NIPPON CHEMI-CON CORPORATION

REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
March 31, 2017 and 2016

EY
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Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

We have audited the accompanying consolidated financial statements of Nippon Chemi-Con Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Chemi-Con Corporation and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 29, 2017

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION
Five years ended March 31

	Millions of yen except for per share amounts									
	2017		2016		2015		2014		2013	
Net sales	¥	116,311	¥	118,414	¥	123,365	¥	113,962	¥	92,959
Profit (loss) attributable to owners of the parent company	¥	840	¥	(6,905)	¥	5,362	¥	3,315	¥	(9,252)
Profit (loss) per share:										
Basic	¥	5.16	¥	(42.38)	¥	32.91	¥	22.34	¥	(65.01)
Diluted	¥	-	¥	-	¥	-	¥	-	¥	-
Net assets per share	¥	387.77	¥	383.43	¥	477.23	¥	390.16	¥	355.46

	Thousands of U.S. dollars except for per share amounts									
	2017		2016		2015		2014		2013	
Net sales	$	1,036,739	$	1,055,481	$	1,099,612	$	1,015,802	$	828,588
Profit (loss) attributable to owners of the parent company	$	7,488	$	(61,550)	$	47,802	$	29,555	$	(82,471)
Profit (loss) per share:										
Basic	$	0.05	$	(0.38)	$	0.29	$	0.20	$	(0.58)
Diluted	$	-	$	-	$	-	$	-	$	-
Net assets per share	$	3.46	$	3.42	$	4.25	$	3.48	$	3.17

Notes:
1. Basic Profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
3. U.S. dollar amounts have been translated from yen at the rate of ¥112.19= U.S. $1, as referred to in Note 1 to the consolidated financial statements.

To Our Stakeholders

Ikuo Uchiyama

Overview of Operating Results

The global economy during the year ended March 31, 2017 saw an increased lack of transparency due to the Brexit issue and a new political administration in the USA. At the same time, the USA economy transitioned on a recovery trend thanks to firm consumer spending. The European economy also showed signs of a mild recovery while the economic slowdown in China continued despite maintaining a high rate of growth compared to other major nations. The Japanese economy transitioned firmly thanks to an improved hiring environment, among other factors.

The market environment impacting our Group saw weak demand in PC markets while automotive-related markets were favorable thanks to demand related to advances in electronic control of automobiles. Also, demand on the gaming device market and air conditioner market was firm.

Amid such an operating environment, as we marked the final fiscal year of our Seventh Medium-term Management Plan, our Group implemented various measures aimed at corporate reform. Specifically, through the business management system we introduced as part of organizational reforms implemented on April 1, 2016, we split our Group business into two divisions: Product Business Management and Functional Material Business Management. For product business management, we created five different product categories, including large-sized aluminum electrolytic capacitors, surface mount-type aluminum electrolytic capacitors, and small-sized aluminum electrolytic capacitors, and designated an executive officer to oversee each product category in order to clarify responsibilities and promote more efficient management.

In the area of product development, we worked on new product development targeting strategic markets with promising growth potential. Specifically, we launched new products that offer advanced optimization for their relative applications. For example, we developed the KVS Series and the LVS Series, snap-in type aluminum electrolytic capacitors offering improved vibration resistance properties compared to previous products, for use in the vehicle chargers used in EV and plug-in hybrids. We also launched mass production of the RHB Series, which achieves the industry's highest level withstand voltage, for use in machining equipment, industrial robots, and other industrial equipment.

Upholding our corporate philosophy of "Contribution to the technology with attention to environment and people", we conduct continuous environmental management activities. Particularly at our factories, we promote biodiversity awareness through CO_2 and wastewater reduction efforts, and promote the development, design, and sales of products with a low environmental impact. In recognition of our continuous activities, we were ranked 61st in the "20th Environmental Management Survey" conducted by Nikkei Inc. and announced on January 23, 2017. Our ranking was highest among all electronics component manufacturers (previous ranking: 72nd).

As a result, consolidated earnings for the year ended March 31, 2017 were net sales of 116,311 million yen (down 1.8% year on year), operating income of 3,338 million yen (up 53.2% year on year), and ordinary income of 2,002 million yen (up 71.8% year on year). Profit attributable to owners of parent was 840 million yen (previous year was loss attributable to owners of parent of 6,905 million yen).

Operating Results by Segment

The following presents a breakdown of sales by business segment.

1. Capacitors (105,243 million yen, 90.5% of total sales)
   Net sales of capacitors decreased 2.8% year on year due to a decline in demand in inverter and industrial-equipment related products.

2. Mechanical Parts and Other Parts (2,788 million yen, 2.4% of total sales)
   Sales of CMOS camera modules increased but due to a decline in sales of amorphous choke coils, net sales of this segment declined by 0.7% year on year.

3. Capacitor Materials (6,331 million yen, 5.4% of total sales)
   Net sales of capacitor materials increased 20.3% year on year thanks to increased demand for electrode foils for aluminum electrolytic capacitors.

4. Other Products (1,948 million yen, 1.7% of total sales)
   Net sales of other products decreased 7.3% year on year due to a decline in sales of resale products.

Outlook for Fiscal 2017

Looking ahead, we expect our operating environment will remain one that requires caution. Although we expect the economy in Europe and the USA to continue on a mild trend towards economic recovery thanks to firm consumer spending, there is a risk that policy trends by the new administration could cause an economic downturn and the Chinese economy is expected to continue its trend of a mild slowdown.

April 2017 marked the start of “our 8th medium-term management plan”, which aims for "Establishment of a Robust Management Platform through Business Structure Transformation toward the 90th Anniversary: Deepening Management Innovation". Outlining "Offering Services that Delight Our Customers and Creating New Values that Satisfy Genuine Demands of Customers" as our fundamental strategy, we will focus on building a corporate structure capable for responding flexibly to global changes.

Specific measures include increasing customer quality satisfaction by analyzing quality trouble causes in each process, from order receipt to shipment, in order to comprehensively enhance our quality assurance system. Additionally, we will expand sales and strengthen our profit structure by identifying target markets and core products for sales expansion within each region to focus on detailed sales development activities that meet the needs of our customers.

On April 1, 2017, our consolidated subsidiary Chemi-Con Fukushima Corp. merged with Fukushima Electrolytic Industry Corp. Through this merger, we will enhance our cost competitiveness by establishing an integrated production structure spanning from aluminum electrolytic capacitor materials to assembly. Also on April 1, 2017, we conducted a merger of Chemi-Con Yamagata Corp. and Chemi-Con Yonezawa Corp. This merger will help us further reduce costs by enabling the centralized management of electric double-layer capacitors produced by both companies, which will lead to increased productivity and greater efficiency of back office divisions.

In November 2015, Nippon Chemi-Con and our European subsidiary Europe Chemi-Con (Deutschland) GmbH received a Statement of Objections from the European Commission concerning suspected violations of European competition laws in relation to sales of aluminum electrolytic capacitors and tantalum electrolytic capacitors in Europe. We continue to respond appropriately to investigations being conducted by the European Commission.

In December 2015, Nippon Chemi-Con, our Taiwan subsidiary Taiwan Chemi-Con Corp., and our Hong Kong subsidiary Hong Kong Chemi-Con Ltd. received notification from the Taiwan Fair Trade Commission concerning suspected violations of Taiwan Competition Law and indicating that the Commission had reached a decision to assess a penalty. However, we are unwilling to accept such a penalty due to differences in our awareness of facts. As such, in February 2016 we filed an administrative motion with the Taipei High Administrative Court requesting the revocation of the Commission's action.

We take this opportunity to express our sincerest apologies to shareholders for concerns we have caused. We are taking these developments with the utmost seriousness and have implemented numerous measures, including reviewing regulations, drafting manuals, providing education and training to employees, and conducting internal audits in order to reinforce compliance with competition law. We will continue to put forth every effort to prevent reoccurrence, reinforce compliance with competition law and all other laws, and ensure fair business practices.

I ask for the continued support of all our stakeholders.
June 29, 2017

I. Uchiyama

Ikuo Uchiyama
President

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheets
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2017**	2016	**2017**
Current assets:			
Cash and deposits (Note 4)	¥ **28,497**	¥ 26,250	$ **254,014**
Notes and accounts receivable-trade	**27,314**	24,433	**243,464**
Inventories (Note 5)	**20,878**	20,801	**186,100**
Accounts receivable-other	**5,403**	5,693	**48,162**
Deferred tax assets (Note 8)	**1,246**	770	**11,110**
Other current assets	**493**	865	**4,400**
Less allowance for doubtful accounts	**(34)**	(39)	**(305)**
Total current assets	**83,799**	78,775	**746,946**
Property, plant and equipment:			
Buildings and structures	**38,947**	38,769	**347,153**
Machinery, equipment and others	**129,954**	128,411	**1,158,344**
Land	**6,908**	6,897	**61,577**
Lease assets	**1,047**	597	**9,339**
Construction in progress	**1,118**	1,324	**9,968**
Sub total	**177,976**	176,000	**1,586,381**
Less accumulated depreciation	**(140,434)**	(136,409)	**(1,251,758)**
Property, plant and equipment, net	**37,541**	39,591	**334,622**
Intangible fixed assets	**1,083**	1,438	**9,656**
Investments and other assets :			
Investment securities (Notes 6 and 14)	**15,663**	15,449	**139,612**
Long-term loans receivable	**14**	17	**132**
Deferred tax assets (Note 8)	**370**	593	**3,298**
Other	**1,327**	1,281	**11,832**
Less allowance for doubtful accounts	**(31)**	(30)	**(279)**
Total investments and other assets	**17,344**	17,311	**154,595**
Total assets	¥ **139,768**	¥ 137,117	$ **1,245,820**

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheets
For the years ended March 31, 2017 and 2016

Liabilities and Net Assets	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Current liabilities:			
Notes and accounts payable-trade	¥ **8,682**	¥ 7,080	$ **77,391**
Electronically recorded obligations	**5,440**	-	**48,493**
Short-term debt (Note 7)	**6,050**	18,377	**53,928**
Accounts payable-other	**4,198**	9,518	**37,421**
Income taxes payable	**638**	567	**5,692**
Accrued expenses	**2,335**	2,628	**20,814**
Bonus reserve	**1,684**	1,664	**15,010**
Notes payable-equipment	**95**	127	**853**
Other current liabilities	**317**	414	**2,830**
Total current liabilities	**29,442**	40,377	**262,434**
Long-term liabilities:			
Long-term debt (Note 7)	**29,645**	15,478	**264,244**
Deferred tax liabilities (Note 8)	**1,156**	873	**10,306**
Provision for environmental safety measures	**150**	185	**1,338**
Net defined benefit liability(Note 9)	**10,848**	11,822	**96,694**
Other long-term liabilities	**4,953**	5,515	**44,157**
Total long-term liabilities	**46,754**	33,875	**416,741**
Total liabilities	**76,196**	74,252	**679,175**
Net assets:			
Shareholders' equity			
Common stock			
Authorized 396,132,000 shares issued and outstanding,			
163,148,334 shares in 2016 and			
163,148,334 shares in 2017	**21,526**	21,526	**191,870**
Capital surplus	**28,079**	28,568	**250,284**
Retained earnings	**15,292**	14,452	**136,310**
Treasury shares (Note 12)	**(75)**	(71)	**(670)**
Total shareholders' equity	**64,822**	64,475	**577,795**
Accumulated other comprehensive income			
Net unrealized gains on securities	**1,387**	896	**12,363**
Foreign currency translation adjustments	**959**	2,527	**8,554**
Remeasurements of defined benefit plans	**(3,999)**	(5,431)	**(35,649)**
Total accumulated other comprehensive income	**(1,652)**	(2,006)	**(14,731)**
Non-controlling interests	**401**	395	**3,581**
Total net assets	**63,571**	62,864	**566,645**
Total liabilities and net assets	¥ **139,768**	¥ 137,117	$ **1,245,820**

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Operations
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net sales	**¥ 116,311**	¥ 118,414	**$ 1,036,739**
Cost of sales	**93,078**	95,749	**829,648**
Gross profit	**23,233**	22,664	**207,090**
Selling, general and administrative expenses (Notes 15 and 16)	**19,895**	20,484	**177,334**
Operating income	**3,338**	2,179	**29,756**
Non-operating income:			
Interest income	**29**	70	**262**
Dividend earned	**96**	107	**862**
Equity in earnings of affiliated companies	**441**	499	**3,935**
Other	**81**	86	**730**
Total non-operating income	**649**	764	**5,790**
Non-operating expenses:			
Interest expense	**414**	440	**3,692**
Financing expenses	**221**	427	**1,972**
Foreign exchange losses	**1,250**	875	**11,148**
Other	**98**	34	**881**
Total non-operating expenses	**1,985**	1,778	**17,694**
Ordinary income	**2,002**	1,165	**17,852**
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 17)	**26**	5	**232**
Gain on sales of investment securities	**2**	570	**19**
Total extraordinary income	**28**	575	**251**
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 18)	**19**	28	**170**
Loss related to Antitrust laws	**-**	7,217	**-**
Loss on liquidation of subsidiaries	**61**	-	**551**
Other	**-**	25	**-**
Total extraordinary loss	**81**	7,271	**722**
Profit (loss) before income taxes	**1,950**	(5,530)	**17,381**
Income taxes (Note 8):			
Current	**1,286**	1,107	**11,467**
Prior periods	**28**	728	**253**
Deferred	**(215)**	(494)	**(1,925)**
	1,099	1,341	**9,795**
Profit (loss)	**851**	(6,872)	**7,585**
Profit (loss) attributable to non-controlling interests	**10**	32	**97**
Profit (loss) attributable to owners of parent	**¥ 840**	¥ (6,905)	**$ 7,488**

Profit (loss) per share:	Yen		U.S. dollars (Note 1)
	2017	2016	**2017**
Basic	¥ 5.16	¥ (42.38)	$ 0.05
Diluted	-	-	-
Cash dividends per share (Note 20)	3.00	3.00	0.03

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

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Profit (loss)	**¥**	**851**	¥	(6,872)	**$**	**7,585**
Other comprehensive income						
Net unrealized holding gain (loss) on securities		**490**		(1,144)		**4,370**
Foreign currency translation adjustments		**(1,429)**		(2,806)		**(12,740)**
Remeasurements of defined benefit plans		**1,475**		(3,925)		**13,148**
Share in other comprehensive income of associates accounted for using equity method		**(186)**		(36)		**(1,665)**
Total other comprehensive income		**349**		(7,913)		**3,112**
Comprehensive income	**¥**	**1,200**	¥	(14,785)	**$**	**10,697**
Attributable to:						
Owners of parent		**1,194**		(14,797)		**10,643**
Non-controlling interests		**6**		11		**54**

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2017 and 2016

For the Year Ended March 31, 2017

	Shareholders' equity (Note 11) Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2016	¥ 21,526	¥ 28,568	¥ 14,452	¥ (71)	¥ 64,475
Changes of items during year					
Cash dividends paid		(488)			(488)
Profit (loss) attributable to owners of parent			840		840
Purchase of treasury shares				(3)	(3)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(488)	840	(3)	347
Balance as of March 31, 2017	¥ 21,526	¥ 28,079	¥ 15,292	¥ (75)	¥ 64,822

	Accumulated other comprehensive income (Note 19) Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥ 896	¥ 2,527	¥ (5,431)	¥ (2,006)	¥ 395	¥ 62,864
Changes of items during year						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						840
Purchase of treasury shares						(3)
Net changes of items other than shareholders' equity	490	(1,568)	1,431	353	6	360
Total changes of items during year	490	(1,568)	1,431	353	6	707
Balance as of March 31, 2017	¥ 1,387	¥ 959	¥ (3,999)	¥ (1,652)	¥ 401	¥ 63,571

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2017 and 2016

	Shareholders' equity (Note 11) Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2016	$ **191,870**	$ **254,640**	$ **128,822**	$ **(634)**	$ **574,699**
Changes of items during year					
Cash dividends paid		**(4,356)**			**(4,356)**
Profit (loss) attributable to owners of parent			**7,488**		**7,488**
Purchase of treasury shares				**(35)**	**(35)**
Net changes of items other than shareholders' equity					
Total changes of items during year	**-**	**(4,356)**	**7,488**	**(35)**	**3,096**
Balance as of March 31, 2017	$ **191,870**	$ **250,284**	$ **136,310**	$ **(670)**	$ **577,795**

	Accumulated other comprehensive income (Note 19) Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	$ **7,993**	$ **22,530**	$ **(48,410)**	$ **(17,886)**	$ **3,526**	$ **560,339**
Changes of items during year						
Cash dividends paid						**(4,356)**
Profit (loss) attributable to owners of parent						**7,488**
Purchase of treasury shares						**(35)**
Net changes of items other than shareholders' equity	**4,370**	**(13,976)**	**12,761**	**3,154**	**54**	**3,209**
Total changes of items during year	**4,370**	**(13,976)**	**12,761**	**3,154**	**54**	**6,305**
Balance as of March 31, 2017	$ **12,363**	$ **8,554**	$ **(35,649)**	$ **(14,731)**	$ **3,581**	$ **566,645**

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2017 and 2016

For the Year Ended March 31, 2016

	Shareholders' equity (Note 11) Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2015	¥ 21,526	¥ 28,568	¥ 21,846	¥ (64)	¥ 71,876
Changes of items during year					
Cash dividends paid			(488)		(488)
Profit (loss) attributable to owners of parent			(6,905)		(6,905)
Purchase of treasury shares				(7)	(7)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	-	(7,394)	(7)	(7,401)
Balance as of March 31, 2016	¥ 21,526	¥ 28,568	¥ 14,452	¥ (71)	¥ 64,475

	Accumulated other comprehensive income (Note 19) Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 2,051	¥ 5,324	¥ (1,490)	¥ 5,885	¥ 384	¥ 78,146
Changes of items during year						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						(6,905)
Purchase of treasury shares						(7)
Net changes of items other than shareholders' equity	(1,154)	(2,797)	(3,940)	(7,892)	11	(7,880)
Total changes of items during year	(1,154)	(2,797)	(3,940)	(7,892)	11	(15,281)
Balance as of March 31, 2016	¥ 896	¥ 2,527	¥ (5,431)	¥ (2,006)	¥ 395	¥ 62,864

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ **1,950**	¥ (5,530)	$ **17,381**
Depreciation and amortization	**6,715**	7,632	**59,861**
Loss on antitrust laws	**-**	7,217	**-**
(Decrease) increase in net defined benefit liability	**488**	(212)	**4,351**
(Decrease) increase in allowance for doubtful accounts	**(4)**	(1)	**(42)**
(Decrease) increase in provision for environmental safety measures	**(35)**	(16)	**(316)**
Interest and dividend income	**(126)**	(177)	**(1,124)**
Interest expense	**414**	440	**3,692**
Foreign exchange loss (gain)	**127**	293	**1,135**
Equity in earnings of affiliated companies	**(441)**	(499)	**(3,935)**
Loss (gain) on disposal of property, plant and equipment, net	**(7)**	22	**(62)**
(Increase) decrease in notes and accounts receivable	**(2,651)**	2,433	**(23,630)**
(Increase) decrease in inventories	**(393)**	977	**(3,503)**
(Decrease) increase in notes and accounts payable	**7,099**	(59)	**63,280**
(Decrease) increase in accounts payable – other	**(5,174)**	408	**(46,123)**
Other	**(148)**	(139)	**(1,324)**
Sub total	**7,812**	12,790	**69,638**
Interest and dividends received	**255**	322	**2,281**
Interest paid	**(415)**	(407)	**(3,701)**
Income taxes paid	**(1,210)**	(1,734)	**(10,785)**
Net cash provided by (used in) operating activities	**6,443**	10,970	**57,433**
Cash flows from investing activities:			
Increase in time deposit	**(860)**	(1,558)	**(7,665)**
Decrease in time deposit	**810**	2,065	**7,228**
Purchase of property, plant and equipment	**(4,062)**	(4,181)	**(36,208)**
Proceeds from sales of property, plant and equipment	**29**	5	**262**
Purchase of intangible fixed assets	**(189)**	(207)	**(1,687)**
Purchase of investment securities	**-**	(501)	**-**
Proceeds from sales of investment securities	**2**	1,492	**21**
Payments of loans receivable	**(26)**	(28)	**(235)**
Collections of loans receivable	**36**	45	**321**
Other	**(75)**	(11)	**(675)**
Net cash provided by (used in) investing activities	**(4,334)**	(2,878)	**(38,638)**
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	**2,162**	(3,454)	**19,278**
Proceeds from long-term debt	**15,502**	15,500	**138,180**
Repayments of long-term debt	**(16,309)**	(14,888)	**(145,377)**
Purchase of treasury shares	**(3)**	(7)	**(35)**
Repayments of lease obligations	**(151)**	(1,373)	**(1,352)**
Cash dividends paid	**(488)**	(488)	**(4,356)**
Net cash provided by (used in) financing activities	**710**	(4,712)	**6,337**
Effect of exchange rate changes on cash and cash equivalents	**(622)**	(1,101)	**(5,550)**
Net increase in cash and cash equivalents	**2,196**	2,277	**19,582**
Cash and cash equivalents at beginning of year	**26,245**	23,967	**233,939**
Cash and cash equivalents at end of year (Note 4)	¥ **28,442**	¥ 26,245	$ **253,521**

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.19= U.S. $1, the rate of exchange on March 31, 2017 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and affiliated companies is as follows:

	2017
Consolidated subsidiaries	**26**
Affiliated companies	**2**

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in the net profit or loss for the period.
The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.
Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation

Depreciation for property, plant and equipment (except for lease assets) is computed primarily using the declining-balance method over the estimated useful lives of the assets. Meanwhile, buildings owned by the Company and its domestic subsidiaries (excluding facilities attached to buildings) and both facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on the straight-line method.
Finance lease assets that transfer ownership are depreciated as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Provision for Environmental Safety Measures

In accordance with the "Law Concerning Special Measures for Promotion of Proper Treatment of Poly Chlorinated Biphenyl Waste (PCB Waste)," the Company provides the estimated amount which will be required at the balance sheet date for the disposal of PCB Waste that will be generated through the Company's operations.

(8) Retirement benefit

The retirement benefit obligation for employee is attributed to each period by the benefit formula method.
Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.
Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(9) Significant hedge accounting

1) Hedge accounting

The exceptional accounting method is adopted to the interest swap agreements which conform to the special regulated terms.

2) Hedging instruments and hedged items

Hedging instruments

Interest swap

Hedged items

Interest of loans

3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of loans.

The hedged items are assessed at each contract.

4) Assessment of hedge effectiveness

Assessment of hedge effectiveness of interest swap agreements are omitted due to conforming to the special regulated terms.

(10) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" in Net Assets and Other comprehensive income.

(11) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The company and its wholly-owned domestic subsidiaries adopt the Japanese consolidated taxation system. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(12) Consumption taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(13) Profit and Cash dividends per Share

Basic Profit per share is based on the average number of common shares outstanding during each year.
Cash dividends per share shown for each year in the accompanying Consolidated Statements of Operations represents dividends approved by shareholders for the respective years.

(14) Research and Development Expense and Computer Software

Research and development expense is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(15) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

3. Changes in accounting policies

The Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of the adoption on the consolidated statement of operations for the year ended March 31, 2017 was not material.

4. Cash and cash equivalents

Reconciliation of cash and cash equivalents to the amount presented on the balance sheets at March 31, 2017 and 2016 is as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Cash and deposits	**¥**	**28,497**	¥	26,250	**$**	**254,014**
Time deposits with a deposit term of over 3 months		**(55)**		(5)		**(492)**
Cash and cash equivalents	**¥**	**28,442**	¥	26,245	**$**	**253,521**

5. Inventories

Inventories at March 31, 2017 and 2016 comprised the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Finished goods and merchandise	**¥**	**9,035**	¥	8,973	**$**	**80,537**
Work-in-process		**7,579**		7,704		**67,562**
Raw materials and supplies		**4,263**		4,124		**38,000**
Total	**¥**	**20,878**	¥	20,801	**$**	**186,100**

6. Investment securities

At March 31, 2017 and 2016, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, were as follows:

	Millions of yen							
	2017				2016			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	**¥ 2,002**	**¥ 1,884**	**¥ 10**	**¥ 3,876**	¥ 2,002	¥ 1,190	¥ 22	¥ 3,170
Total	**¥ 2,002**	**¥ 1,884**	**¥ 10**	**¥ 3,876**	¥ 2,002	¥ 1,190	¥ 22	¥ 3,170

	Thousands of U.S. dollars (Note 1)			
	2017			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:				
Equity securities	**$ 17,846**	**$ 16,798**	**$ 90**	**$ 34,554**
Total	**$ 17,846**	**$ 16,798**	**$ 90**	**$ 34,554**

7. Short-term and long-term debt

The weighted average interest rates applicable to loans for the years ended March 31, 2017 and 2016 were 1.17% and 1.11%, respectively.

Short-term debt at March 31, 2017 and 2016 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Bank loans and overdrafts	**¥ 4,189**	¥ 2,023	**$ 37,344**
Current portion of long-term debt	**1,684**	16,220	**15,012**
Lease obligations (Short-term)	**176**	133	**1,571**
Total	**¥ 6,050**	¥ 18,377	**$ 53,928**

Long-term debt at March 31, 2017 and 2016 comprised the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Loans:						
Loans, principally from banks and insurance companies due from 2017 to 2022 with interest rates ranging from 0.40% to 5.20%	¥	**30,862**	¥	31,534	$	**275,087**
Lease obligations (Long-term)		**467**		164		**4,169**
		31,329		31,698		**279,256**
Less: current portion		**(1,684)**		(16,220)		**(15,012)**
Total	¥	**29,645**	¥	15,478	$	**264,244**

Note: The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These contracts include financial covenants that are computed based on the consolidated balance sheet, etc.

8. Income Taxes

The Company is subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 30.86 % for the years ended March 31, 2017.

Significant components of deferred tax assets and liabilities as at March 31, 2017 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Deferred tax assets:						
Bonus reserve	¥	**466**	¥	467	$	**4,153**
Net defined benefit liability		**3,255**		3,567		**29,022**
Tax loss carry forwards		**8,634**		9,514		**76,964**
Unrealized gain on inventories		**129**		82		**1,157**
Loss on devaluation of investments in subsidiaries		**1,060**		1,203		**9,450**
Loss on devaluation of inventories		**173**		193		**1,545**
Accrued expenses		**207**		307		**1,847**
Other		**649**		573		**5,793**
Total gross deferred tax assets		**14,577**		15,909		**129,934**
Valuation allowance		**(12,612)**		(13,568)		**(112,416)**
Total deferred tax assets		**1,965**		2,340		**17,517**
Deferred tax liabilities:						
Net unrealized gains on securities		**(573)**		(357)		**(5,115)**
Depreciation recorded by foreign subsidiaries		**(882)**		(989)		**(7,862)**
Other		**(48)**		(503)		**(436)**
Total deferred tax liabilities		**(1,505)**		(1,850)		**(13,414)**
Net deferred tax assets	¥	**460**	¥	490	$	**4,102**

For the year ended March 31, 2017 and 2016 the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	2017		2016	
Statutory tax rate	**30.86**	**%**	-	%
Increase (decrease) in taxes resulting from:				
Expenses not deductible for income tax purposes	**8.45**		-	
Capita levy on inhabitant tax	**2.10**		-	
Overseas withholding taxes	**(1.55)**		-	
Revenues not taxable such as dividend income	**(2.70)**		-	
Change in the valuation allowance	**(23.92)**		-	
Difference in subsidiaries' tax rates	**(4.93)**		-	
Effect of eliminated dividends	**2.92**		-	
Consolidated adjustment for loss on sales of investments in capital of subsidiaries	**48.15**		-	
Other	**(3.02)**		-	
Effective income tax rate	**56.36**	**%**	-	%

Due to the recording of a loss before income taxes, a reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2016 has been omitted.

Associated with the enactment on November 18, 2016 of the "Act for Partial Amendment of the Partial Amendment of the Consumption Tax Act and Others for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and the "Act for Partial Amendment of the Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016), the effective date of raising the consumption tax rate to 10% has been postponed from April 1, 2017 to October 1, 2019, and the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates of the local corporation tax and corporate inhabitant tax have been postponed from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019. Although there are no changes in the statutory effective tax rate used to measure the Company's deferred tax assets and liabilities, the composition of the tax rates was changed between the national tax and local tax. The effect of these changes was not material.

9. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.
In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Balance at the beginning of the year	¥	**27,516**	¥	24,007	**$**	**245,263**
Service cost		**1,027**		746		**9,159**
Interest cost		**436**		381		**3,887**
Actuarial loss		**(197)**		3,605		**(1,763)**
Retirement benefit paid		**(1,105)**		(1,126)		**(9,853)**
Other		**(22)**		(99)		**(198)**
Balance at the end of the year	¥	**27,654**	¥	27,516	**$**	**246,494**

The changes in the plan assets for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2017		2016		**2017**
Balance at the beginning of the year	¥	**15,693**	¥	15,844	**$**	**139,883**
Expected return on plan assets		**196**		197		**1,749**
Actuarial loss		**650**		(618)		**5,800**
Contributions by the company		**921**		924		**8,213**
Retirement benefit paid		**(642)**		(649)		**(5,730)**
Other		**(13)**		(4)		**(117)**
Balance at the end of the year	¥	**16,805**	¥	15,693	**$**	**149,799**

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Funded defined benefit obligation	¥ **18,476**	¥ 18,399	$ **164,690**
Pension assets	**(16,805)**	(15,693)	**(149,799)**
	1,670	2,705	**14,891**
Unfunded defined benefit obligations	**9,177**	9,116	**81,803**
Net amount of liabilities and assets in consolidated balance sheet	**10,848**	11,822	**96,694**
Net defined benefit liability	**10,848**	11,822	**96,694**
Net amount of liabilities and assets in consolidated balance sheet	¥ **10,848**	¥ 11,822	$ **96,694**

Note: Certain domestic consolidated subsidiaries adopt a simplified method in calculating of defined benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Service cost	**1,027**	746	**9,159**
Interest cost	**436**	381	**3,887**
Expected return on plan assets	**(196)**	(197)	**(1,749)**
Amortization of unrecognized actuarial loss	**769**	473	**6,861**
Amortization of prior service cost	**(155)**	(155)	**(1,385)**
Retirement benefit expense	¥ **1,881**	¥ 1,248	$ **16,773**

The breakdown of items in other comprehensive income before tax effect as for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Actuarial loss	**(1,618)**	3,751	**(14,425)**
Prior service cost	**155**	155	**1,385**
Total	¥ **(1,463)**	¥ 3,906	$ **(13,040)**

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Unrecognized prior service cost	**4,637**	6,195	**41,332**
Unrecognized actuarial loss	**(557)**	(712)	**(4,967)**
Total	**¥ 4,079**	¥ 5,482	**$ 36,364**

The breakdown of pension assets by major category as of March 31, 2017 and 2016 are as follows:

	2017	**2016**
Equity securities	**36%**	32%
General account	**24%**	25%
Alternatives	**19%**	21%
Bonds	**19%**	20%
Other	**2%**	2%
Total	**100%**	100%

Notes: 1. Alternatives mainly consisted of investment in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 8% of the total as of March 31, 2017 and 6% as of March 31, 2016.

The items of actuarial assumptions as of March 31, 2017 and 2016 are as follows (The discount rate are shown as weighted average.):

	2017	**2016**
Discount rate	**Primarily 0.3%**	Primarily 0.3%
Expected rates of long-term return on plan assets	**Primarily 1.25%**	Primarily 1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Defined contribution pension plans	**¥ 234**	¥ 179	**$ 2,089**

10. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2017			March 31, 2016		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Sell:						
US$	**¥ 5,179**	**¥ 70**	**¥ 70**	¥ 5,398	¥ 348	¥ 348
Euro	**238**	**4**	**4**	312	9	9
Baht	**569**	**0**	**0**	-	-	-
Buy:						
US$	**422**	**(0)**	**(0)**	804	0	0
NT$	**-**	**-**	**-**	199	(2)	(2)
	¥ 6,410	**¥ 74**	**¥ 74**	¥ 6,715	¥ 356	¥ 356

	Thousands of U.S. dollars (Note 1)		
	March 31, 2017		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Sell:			
US$	**$ 46,163**	**$ 624**	**$ 624**
Euro	**2,126**	**39**	**39**
Baht	**5,079**	**3**	**3**
Buy:			
US$	**3,767**	**(0)**	**(0)**
NT$	**-**	**-**	**-**
	$ 57,137	**$ 667**	**$ 667**

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

			Millions of yen					
			March 31, 2017			March 31, 2016		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	**24,637**	**24,637**	**(*)**	24,996	11,500	(*)

			Thousands of U.S. dollars (Note 1)		
			March 31, 2017		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	**219,609**	**219,609**	**(*)**

(*) Fair value of interest rate swaps by exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

11. Shareholders' equity

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

12. Treasury shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

		2016		Increase during the year		Decrease during the year		2017
Number of shares		225,728		17,807		-		**243,535**
Total price (Millions of yen)	¥	71	¥	3	¥	-	**¥**	**75**
Total price (Thousands of U.S. dollars)	$	634	$	35	$	-	**$**	**670**

13. Pledged assets

There are no pledged assets.

14. Related party transactions

Samyoung Electronics Co., Ltd.（Samyoung）is a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

(1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.

(2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.

(3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2017 and 2016 and transactions for the years ended March 31, 2017 and 2016 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Investment securities	**¥ 11,604**	¥ 12,096	**$ 103,432**

	Millions of yen					
	2017			2016		
	Transaction amount	Account title	Balance at end of year	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	**¥ 3,969**	Accounts payable	**¥ 264**	¥ 4,082	Accounts payable	¥ 360
Sales of materials and equipment	**567**	Accounts receivable	**53**	484	Accounts receivable	46
Supply of materials	**¥ 1,649**	Accounts receivable - other	**¥ 164**	¥ 1,724	Accounts receivable - other	¥ 90

	Thousands of U.S. dollars (Note 1)		
	2017		
	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	**$ 35,378**	Accounts payable	**$ 2,357**
Sales of materials and equipment	**5,061**	Accounts receivable	**477**
Supply of materials	**$ 14,701**	Accounts receivable - other	**$ 1,468**

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2017 and 2016, and for the years then ended, was follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Total current assets	**¥ 31,073**	¥ 31,841	**$ 276,969**
Total fixed assets	**18,020**	19,354	**160,622**
Total current liabilities	**2,802**	2,567	**24,976**
Total long-term liabilities	**332**	536	**2,962**
Total net assets	**45,959**	48,092	**409,653**
Net sales	**24,348**	27,216	**217,026**
Profit before income taxes	**1,705**	1,787	**15,206**
Net profit	**1,376**	1,505	**12,267**

15. Selling, general and administrative expenses

The following are the major elements of selling, general and administrative expenses for the years ended March 31, 2017 and 2016.

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Freight and transportation	¥	**3,217**	¥	3,308	$	**28,680**
Salaries and wages		**4,069**		4,245		**36,271**
Provision for bonus reserve		**750**		773		**6,693**
Retirement benefit expenses		**815**		515		**7,272**
Depreciation		**847**		869		**7,551**
Research and development expenses		**4,272**		4,321		**38,084**

16. Research and Development expenses

The total amounts of research and development expenses for the years ended March 31, 2017 and 2016 are as follows and all of them are charged to income as incurred.

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Research and development expenses	¥	**4,272**	¥	4,321	$	**38,084**

17. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Machinery, equipment and others		**4**		5		**37**
Intangible fixed assets		**21**		-		**195**
Total	¥	**26**	¥	5	$	**232**

18. Loss on disposal of property, plant and equipment

Loss on retirement of property, plant and equipment for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Buildings and structures	¥	**0**	¥	17	$	**5**
Machinery, equipment and others		**14**		10		**127**
Construction in progress		**4**		-		**37**
Total	¥	**19**	¥	28	$	**170**

19. Other comprehensive income

For the years ended March 31, 2017 and 2016, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net unrealized holding gains on securities			
Amount arising during the year	¥ **706**	¥ (1,154)	$ **6,298**
Reclassification adjustments	**-**	(569)	**-**
Before deferred tax adjustments	**706**	(1,724)	**6,298**
Deferred tax amounts	**(216)**	579	**(1,928)**
Net unrealized holding gains on securities	**490**	(1,144)	**4,370**
Foreign currency translation adjustments			
Amount arising during the year	**(1,491)**	(2,806)	**(13,292)**
Reclassification adjustments	**61**	-	**551**
Foreign currency translation adjustments	**(1,429)**	(2,806)	**(12,740)**
Remeasurements of defined benefit plans			
Amount arising during the year	**848**	(4,224)	**7,563**
Reclassification adjustments	**614**	317	**5,476**
Before deferred tax adjustments	**1,463**	(3,906)	**13,040**
Deferred tax amounts	**12**	(18)	**107**
Remeasurements of defined benefit plans	**1,475**	(3,925)	**13,148**
Share in other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	**(183)**	(40)	**(1,634)**
Reclassification adjustments	**(3)**	3	**(31)**
Share in other comprehensive income of associates accounted for using the equity method	**(186)**	(36)	**(1,665)**
Total other comprehensive income	¥ **349**	¥ (7,913)	$ **3,112**

20. Dividends

(1) Year ended March 31, 2017

1) Dividends paid

Resolution	**Type of shares**	**Total dividend (millions of yen)**	**Total dividends (thousands of U.S. dollars) (Note 1)**	**Source of dividends**	**Dividends per share (yen)**	**Dividends per share (U.S. Dollars) (Note 1)**	**Cut-off date**	**Effective date**
Annual general meeting of the shareholders on June 29, 2016	Common stock	¥ **488**	$ **4,356**	Capital surplus	¥ **3.00**	$ **0.03**	March 31, 2016	June 30 2016

2) Dividends for which the record date came during the year ended March 31, 2017, and the effective date is after said period.

Resolution	Type of shares	Total dividend (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2017	Common stock	¥ **488**	$ **4,356**	Retained earnings	¥ **3.00**	$ **0.03**	March 31, 2017	June 30, 2017

(2) Year ended March 31, 2016

1) Dividends paid

Resolution	Type of shares	Total dividend (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2015	Common stock	¥ **488**	$ **4,357**	Retained earnings	¥ **3.00**	$ **0.03**	March 31, 2015	June 29, 2015

2) Dividends for which the record date came during the year ended March 31, 2016, and the effective date is after said period.

Resolution	Type of shares	Total dividend (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2016	Common stock	¥ **488**	$ **4,356**	Capital surplus	¥ **3.00**	$ **0.03**	March 31, 2016	June 30, 2016

21. Financial instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds by borrowing from banks, issuing corporate bonds and capital increase. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risk of fluctuation of exchange rates and interest rates.

2) Details of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year.

Short-term and long-term debt are used for the Company's operation and capital expenditure. Variable interest rate loans are exposed to the risk of interest rate fluctuations. Interest rate swap transactions are used as hedges to fix interest expenses for a portion of long-term variable interest rate debts.

Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management regulation etc.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (fluctuation risk of currencies and interests)

The Company hedges foreign currency fluctuation risk of trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contact periods within half year in principle.

The Company enters into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company enters into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (the risk that the Company may not be able to meet its obligations on scheduled due dates)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10 "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no operating credit for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them on March 31, 2017 and 2016 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to "Notes 2. Summary of significant Accounting Policies".

	Millions of yen					
	March 31, 2017			March 31, 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash and deposits	¥ **28,497**	¥ **28,497**	¥ **-**	¥ 26,250	¥ 26,250	¥ -
2) Notes and accounts receivable-trade	**27,314**	**27,314**	**-**	24,433	24,433	-
3) Investment securities						
i) Investments in securities	**3,876**	**3,876**	**-**	3,170	3,170	-
ii)Investments in stock of subsidiaries and affiliates	**11,561**	**8,383**	**(3,178)**	12,070	7,739	(4,331)
Total assets	¥ **71,250**	¥ **68,072**	¥ **(3,178)**	¥ 65,924	¥ 61,593	¥ (4,331)
1) Notes and accounts payable-trade	**8,682**	**8,682**	**-**	7,080	7,080	-
2) Electronically recorded obligations	**5,440**	**5,440**	**-**	-	-	-
3) Accounts payable-other	**4,198**	**4,198**	**-**	9,518	9,518	-
4) Short-term debt (Except for lease obligations)	**5,873**	**5,873**	**-**	18,243	18,243	-
5) Long-term debt (Except for lease obligations)	**29,177**	**29,001**	**(176)**	15,314	15,506	191
Total liabilities	¥ **53,373**	¥ **53,196**	¥ **(176)**	¥ 50,156	¥ 50,348	¥ 191
Derivative transactions	¥ **74**	¥ **74**	¥ **-**	¥ 356	¥ 356	¥ -

	Thousands of U.S. dollars (Note 1)		
	March 31, 2017		
	Carrying amount	Fair value	Difference
1) Cash and deposits	$ **254,014**	$ **254,014**	$ **-**
2) Notes and accounts receivable-trade	**243,464**	**243,464**	**-**
3) Investment securities			
i) Investments in securities	**34,554**	**34,554**	**-**
ii)Investments in stock of subsidiaries and affiliates	**103,052**	**74,724**	**(28,328)**
Total assets	$ **635,086**	$ **606,757**	$ **(28,328)**
1) Notes and accounts payable-trade	$ **77,390**	$ **77,390**	$ **-**
2) Electronically recorded obligations	**48,493**	**48,493**	**-**
3) Accounts payable-other	**37,421**	**37,421**	**-**
4) Short-term debt (Except for lease obligations)	**52,356**	**52,356**	**-**
5) Long-term debt (Except for lease obligations)	**260,075**	**258,505**	**(1,569)**
Total liabilities	$ **475,738**	$ **474,168**	$ **(1,569)**
Derivative transactions	$ **667**	$ **667**	$ **-**

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

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

Assets:

1) Cash and deposits and 2) Notes and accounts receivable-trade

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

3) Investment securities

The value of investments in securities is based on quoted market prices of stock exchanges.

Liabilities:

1) Notes and accounts payable-trade, 2) Electronically recorded obligations and 3) Accounts payable-other

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

4) Short-term debt (Except for lease obligations)

The fair value of current portion of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

As a result, the book value is used as fair value as their fair value approximates book value due to their short maturity.

The fair value of short-term debt except for current portion of long-term debt is recorded at book value as the fair value approximates book value due to their short maturity.

5) Long-term debt (Except for lease obligations)

The fair value of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

Derivative transactions

Refer to “Note 10. Derivatives”.

Notes 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet					
	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Unlisted shares	**¥**	**224**	¥	209	**$**	**2,004**

These items are excluded from "3) Investment securities" since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Notes 3: Monetary claims at March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Cash and deposits	**¥**	**28,497**	¥	26,250	**$**	**254,014**
Trade receivables		**27,314**		24,433		**243,464**
Total	**¥**	**55,812**	¥	50,683	**$**	**497,478**

Notes 4: Redemption schedules of corporate long-term debt with maturities at March 31, 2017 and 2016

	Long-term debt					
	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
2017	¥	**1,684**	¥	16,220	$	**15,012**
2018		**12,084**		1,254		**107,713**
2019		**904**		11,654		**8,063**
2020		**3,688**		604		**32,879**
2021		**12,500**		1,800		**111,418**
2022 and thereafter		**-**		-		**-**

22. Lease

Depreciation is calculated using the straight-line method. The useful economic lives of the lease assets are equal to the lease term and the residual value is assumed to be zero.
The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

23. Segment Information

(1) Overview of reportable segments

The Company has classified its reportable segments as the discrete units from which it obtains financial information, and for which the Board of Directors periodically allocates resources and evaluates performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment "Capacitor".

The "Capacitor" business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2 "Summary of Significant Accounting Policies". Profits of reportable segments correspond to operating income.

(3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2017			2016		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	**¥ 111,575**	**¥ 4,736**	**¥ 116,311**	¥ 113,505	¥ 4,909	¥ 118,414
Intersegment sales	-	-	-	-	-	-
Total	**111,575**	**4,736**	**116,311**	113,505	4,909	118,414
Segment profit (loss)	**3,241**	**96**	**3,338**	2,306	(126)	2,179
Other:						
Depreciation	**6,681**	**34**	**6,715**	7,591	41	7,632
Increase in fixed assets	**4,534**	**56**	**4,590**	4,235	119	4,354

	Thousands of U.S. dollars (Note 1)		
	2017		
	Capacitor	Other	Consolidated
Net sales:			
Sales to unaffiliated customers	**$ 994,519**	**$ 42,220**	**$ 1,036,739**
Intersegment sales	-	-	-
Total	**994,519**	**42,220**	**1,036,739**
Segment profit (loss)	**28,892**	**864**	**29,756**
Other:			
Depreciation	**59,555**	**304**	**59,860**
Increase in fixed assets	**40,417**	**503**	**40,921**

Notes: 1. "Other" includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
2. Total segment loss corresponds to operating loss in the consolidated statements of operations.
3. Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2017 and 2016 are as follows:

1) Information by products and services

Information by products and services is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Japan	¥	**27,863**	¥	24,632	$	**248,361**
China		**39,813**		43,386		**354,872**
America		**11,367**		12,355		**101,319**
Europe		**12,664**		12,381		**112,881**
Others		**24,603**		25,658		**219,304**
Total	¥	**116,311**	¥	118,414	$	**1,036,739**

ii) Fixed assets

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2017		2016		**2017**	
Japan	¥	**25,719**	¥	26,299	$	**229,249**
China		**2,253**		2,770		**20,082**
America		**3,636**		4,095		**32,413**
Europe		**24**		29		**220**
Others		**5,907**		6,396		**52,657**
Total	¥	**37,541**	¥	39,591	$	**334,622**

iii) Information about major customer

Information about major customer for the years ended March 31, 2017 and 2016 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.

24. Subsequent events

Change in the number of shares constituting one unit and consolidation of shares

At the board of directors' meeting held on May 17, 2017, the Company resolved to change the number of shares constituting one unit and to submit a proposal for consolidation of shares to 70th shareholders' meeting held on June 29, 2017. The proposal was approved at the shareholders' meeting.

(1) Purpose of change in the number of shares constituting one unit and consolidation of shares

The Japanese Stock Exchanges Conference have announced the Action Plan for Consolidating Trading Units, aiming to unify 100 shares of common stock of domestic listed companies into one trading unit.

As a company listed on the Tokyo Stock Exchange, the Company shall respect this intension and change its number of shares to constitute one unit from 1,000 shares to 100 shares and will implement a consolidation of shares at the level considered to be desired by the stock exchanges, namely, 50,000 yen or more and less than 500,000 yen.

(2) Details of change in the number of shares constituting one unit

The number of shares constituting one unit will be changed from 1,000 shares to 100 shares on the effective date of consolidation of shares.

(3) Details of consolidation of shares

1) Type of shares to be consolidated

Common shares

2) Consolidation method and ratio

On October 1, 2017, shares held by shareholders recorded in the latest list of shareholder as of September 30, 2017 will be consolidated at the ratio of 10 shares to 1 share.

3) Number of shares decreased through consolidation

Total number of outstanding shares before consolidation (as of March 31, 2017)	163,148,334 shares
Number of shares decreased through consolidation	146,833,501 shares
Total number of outstanding shares after consolidation	16,314,833 shares

Note: The "Number of shares decreased through consolidation" and "Total number of outstanding shares after consolidation" are theoretical figures calculated based on the total number of outstanding shares before consolidation and the consolidation ratio.

4) Treatment of fractional shares

If fractional shares of less than 1 share arise as a result consolidation of shares, the Company will sell them in a lump sum and distribute the proceeds to shareholders in proportion to their respective number of fractional shares in accordance with Article 235 of the Companies Act.

(4) Schedule of change in the number of shares constituting one unit and consolidation of shares

Resolution at the Board of Directors	May 17, 2017
Resolution at the shareholders' meeting	June 29, 2017
Effective date of change in the number of shares constituting one unit and consolidation of shares	October 1, 2017

(5) Impact on per share information

Assuming that consolidation of shares was conducted at the beginning of the year ended March 31, 2016, per share information for the years ended March 31, 2017 and 2016 is as follows.

	yen		U.S. dollars (Note 1)
	2017	2016	**2017**
Net assets per share	¥ **3,877.73**	¥ 3,834.26	$ **34.56**
Profit (loss) attributable to owners of parent per share	**51.57**	(423.82)	**0.45**

Note: As there were no dilutive shares, diluted profit (loss) attributable to owners of parent per share is not disclosed.

25. Other

The Company and its consolidated subsidiaries are being subjected to investigations conducted by competition authorities of the United States, EU and other countries, with respect to the transactions of aluminum electrolytic capacitors and other capacitors. The investigations are still in progress. Results of the investigations may affect the Company and its consolidated subsidiaries' operating results.