	(4,355)	(2,058)	(618)	—	—
Long-term loans and borrowings with floating rates	7,916	(7,969)	(2,969)	(1,586)	(1,518)	(1,284)	(611)	—
Finance lease obligations with fixed rates	52	(58)	(19)	(15)	(12)	(7)	(3)	—
Trade and other payables	7,617	(7,617)	(7,373)	—	—	—	—	(244)
Derivative financial liabilities:								
Forward exchange contracts	31	(31)	(31)	—	—	—	—	—
Currency swap	51	(51)	(51)	—	—	—	—	—
Total	¥36,963	¥(37,117)	¥(24,802)	¥(5,956)	¥(3,588)	¥(1,910)	¥(614)	¥(244)

	Thousands of U.S. dollars							
March 31, 2017	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	**$ 59,479**	**$ (59,568)**	**$ (59,568)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term loans and borrowings with fixed rates	**124,948**	**(125,599)**	**(55,824)**	**(37,017)**	**(24,431)**	**(8,316)**	**—**	**—**
Long-term loans and borrowings with floating rates	**63,864**	**(64,203)**	**(20,358)**	**(19,814)**	**(14,751)**	**(8,342)**	**(918)**	**—**
Finance lease obligations with fixed rates	**721**	**(784)**	**(213)**	**(196)**	**(160)**	**(115)**	**(53)**	**(26)**
Trade and other payables	**86,603**	**(86,603)**	**(84,419)**	**—**	**—**	**—**	**—**	**(2,174)**
Derivative financial liabilities:								
Forward exchange contracts	**1,782**	**(1,782)**	**(1,782)**	**—**	**—**	**—**	**—**	**—**
Currency swap	**106**	**(106)**	**(106)**	**—**	**—**	**—**	**—**	**—**
Total	**$337,534**	**$(338,666)**	**$(222,301)**	**$(57,037)**	**$(39,343)**	**$(16,784)**	**$(971)**	**$(2,201)**

At March 31, 2017, the Group had ¥21,312 million ($189,963 thousand) of total lines of credit, of which ¥6,673 million ($59,479 thousand) was used and ¥7,312 million ($65,175 thousand) was unused and available for borrowing on an uncommitted basis.

At March 31, 2016, the Group had ¥19,322 million of total lines of credit, of which ¥1,676 million was used and ¥7,322 million was unused and available for borrowing on an uncommitted basis.

Interest rate risk

The Company controls and monitors debt financing of the Group and prohibits entering into a debt contract without obtaining approval by the head office for the terms and amount.

The Company has a policy of considering economic conditions at the time of the contract and future economic conditions when selecting fixed or floating interest rates. Also, the Company consistently monitors the effectiveness of their selection.

Sensitivity analysis for variable rate instruments

A change of 100 basis points "bp" in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect in millions of yen			
	100bp increase		*100bp decrease*	
March 31, 2017	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments	**¥(94)**	**¥(94)**	**¥94**	**¥94**

	Effect in millions of yen			
	100bp increase		*100bp decrease*	
March 31, 2016	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments	¥(63)	¥(63)	¥63	¥63

	Effect in thousands of U.S. dollars			
	100bp increase		*100bp decrease*	
March 31, 2017	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments	**$(837)**	**$(837)**	**$837**	**$837**

Foreign currency risk

The Group experiences foreign currency risk mainly on sales that are denominated in a currency other than yen. The currency giving rise to this risk is primarily the U.S. dollar. The Group economically hedges at least 80% of all trade receivables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than four months. In respect of other monetary assets and liabilities held in currencies other than yen, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Foreign currency risks also arise on loan payables and are economically hedged by currency swaps.

Changes in the fair value of forward exchange contracts and currency swaps that economically hedge monetary assets and liabilities, firm commitments or forecasted transactions, in foreign currencies and for which no hedge accounting is applied are recognised in the consolidated statements of comprehensive income. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "financial income and expenses" (refer to Note 24).

Exposure to currency risk

The Group's exposure to main foreign currency risk was as follows based on thousands of original amounts:

March 31, 2017	*US$*	*GBP*	*EUR*	*RMB*	*MYR*	*SG$*
Trade receivables	**34,421**	**1**	**736**	**47,166**	**470**	**—**
Trade payables	**(599)**	**(173)**	**(188)**	**(58,159)**	**(2,304)**	**(0)**
Short-term loans and borrowings	**(6,000)**	**—**	**—**	**—**	**—**	**—**
Gross consolidated statement of financial position exposure	**27,822**	**(172)**	**548**	**(10,993)**	**(1,833)**	**(0)**
Estimated forecast sales	**12,700**	**—**	**180**	**7,000**	**—**	**—**
Estimated forecast purchases	**(2,300)**	**—**	**—**	**(33,500)**	**—**	**—**
Gross exposure	**10,400**	**—**	**180**	**(26,500)**	**—**	**—**
Forward exchange contracts	**(62,783)**	**—**	**(710)**	**87,500**	**—**	**—**
Net exposure	**(24,560)**	**(172)**	**18**	**50,006**	**(1,833)**	**(0)**

March 31, 2016	*US$*	*GBP*	*EUR*	*RMB*	*MYR*	*SG$*
Trade receivables	32,840	1	687	38,627	437	—
Trade payables	(727)	(202)	(179)	(47,591)	(1,954)	(5)
Short-term loans and borrowings	(6,000)	—	—	—	—	—
Gross consolidated statement of financial position exposure	26,112	(200)	508	(8,964)	(1,517)	(5)
Estimated forecast sales	12,300	—	240	7,400	—	—
Estimated forecast purchases	(6,000)	—	—	(18,000)	—	—
Gross exposure	6,300	—	240	(10,600)	—	—
Forward exchange contracts	(51,326)	—	(1,057)	49,036	—	—
Net exposure	(18,913)	(200)	(309)	29,472	(1,517)	(5)

Note: The significant exchange rates applied during the years are described in Note 2 (e) (ii).

Sensitivity analysis

A 10% appreciation of the yen against the U.S. dollar at March 31 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect in millions of yen	
March 31, 2017	*Equity*	*Loss*
US$	**¥(682)**	**¥(682)**

	Effect in millions of yen	
March 31, 2016	*Equity*	*Loss*
US$	¥(643)	¥(643)

	Effect in thousands of U.S. dollars	
March 31, 2017	*Equity*	*Loss*
US$	**$(6,078)**	**$(6,078)**

A 10% depreciation of the yen against the U.S. dollar at March 31 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Risk of equity instrument price fluctuations

The Group owns listed securities and mutual funds and is exposed to the risks of price fluctuations of equity instruments. The Group regularly conducts financial evaluations of market prices and issuers and conducts ongoing reviews of holdings of these shares.

Sensitivity analysis for equity instrument price fluctuations

A 10% fluctuation of the market price of listed securities and mutual funds at March 31 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Effect in millions of yen			
	10% increase		*10% decrease*	
March 31, 2017	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	**¥74**	**¥—**	**¥(85)**	**¥(28)**

	Effect in millions of yen			
	10% increase		*10% decrease*	
March 31, 2016	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	¥16	¥51	¥(20)	¥(51)

	Effect in thousands of U.S. dollars			
	10% increase		*10% decrease*	
March 31, 2017	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	**$659**	**$—**	**$(757)**	**$(249)**

Fair value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

	Millions of yen				*Thousands of U.S. dollars*	
	2017		*2016*		***2017***	
	Carrying amounts	*Future value*	*Carrying amounts*	*Future value*	*Carrying amounts*	*Future value*
Assets carried at fair value:						
Available-for-sale financial assets	**¥ 985**	**¥ 985**	¥ 854	¥ 854	**$ 8,779**	**$ 8,779**
Financial assets designated at fair value through profit or loss	**0**	**0**	373	373	**0**	**0**
Assets carried at amortised cost:						
Cash and cash equivalents	**13,350**	**13,350**	17,161	17,161	**118,994**	**118,994**
Trade and other receivables	**10,755**	**10,755**	10,768	10,768	**95,864**	**95,864**
Liabilities carried at fair value:						
Financial liabilities designated at fair value through profit or loss	**212**	**212**	83	83	**1,889**	**1,889**
Liabilities carried at amortised cost:						
Trade and other payables	**9,716**	**9,716**	7,617	7,617	**86,603**	**86,603**
Loans and borrowings	**27,939**	**27,946**	29,262	29,300	**249,032**	**249,095**

Basis for determining fair value of financial instruments

• Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts of these financial instruments approximate fair values because they are settled in the short term.

• Available-for-sale financial assets

The fair values of marketable securities are based on quoted market prices. For non-marketable securities for which there are no quoted market prices in an active market amounting to ¥108 million ($962 thousand) and ¥108 million in the consolidated statements of financial position as of March 31, 2017 and 2016, respectively, fair value cannot be reliably measured. Accordingly, these investments are stated at cost and not included in available-for-sale financial assets in the table above. The disposal of marketable securities for which there are no quoted market prices is not expected.

• Financial assets and liabilities designated at fair value through profit or loss

The fair values of derivative financial instruments were estimated based on quotes from the financial institutions.

• Loans and borrowings

The carrying amounts of short-term loans and borrowings approximate fair values because they are settled in the short term. The fair value of long-term loans and borrowings is estimated based on the discounted amounts of future cash flows using the Group's current borrowing rates for similar liabilities. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Fair value hierarchy

For financial instruments that are measured at fair value, the Company classifies fair value measurements into a three-level fair value hierarchy by reference to the observability and significance of the inputs used in making the measurement.

• Level 1
  Quoted prices in active markets for identical assets or liabilities
• Level 2
  Quoted prices in active markets for similar assets or liabilities
  Quoted prices for identical or similar assets or liabilities in markets that are considered less than active
  Inputs for the assets or liabilities that are observable other than market price
  Marketable inputs for the assets or liabilities that are not observable directly but are derived from or corroborated by observable market data
• Level 3
  Unobservable inputs for the assets or liabilities that are not based on observable market data

The Group recognises transfers between the levels at the consolidated statement of financial position date.

The details of financial assets or liabilities continuously designated at fair value at the end of the reporting period were as follows:

	Millions of yen				*Thousands of U.S. dollars*			
March 31, 2017	*Level 1*	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	**¥870**	**¥115**	**¥—**	**¥985**	**$7,754**	**$1,025**	**$—**	**$8,779**
Financial assets designated at fair value through profit or loss	**—**	**0**	**—**	**0**	**—**	**0**	**—**	**0**
Total assets	**¥870**	**¥115**	**¥—**	**¥986**	**$7,754**	**$1,025**	**$—**	**$8,788**
Financial liabilities designated at fair value through profit or loss	**¥ —**	**¥212**	**¥—**	**¥212**	**$ —**	**$1,889**	**$—**	**$1,889**
Total liabilities	**¥ —**	**¥212**	**¥—**	**¥212**	**$ —**	**$1,889**	**$—**	**$1,889**

Note: There is no transfer between Level 1 and Level 2.

	Millions of yen			
March 31, 2016	*Level 1*	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	¥730	¥123	¥—	¥ 854
Financial assets designated at fair value through profit or loss	—	373	—	373
Total assets	¥730	¥497	¥—	¥1,227
Financial liabilities designated at fair value through profit or loss	¥ —	¥ 83	¥—	¥ 83
Total liabilities	¥ —	¥ 83	¥—	¥ 83

Note: There is no transfer between Level 1 and Level 2.

Available-for-sale financial assets for which fair value measurement is based on level 1 inputs comprise listed securities and mutual funds, which are measured at unadjusted market prices in active markets where there are sufficient volume and frequency of transactions.

Available-for-sale financial assets for which fair value measurement is based on level 2 inputs comprise golf and resort club memberships. Golf and resort club memberships are measured based on the quoted prices of identical assets in markets that are considered less than active.

Financial assets or liabilities which are measured at fair value through profit or loss include forward exchange contracts and foreign currency swap contracts.

Forward exchange contracts and foreign currency swap contracts are measured based on observable market data, such as foreign currency exchange rates and interest rates provided by financial institutions.

Capital management

The board of the Company aims to maximise the corporate value by balancing the return on capital and healthy financial position of the Group using equity and debt finance. ROE, which the Company defines as net income divided by total equity, and the Debt/Equity Ratio, which the Company defines as total liabilities divided by total equity, are used as management performance indexes, which the board monitors.

For the years ended March 31, 2017 and 2016, ROE amounted to 2.4% and 1.2%, and the Debt/Equity Ratio amounted to 172.8% and 164.5%, respectively.

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. Operating Leases

The Group leases office space and motor vehicles under various operating leases. Certain contracts contain renewal options for various periods of time.

Total operating lease expenses recognised in profit or loss were ¥210 million ($1,871 thousand) and ¥223 million for the years ended March 31, 2017 and 2016, respectively.

These operating lease expenses are recorded as selling, general and administrative expenses.

29. Related Party Transactions

The Group made the following related party transactions with an entity that is controlled by a close member of the family of a director:

	Millions of yen		*Thousands of U.S. dollars*
	2017	*2016*	***2017***
Receipt of services (payment of nonlife insurance premiums)	**¥—**	¥5	**$—**

Transactions are priced on an arm's length basis and other terms and conditions are equivalent to those with third-party entities. There were no outstanding balances for these transactions as of March 31, 2017 and 2016.

Compensation to the members of the board of directors is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	*2016*	***2017***
Short-term employee benefits	**¥131**	¥113	**$1,167**

	2017	*2016*
Number of ordinary shares held by members of the board of directors	**644,286**	638,286

30. Provisions

	Millions of yen			*Thousands of U.S. dollars*
	2017			***2017***
	Asset retirement obligation	*Settlement for products sold*	*Total*	*Total*
At April 1	**¥51**	**¥72**	**¥124**	**$1,105**
Reversals	**—**	**(72)**	**(72)**	**(641)**
Unwind of discount	**0**	**—**	**0**	**0**
At March 31	**¥52**	**¥—**	**¥ 52**	**$ 463**

Asset retirement obligation

The Company made a provision for asset retirement obligation in respect of the Company's obligation to the landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract. Considering the long-term nature of the liability, the major uncertainties are the cost that will be incurred and the time the lease contract ends. The Company has estimated the cost using an estimate provided by a third party and the lease period in consideration of that of the Company's former office and the useful life of the furniture and fixtures attached to the office. The provision has been calculated using a discount rate from 0.8% to 3.0%.

Settlement for products sold

The Company made a provision for settlement for products sold regarding the damage incurred by customers attributed to the Company's products.

The provision has been determined based on management's estimate of the likely settlement amount.

31. List of Significant Consolidated Subsidiaries

Entity	*Place of incorporation*	*Principal activities*	*Ownership interest*
Furukawa NDK Co., Ltd.	Japan	Manufacturing	100.0%
Hakodate NDK Co., Ltd.	Japan	Manufacturing	100.0%
Niigata NDK Co., Ltd.	Japan	Manufacturing	100.0%
NDK Holdings USA, Inc.	U.S.A.	Holding company	100.0%
NDK America, Inc.	U.S.A.	Sales	100.0%
NDK Crystal Asia Pte. Ltd.	Singapore	Sales	100.0%
NDK Europe Ltd.	United Kingdom	Sales	100.0%
NDK Electronics (HK) Limited	Hong Kong	Sales	100.0%
Asian NDK Crystal Sdn. Bhd.	Malaysia	Manufacturing	100.0%
NDK Quartz Malaysia Sdn. Bhd.	Malaysia	Manufacturing	100.0%
Suzhou NDK Co., Ltd.	China	Manufacturing	100.0%
Suzhou NDK Trading Co., Ltd.	China	Sales	100.0%
NDK-Electronics Shanghai Co., Ltd.	China	Sales	100.0%

KPMG

Independent Auditor's Report

To the Board of Directors of Nihon Dempa Kogyo Co., Ltd.:

We have audited the accompanying consolidated financial statements of Nihon Dempa Kogyo Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nihon Dempa Kogyo Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(b) to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2017
Tokyo, Japan

Crystal Bridge to the Future

Merkmal Keio Sasazuka Bldg., 1-47-1,
Sasazuka, Shibuya-ku, Tokyo 151-8569, Japan
Phone: 81-3-5453-6711
Facsimile: 81-3-5453-6733
URL: http://www.ndk.com/en/