Mitsui High-tec, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended January 31, 2017, and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsui High-tec, Inc.:

We have audited the accompanying consolidated balance sheet of Mitsui High-tec, Inc. and its subsidiaries (collectively, the "Group") as of January 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, 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 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 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. In making those risk assessments, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of the Group as of January 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

DELOITTE TOUCHE TOHMATSU LLC
Fukuoka, Japan

April 21, 2017

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Balance sheet
Year Ended January 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 13,528	¥ 12,544	$ 118,865
Short-term investments (Notes 3 and 14)	111	315	975
Notes and accounts receivable－trade (Note 14)	12,401	11,507	108,962
Allowance for doubtful accounts	(14)	(12)	(123)
Inventories (Note 4)	5,898	5,372	51,823
Deferred tax assets (Note 10)	223	309	1,959
Prepaid expenses and other	1,587	1,227	13,945
Total current assets	33,734	31,262	296,406
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	6,191	6,775	54,398
Buildings and structures (Note 6)	28,131	28,241	247,175
Machinery and equipment	46,362	46,922	407,363
Furniture and fixtures	20,774	20,252	182,532
Construction in progress	3,425	1,017	30,094
Total	104,883	103,207	921,562
Accumulated depreciation	(78,093)	(79,264)	(686,170)
Net property, plant and equipment	26,790	23,943	235,392
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 14)	893	1,042	7,846
Deferred tax assets (Note 10)	49	14	431
Asset for employees' retirement benefits (Note 8)	251	55	2,205
Other assets	1,094	1,101	9,613
Total investments and other assets	2,287	2,212	20,095
TOTAL	¥ 62,811	¥ 57,417	$ 551,893

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7 and 14)	¥ 856		$ 7,521
Accounts payable－trade (Note 14)	4,073	¥ 3,496	35,788
Income taxes payable (Note 14)	272	117	2,390
Accrued expenses and other	3,537	3,057	31,078
Total current liabilities	8,738	6,670	76,777
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	3,994		35,094
Liability for employees' retirement benefits (Note 8)	13	24	114
Retirement benefits to directors and corporate auditors	140	120	1,230
Provision for loss on business liquidation	273	710	2,399
Other (Note 10)	139	170	1,221
Total long-term liabilities	4,559	1,024	40,058
EQUITY (Note 9):			
Common stock－authorized, 94,595,700 shares; issued, 42,466,865 shares in 2017 and 2016	16,404	16,404	144,135
Capital surplus	17,252	17,252	151,586
Retained earnings	18,358	16,942	161,304
Treasury stock－at cost, 3,815,825 shares in 2017 and 2,560,918 shares in 2016	(2,574)	(1,732)	(22,617)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	305	381	2,680
Foreign currency translation adjustments	(451)	372	(3,962)
Defined retirement benefit plans	69	(26)	606
Total	49,363	49,593	433,732
Noncontrolling interests (Note 2.s)	151	130	1,326
Total equity	49,514	49,723	435,058
TOTAL	¥ 62,811	¥ 57,417	$ 551,893

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended January 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET SALES	¥ 65,346	¥ 64,104	$ 574,167
COST OF SALES	56,257	55,056	494,306
Gross profit	9,089	9,048	79,861
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	7,268	7,190	63,861
Operating income	1,821	1,858	16,000
OTHER INCOME (EXPENSES):			
Interest and dividend income	55	73	483
Interest expense	(8)	(1)	(70)
Foreign exchange gain－net	43	401	378
Gain on sales of available-for-sale securities (Note 5)	80		703
Loss on disposal of inventories	(20)		(176)
Subsidy income	583	115	5,123
Reversal of provision for loss on business liquidation	108		949
Loss on sales and disposal of property, plant and equipment	(59)	(50)	(518)
Loss on impairment of long-lived assets (Note 12)	(160)	(167)	(1,406)
Loss on disaster (Note 13)	(362)		(3,181)
Other－net	107	110	940
Other income－net	367	481	3,225
INCOME BEFORE INCOME TAXES	2,188	2,339	19,225
INCOME TAXES (Note 10):			
Current	242	327	2,127
Deferred	69	175	606
Total income taxes	311	502	2,733
NET INCOME	1,877	1,837	16,492
NET INCOME ATTRIBUTED TO NONCONTROLLING INTERESTS	(27)	(20)	(237)
NET INCOME ATTRIBUTED TO OWNERS OF THE PARENT	¥ 1,850	¥ 1,817	$ 16,255

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	¥ 47.41	¥ 44.33	$ 0.42
Cash dividends applicable to the year	10.0	13.0	0.09

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended January 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥ 1,877	¥ 1,837	$ 16,492
OTHER COMPREHENSIVE LOSS (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(76)	1	(668)
Foreign currency translation adjustments	(823)	(1,107)	(7,231)
Defined retirement benefit plans	95	(1)	835
Total other comprehensive loss	(804)	(1,107)	(7,064)
COMPREHENSIVE INCOME	¥ 1,073	¥ 730	$ 9,428
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 1,046	¥ 710	$ 9,191
Noncontrolling interests (Note 2.s)	27	20	237

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended January 31, 2017

	Thousands	Millions of Yen									
						Accumulated other comprehensive income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests (Note 2.s)	Total Equity
BALANCE, FEBRUARY 1, 2015	41,607	¥ 16,404	¥ 17,252	¥ 15,186	¥ (469)	¥ 380	¥ 1,479	¥ (25)	¥ 50,207	¥ 117	¥ 50,324
Cumulative effects of accounting change (Note 2.i)				643					643		643
RESTATED BALANCE, FEBRUARY 1, 2015	41,607	16,404	17,252	15,829	(469)	380	1,479	(25)	50,850	117	50,967
Net income attributable to owners of the parent				1,817					1,817		1,817
Cash dividends, ¥17.0 per share				(704)					(704)		(704)
Purchase of treasury stock	(1,701)				(1,263)				(1,263)		(1,263)
Net changes in the year						1	(1,107)	(1)	(1,107)	13	(1,094)
BALANCE, JANUARY 31, 2016	39,906	¥ 16,404	¥ 17,252	¥ 16,942	¥ (1,732)	¥ 381	¥ 372	¥ (26)	¥ 49,593	¥ 130	¥ 49,723
Net income attributable to owners of the parent				1,850					1,850		1,850
Cash dividends, ¥11.0 per share				(434)					(434)		(434)
Purchase of treasury stock	(1,255)				(842)				(842)		(842)
Net changes in the year						(76)	(823)	95	(804)	21	(783)
BALANCE, JANUARY 31, 2017	38,651	¥ 16,404	¥ 17,252	¥ 18,358	¥ (2,574)	¥ 305	¥ (451)	¥ 69	¥ 49,363	¥ 151	¥ 49,514

	Thousands of U.S. Dollars (Note 1)									
					Accumulated other comprehensive income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests (Note 2.s)	Total Equity
BALANCE, JANUARY 31, 2016	$ 144,135	$ 151,586	$ 148,862	$ (15,218)	$ 3,348	$ 3,269	$ (229)	$ 435,753	$ 1,142	$ 436,895
Net income attributable to owners of the parent			16,255					16,255		16,255
Cash dividends, $0.10 per share			(3,813)					(3,813)		(3,813)
Purchase of treasury stock				(7,399)				(7,399)		(7,399)
Net changes in the year					(668)	(7,231)	835	(7,064)	184	(6,880)
BALANCE, JANUARY 31, 2017	$ 144,135	$ 151,586	$ 161,304	$ (22,617)	$ 2,680	$ (3,962)	$ 606	$ 433,732	$ 1,326	$ 435,058

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended January 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,188	¥ 2,339	$ 19,225
Adjustments for:			
Income taxes－paid	(334)	(518)	(2,935)
Depreciation and amortization	4,686	4,615	41,174
Loss on impairment of long-lived assets	160	167	1,406
Foreign exchange loss (gain)－net	405	(167)	3,559
Gain on sale of property, plant and equipment	(22)	(10)	(193)
Loss on sale and disposal of property, plant and equipment	59	50	518
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable－trade	(1,110)	6	(9,753)
(Increase) decrease in inventories	(655)	200	(5,755)
Increase (decrease) in accounts payable－trade	669	(247)	5,878
Decrease in asset or liability for employees' retirement benefits	(130)	(123)	(1,142)
Increase (decrease) in retirement benefits to directors and corporate auditors	19	(7)	167
Decrease in provision for loss on business liquidation	(437)	(13)	(3,840)
Other－net	(468)	(245)	(4,113)
Total adjustments	2,842	3,708	24,971
Net cash provided by operating activities	5,030	6,047	44,196
INVESTING ACTIVITIES:			
Purchase of property, plant, equipment and intangible assets	(7,817)	(5,162)	(68,685)
Proceeds from sale of property, plant and equipment	544	7	4,780
Decrease (increase) in time deposits－net	(24)	4	(211)
Other－net	99	(26)	870
Net cash used in investing activities	(7,198)	(5,177)	(63,246)
FORWARD	¥ (2,168)	¥ 870	$ (19,050)

(Continued)

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended January 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
FORWARD	¥ (2,168)	¥ 870	$ (19,050)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	5,000		43,933
Repayments of long-term debt	(150)		(1,318)
Purchase of treasury stock	(842)	(1,263)	(7,399)
Dividends paid	(434)	(704)	(3,813)
Other―net	(6)	(7)	(52)
Net cash provided by (used in) financing activities	3,568	(1,974)	31,351
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(416)	(144)	(3,655)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	984	(1,248)	8,646
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,544	13,792	110,219
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 13,528	¥ 12,544	$ 118,865

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui High-tec, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113.81 to U.S. $1, the approximate rate of exchange at January 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation ― The consolidated financial statements as of January 31, 2017 include the accounts of the Company and its 14 (15 in 2016) subsidiaries (collectively, the "Group"). Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

During the year ended January 31, 2017, a subsidiary was excluded from the scope of the consolidation due to liquidation.

Goodwill is amortized using the straight-line method over a period of 20 years. However, goodwill has not been incurred.

All significant intercompany balances, transactions, and unrealized profits included in inventories and fixed assets resulting from transactions within the Group have been eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements ―Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Cash Equivalents ― Cash equivalents are short-term investments that are readily convertible into cash and exposed to an insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

d. ***Inventories*** — Inventories are principally stated at the lower of cost, substantially determined by the specific-cost method, or net realizable value, except for certain products, raw materials and supplies which are stated at the lower of cost, determined by the moving-average method, or net realizable value.

e. ***Investment Securities*** — Investment securities are classified and accounted for, depending on management's intent. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Depreciation and Amortization*** — Depreciation of property, plant and equipment is primarily computed by the declining-balance method over the estimated useful lives of the assets, except for the buildings acquired by the Company and its domestic subsidiaries after April 1, 1998, and building improvements and structures acquired by the Company and its domestic subsidiaries on or after April 1, 2016, which are computed by the straight-line method. The range of useful lives is principally from 31 to 47 years for buildings, and from 5 to 10 years for machinery and equipment.

Amortization of intangible assets included in other assets is computed by the straight-line method over the estimated useful lives (5 years).

g. ***Long-lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. ***Retirement and Pension Plan*** — The Company and its domestic subsidiaries have contributory funded defined pension plans and the Company also has a defined contribution pension plan. Some subsidiaries of the Company have lump-sum payment plans. The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for employee's retirement benefits) or asset (asset for employee's retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (See Note 16).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective January 31, 2015, and for (c) above, effective February 1, 2015.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. The Company recorded the effect of (c) above as of February 1, 2015, in retained earnings. As a result, liability for employee's retirement benefits as of February 1, 2015, decreased by ¥643 million, and retained earnings as of February 1, 2015, increased by the same amount. Further the effects of (c) above on operating income, income before income taxes and noncontrolling interests and basic net income per share for the years ended January 31, 2016, was not be material.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. The provisions for the retirement benefits are not funded. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

j. ***Bonuses to Directors and Corporate Auditors*** ― Bonuses to directors and corporate auditors are accrued at the end of year to which such bonuses are attributable.

k. ***Provision for Loss on Business Liquidation*** ― In order to reserve for loss on business liquidation, an estimated amount of loss on liquidation as of fiscal year end is recorded.

l. ***Research and Development Costs*** ― Research and development costs are charged to income as incurred.

m. ***Income Taxes*** ― The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

n. ***Foreign Currency Transactions*** ― All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

o. ***Foreign Currency Financial Statements*** ― The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.

p. ***Derivatives and Hedging Activities*** ― The Company uses foreign exchange forward contracts to manage its exposures to fluctuations in foreign exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until each maturity of the hedged transactions. The effectiveness of hedging instruments is determined based on the correlation of price fluctuations and cash flows between hedging instruments and hedged items for the period from the beginning of the hedge to the time of evaluation.

Foreign currency forward contracts are utilized to hedge foreign exchange exposures for export sales. Receivables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for hedge accounting.

q. ***Per Share Information*** ― Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the fiscal year.

Diluted net income per share is not disclosed in the accompanying consolidated statements of income as the Group does not have any dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

r. ***New Accounting Pronouncement***

Tax Effect Accounting

On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of the Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective February 1, 2017, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

s. Accounting Change

Accounting Standards for Business Combinations and Consolidated Financial Statements

The Company adopted the revised "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the revised "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013). As a result, under these revised accounting standards, the presentation method of income (loss) attributable to owners of the parent was amended, and "minority interests" was changed to "noncontrolling interests." We retrospectively restated the presentation of previous financial statements in this annual report to make it understandable.

3. SHORT-TERM INVESTMENTS

Short-term investments as of January 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Time deposits which mature over three months from the date of acquisition	¥ 111	¥ 315	$ 975

4. INVENTORIES

Inventories at January 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Merchandise	¥ 492	¥ 373	$ 4,323
Finished products	2,059	2,092	18,091
Work in process	2,015	1,614	17,705
Raw materials and supplies	1,272	1,249	11,177
Goods in transit	60	44	527
Total	¥ 5,898	¥ 5,372	$ 51,823

5. INVESTMENT SECURITIES

Investment securities as of January 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-current:			
Marketable equity securities	¥ 854	¥ 1,003	$ 7,504
Nonmarketable equity securities	39	39	342
Total	¥ 893	¥ 1,042	$ 7,846

The costs and aggregate fair values of marketable equity securities at January 31, 2017 and 2016, were as follows:

	Millions of Yen			
January 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 415	¥ 439		¥ 854
January 31, 2016				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 441	¥ 562		¥ 1,003

	Thousands of U.S. Dollars			
January 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 3,647	$ 3,857		$ 7,504

The information for available-for sale securities which were sold during the year ended January 31, 2017, was as follows:

	Millions of Yen		
January 31, 2017	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 108	¥ 80	

	Thousands of U.S. Dollars		
January 31, 2017	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	$ 949	$ 703	

6. INVESTMENT PROPERTY

The Group holds some idle assets in Fukuoka and other areas.

In addition, the carrying amounts, changes in such balances and market prices of such properties were as follows:

Millions of Yen			
Carrying amount			Fair value
February 1, 2016	Increase/Decrease	January 31, 2017	January 31, 2017
¥ 909	¥ (582)	¥ 327	¥ 337

Millions of Yen			
Carrying amount			Fair value
February 1, 2015	Increase/Decrease	January 31, 2016	January 31, 2016
¥ 909		¥ 909	¥ 978

Thousands of U.S. Dollars			
Carrying amount			Fair value
February 1, 2016	Increase/Decrease	January 31, 2017	January 31, 2017
$ 7,987	$ (5,114)	$ 2,873	$ 2,961

Notes:
1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended January 31, 2017, represents the sale of certain properties of ¥582 million ($5,114 thousand).
3) Fair value of properties is based on a real estate appraisal by an external real estate appraiser.

7. LONG-TERM DEBT

Long-term debt as of year ended January 31, 2017 consisted of the followings:

Year ending January 31	Millions of Yen	Thousands of U.S. Dollars
Unsecured loans from banks, with interest rates ranging from 0.1% to 0.4%, due 2021	¥ 4,850	$ 42,615
Total	¥ 4,850	$ 42,615
Less current portion	¥ (856)	$ (7,521)
Long-term debt, less current portion	¥ 3,994	$ 35,094

Annual maturities of long-term debt as of January 31, 2017, were as follows:

Year ending January 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 856	$ 7,521
2019	1,075	9,446
2020	1,075	9,446
2021	1,075	9,446
2022	769	6,756
Total	¥ 4,850	$ 42,615

8. RETIREMENT AND PENSION PLANS

The Company and its some subsidiaries have contributory funded defined pension plans and the Company also has a defined contribution pension plan.

Under most circumstances in the defined benefit plan, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Defined benefit pension plans

(1) The changes in defined benefit obligation for the years ended January 31, 2017 and 2016, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year (as previously reported)	¥ 5,137	¥ 5,560	$ 45,137
Cumulative effect of accounting change		(643)	
Balance at beginning of year (as restated)	5,137	4,917	45,137
Current service cost	330	325	2,900
Interest cost	26	25	229
Actuarial gains	(105)	(16)	(923)
Benefits paid	(190)	(112)	(1,670)
Others	3	(2)	26
Balance at end of year	¥ 5,201	¥ 5,137	$ 45,699

(2) The changes in plan assets for the years ended January 31, 2017 and 2016, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 5,113	¥ 4,772	$ 44,926
Expected return on plan assets	102	96	896
Actuarial gains (losses)	0	(21)	0
Contributions from the employer	355	373	3,119
Benefits paid	(189)	(106)	(1,660)
Others	0	(1)	0
Balance at end of year	¥ 5,381	¥ 5,113	$ 47,281

(3) The changes in net defined benefit asset applying the simplified method for the year ended January 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 55	¥ 46	$ 483
Net periodic retirement benefit costs	(2)	(3)	(17)
Contributions from the employer	5	12	43
Balance at end of year	¥ 58	¥ 55	$ 509

(4) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended January 31, 2017 and 2016, was as follows:

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Funded defined benefit obligation	¥ 5,241	¥ 5,175	$ 46,050
Plan assets	(5,489)	(5,216)	(48,229)
	(248)	(41)	(2,179)
Unfunded defined benefit obligation	10	10	88
Net asset arising from defined benefit obligation	¥ (238)	¥ (31)	$ (2,091)

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Liability for employees' retirement benefits	¥ 13	¥ 24	$ 114
Asset for employees' retirement benefits	(251)	(55)	(2,205)
Net asset arising from defined benefit obligation	¥ (238)	¥ (31)	$ (2,091)

(5) The components of net periodic benefit costs for the years ended January 31, 2017 and 2016, were as follows:

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Service cost	¥ 330	¥ 325	$ 2,900
Interest cost	26	25	229
Expected return on plan assets	(102)	(96)	(896)
Recognized actuarial losses	14	19	123
Others	16	(12)	140
Net periodic retirement benefit costs calculated under the simplified method	2	3	17
Net periodic benefit costs	¥ 286	¥ 264	$ 2,513

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended January 31, 2017 and 2016, were as follows:

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Actuarial gains	¥ 118	¥ 13	$ 1,037
Total	¥ 118	¥ 13	$ 1,037

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of January 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial gains (losses)	¥ 92	¥ (27)	$ 808
Total	¥ 92	¥ (27)	$ 808

(8) Plan assets

a. Components of plan assets

Plan assets as of January 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	12.0%	6.4%
Equity investments	8.1	9.1
General account	73.0	82.7
Others	6.9	1.8
Total	100.0%	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and target asset allocations and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used in accounting for the plan assets for the years ended January 31, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined contribution pension plans

The required contributions to defined contribution plans by the Company for the years ended January 31, 2017 and 2016 were ¥120 million ($1,054 thousand) and ¥118 million, respectively.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/decreases and transfer of common stock, reserve and surplus*

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

c. *Treasury stock and treasury stock acquisition rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective tax rates of approximately 32.8% and 35.3% for the years ended January 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at January 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Tax loss carryforwards	¥ 2,401	¥ 2,695	$ 21,097
Loss on impairment of long-lived assets	1,296	1,557	11,387
Unrealized profits included in inventories and fixed assets	103	91	905
Provision for loss on business liquidation	83	227	729
Liability for employee's retirement benefits	2	5	18
Other	120	149	1,055
Less valuation allowance	(3,627)	(4,336)	(31,869)
Total	378	388	3,322
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(133)	(180)	(1,169)
Other	(112)	(55)	(984)
Total	(245)	(235)	(2,153)
Net deferred tax assets	¥ 133	¥ 153	$ 1,169

The amounts of the net deferred tax assets (liabilities) are shown in the following accounts in the consolidated balance sheets as of January 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets － current assets	¥ 223	¥ 309	$ 1,959
Deferred tax assets － investments and other assets	49	14	431
Other (deferred tax liabilities) － long-term liabilities	(139)	(170)	(1,221)

A reconciliation between the statutory tax rates and the effective tax rates reflected in the accompanying consolidated statements of income for the years ended January 31, 2017 and 2016, was as follows:

	2017	2016
Statutory tax rate	32.8%	35.3%
Permanent nondeductible expenses, such as entertainment expenses	1.0	1.0
Permanent nontaxable income, such as dividend income	(0.2)	(0.4)
Change in valuation allowance	(15.2)	(14.8)
Lower income tax rates applicable in certain foreign countries	(2.4)	(1.3)
Foreign corporation tax	1.3	2.4
Effect of tax deduction	(0.7)	(1.1)
Effect of changes in statutory tax rate	(0.2)	(1.9)
Other－net	(2.2)	2.2
Effective tax rate	14.2%	21.4%

New tax reform law, “Partial Amendment of the Income Tax Act, etc.” (Act No. 15, 2016) and “Partial Amendment of the Local Tax Act, etc.” (Act No. 12, 2016) enacted on March 29, 2016. As a result, the effective statutory tax rate to measure the Company’s deferred tax assets and liabilities was changed from 32.0% to 30.7% and 30.4% for the temporary differences expected to be realized or settled from February 1, 2017 to January 31, 2019 and for the temporary differences expected to be realized or settled from February 1, 2019, respectively. The effect of this change on the consolidated financial statements was immaterial.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended January 31, 2017 and 2016, were ¥302 million ($2,654 thousand) and ¥586 million, respectively.

12. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of January 31, 2017. As a result, the Group recognized impairment losses totaling ¥160 million ($1,406 thousand) for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Guang Dong) Co., Ltd., due to continuous operating losses at these units, the carrying amounts of property, plant and equipment were written down to the recoverable amounts.

Comparatively, the Company has recorded impairment losses totaling ¥167 million for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Tianjin) Co., Ltd. and the Electrical Parts and the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Guang Dong) Co., Ltd. for the year ended January 31, 2016.

The recoverable amounts of business assets were measured at their values in use and the discount rate used for computation of the present values of future cash flows were 5.6% and 4.8% for the years ended January 31, 2017 and 2016, respectively.

13. LOSS ON DISASTER

The “2016 Kumamoto Earthquake,” which occurred on April 14, 2016, caused damages to the factories of Kumamoto office of the Company and Mitsui Electric Co., Ltd., one of the subsidiaries of the Company. The Group recorded expenditures of restoration-related expenses of ¥362 million ($3,181 thousand) as loss on disaster.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group finances its operations mainly by bank loans, based on its capital investment plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of customers to identify the default risk of customers.

Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts.

Investment securities, mainly equity securities of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Payment terms of payables, such as trade accounts, are approximately less than one month. Although a bank loan is exposed to market risks from changes in variable interest rates, this risk is managed by monitoring market risks on a regular basis.

Derivatives include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables. Please see Note 15 for more details about derivatives.

(3) Fair values of financial instruments.

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of yen		
January 31, 2017	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 13,528	¥ 13,528	
Short-term investments	111	111	
Notes and accounts receivable－trade	12,401	12,401	
Investment securities	854	854	
Total	¥ 26,894	¥ 26,894	
Accounts payable－trade	¥ 4,073	¥ 4,073	
Income taxes payable	272	272	
Long-term debt			
(including current portion)	4,850	4,850	¥ 0
Total	¥ 9,195	¥ 9,195	¥ 0

January 31, 2016	Millions of yen Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 12,544	¥ 12,544	
Short-term investments	315	315	
Notes and accounts receivable—trade	11,507	11,507	
Investment securities	1,003	1,003	
Total	¥ 25,369	¥ 25,369	
Accounts payable—trade	¥ 3,496	¥ 3,496	
Income taxes payable	117	117	
Total	¥ 3,613	¥ 3,613	

January 31, 2017	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 118,865	$ 118,865	
Short-term investments	975	975	
Notes and accounts receivable—trade	108,962	108,962	
Investment securities	7,504	7,504	
Total	$ 236,306	$ 236,306	
Accounts payable—trade	$ 35,788	$ 35,788	
Income taxes payable	2,390	2,390	
Long-term debt (including current portion)	42,615	42,615	$ 0
Total	$ 80,793	$ 80,793	$ 0

Cash, cash equivalents and short-term investments

The carrying values of cash, cash equivalents and short-term investments approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 5.

Notes and accounts receivable —trade, accounts payables —trade and income taxes payable

The carrying values of notes and accounts receivable—trade, accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Among accounts receivable—trade, the receivables with foreign exchange forward contracts that meet certain criteria are combined with foreign exchange forward contracts to determine the fair value. For other receivables, the carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

Long-term debt

Long-term debt—the fair values of long-term debt at fixed interest rates are determined by discounting the cash flows related to the debt at the Company’s assumed borrowing rate.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments in equity securities that do not have a quoted market price in an active market	¥ 39	¥ 39	$ 342

(4) Maturity analysis for financial assets with contractual maturities

	Millions of Yen	
January 31, 2017	Due in one year or less	Due after one year
Cash and cash equivalents	¥ 13,528	
Short-term investments	111	
Notes and accounts receivable－trade	12,401	
Total	¥ 26,040	

	Millions of Yen	
January 31, 2016	Due in one year or less	Due after one year
Cash and cash equivalents	¥ 12,544	
Short-term investments	315	
Notes and accounts receivable－trade	11,507	
Total	¥ 24,366	

	Thousands of U.S. Dollars	
January 31, 2017	Due in one year or less	Due after one year
Cash and cash equivalents	$ 118,865	
Short-term investments	975	
Notes and accounts receivable－trade	108,962	
Total	$ 228,802	

Please see Note 7 for annual maturities of long-term debt.

15. DERIVATIVES

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. Subsidiaries do not enter into derivative transactions.

The Company utilizes these instruments only to hedge foreign currency exposures incorporated within its business and does not enter into derivatives for trading or speculative purposes.

Because the counterparties to those derivatives are limited to major international or domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
At January 31, 2017	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 3,510		

	Millions of Yen			
At January 31, 2016	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 2,793		

	Thousands of U.S. Dollars			
At January 31, 2017	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$ 30,841		

The fair values of derivative transactions are included in the fair values of accounts receivable－trade as the hedged item.

16. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended January 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized (loss) gain on available-for-sale securities:			
Loss arising during the year	¥ (49)	¥ (26)	$ (431)
Reclassification adjustments to profit or loss	(74)		(650)
Amount before income tax effect	(123)	(26)	(1,081)
Income tax effect	47	27	413
Total	¥ (76)	¥ 1	$ (668)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (823)	¥ (1,107)	$ (7,231)
Defined retirement benefit plans			
Adjustments arising during the year	¥ 104	¥ (6)	$ 914
Reclassification adjustments to profit or loss	14	19	123
Amount before income tax effect	118	13	1,037
Income tax effect	(23)	(14)	(202)
Total	¥ 95	¥ (1)	$ 835
Total other comprehensive loss	¥ (804)	¥ (1,107)	$ (7,064)

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

   The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of Tooling, Electronic Parts, Electrical Parts and Machinery.

   “Tooling” consists of stamping for motor cores and IC leadframes, and other precision tooling and parts.
   “Electronic Parts” consists of IC leadframes and assembly of IC packages.
   “Electrical Parts” consists of motor cores.
   “Machinery” consists of surface grinders and jig grinders.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

3. Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen						
	2017						
	Reportable segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 4,241	¥ 35,892	¥ 24,176	¥ 1,037	¥ 65,346		¥ 65,346
Intersegment sales or transfers	2,568	0		287	2,855	¥ (2,855)	
Total	¥ 6,809	¥ 35,892	¥ 24,176	¥ 1,324	¥ 68,201	¥ (2,855)	¥ 65,346
Segment profit (loss)	¥ 707	¥ 1,022	¥ 2,253	¥ (42)	¥ 3,940	¥ (2,119)	¥ 1,821
Segment assets	6,411	28,349	17,014	684	52,458	10,353	62,811
Other:							
Depreciation	375	2,466	1,684	31	4,556	130	4,686
Increase in property, plant and equipment and intangible assets	498	2,790	5,133	112	8,533	154	8,687
Impairment losses of assets		160			160		160

	Millions of Yen						
	2016						
	Reportable segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 4,037	¥ 38,453	¥ 20,533	¥ 1,081	¥ 64,104		¥ 64,104
Intersegment sales or transfers	2,778	2		293	3,073	¥ (3,073)	
Total	¥ 6,815	¥ 38,455	¥ 20,533	¥ 1,374	¥ 67,177	¥ (3,073)	¥ 64,104
Segment profit	¥ 589	¥ 1,973	¥ 1,181	¥ 55	¥ 3,798	¥ (1,940)	¥ 1,858
Segment assets	5,861	28,783	12,910	644	48,198	9,219	57,417
Other:							
Depreciation	403	2,693	1,369	20	4,485	130	4,615
Increase in property, plant and equipment and intangible assets	318	2,756	1,910	29	5,013	155	5,168
Impairment losses of assets	3	94	70		167		167

	Thousands of U.S. Dollars						
	2017						
	Reportable segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 37,264	$ 315,368	$ 212,424	$ 9,111	$ 574,167		$ 574,167
Intersegment sales or transfers	22,564	0		2,522	25,086	$ (25,086)	
Total	$ 59,828	$ 315,368	$ 212,424	$ 11,633	$ 599,253	$ (25,086)	$ 574,167
Segment profit (loss)	$ 6,212	$ 8,980	$ 19,796	$ (369)	$ 34,619	$ (18,619)	$ 16,000
Segment assets	56,331	249,091	149,494	6,010	460,926	90,967	551,893
Other:							
Depreciation	3,295	21,668	14,797	272	40,032	1,142	41,174
Increase in property, plant and equipment and intangible assets	4,376	24,515	45,101	984	74,976	1,353	76,329
Impairment losses of assets		1,406			1,406		1,406

Notes: 1. The amounts of “Reconciliations” for the year ended January 31, 2017, are as follows:

(1) The amount of “Reconciliations” for segment profit is ¥2,119 million ($18,619 thousand). This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.

(2) The amount of “Reconciliations” for segment assets is ¥10,353 million ($90,967 thousand), this amount is corporate assets which are not allocable to the reportable segments.

(3) The amount of “Reconciliations” for depreciation of ¥130 million ($1,142 thousand) consists of depreciation of corporate assets.

(4) The “Reconciliations” of increase in property, plant and equipment and intangible assets of ¥154 million ($1,353 thousand) is an increase of corporate assets.

Segment profit in reportable segments corresponds to operating income.

2. The amounts of “Reconciliations” for the year ended January 31, 2016, are as follows:

(1) The amount of “Reconciliations” for segment profit is ¥1,940 million. This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.

(2) The amount of “Reconciliations” for segment assets comprises elimination of intersegment transactions of ¥12,848 million and corporate assets of ¥22,067 million.

(3) The amount of “Reconciliations” for depreciation of ¥130 million consists of depreciation of corporate assets.

(4) The “Reconciliations” of increase in property, plant and equipment and intangible assets of ¥155 million is an increase of corporate assets.

Segment profit in reportable segments corresponds to operating income.

4. Related information

1. Information about geographical areas

(1) Sales

Millions of Yen			
2017			
Japan	China	Other	Total
¥ 28,812	¥ 13,939	¥ 22,595	¥ 65,346

Millions of Yen			
2016			
Japan	China	Other	Total
¥ 26,192	¥ 14,134	¥ 23,778	¥ 64,104

Thousands of U.S. Dollars			
2017			
Japan	China	Other	Total
$ 253,159	$ 122,476	$ 198,532	$ 574,167

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen			
2017			
Japan	China	Other	Total
¥ 18,378	¥ 2,820	¥ 5,592	¥ 26,790

Millions of Yen			
2016			
Japan	China	Other	Total
¥ 17,224	¥ 3,451	¥ 3,268	¥ 23,943

Thousands of U.S. Dollars			
2017			
Japan	China	Other	Total
$ 161,480	$ 24,778	$ 49,134	$ 235,392

2. Information about major customers

Name of customer	Millions of Yen 2017 Sales		Related segment name
TOYOTA MOTOR CORPORATION	¥	12,980	Electrical Parts

Name of customer	Millions of Yen 2016 Sales		Related segment name
TOYOTA MOTOR CORPORATION	¥	10,845	Electrical Parts

Name of customer	Thousands of U.S. Dollars 2017 Sales		Related segment name
TOYOTA MOTOR CORPORATION	$	114,050	Electrical Parts

18. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

At the general shareholders meeting held on April 20, 2017, the Company's shareholders approved the following appropriation of retained earnings as of January 31, 2017:

	Millions of Yen		Thousands of U.S. Dollars	
Year-end cash dividends, ¥5.0 ($0.04) per share	¥	193	$	1,696

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