April 28, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japan Standards] (Consolidated)

Company name: MAX Co., Ltd. Stock listing: Tokyo Stock Exchange
Securities code: 6454 URL:http://www.max-ltd.co.jp
Representative: Hachiro Kawamura, President TEL: +81-3-3669-8106
Inquiries: Yasushi Asami, Managing Executive Officer
Date of annual shareholder meeting June 29, 2016
Date of filing of financial statements June 29, 2016
Date of commencement of dividend payment June 30, 2016
The supplementary explanation document for the accounts is created. Yes
The briefing for the accounts is held. (for investment analysts and fund managers) Yes

(Millions of yen rounded down)

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results (Total)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 2016	66,510	2.4	5,883	11.2	5,792	(2.5)	3,512	9.0
FY ended March 2015	64,950	0.2	5,290	15.4	5,939	23.1	3,222	14.7

(Note) Comprehensive income
FY ended March 31, 2016: 604 million yen (-89.0%)
FY ended March 31, 2015: 5,479 million yen (58.1%)

	Net Income per Share	Net Income per Share after Dilution	ROE	ROA	Operating Margin
	Yen	Yen	%	%	%
FY ended March 2016	71.27	―	5.4	6.5	8.8
FY ended March 2015	65.37	―	5.1	6.9	8.1

(Note) Equity in (earnings) losses of affiliates
FY ended March 31, 2016: ― million yen
FY ended March 31, 2015: ― million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2016	88,828	64,263	72.2	1,301.81
FY ended March 31, 2015	88,590	65,495	73.8	1,326.48

(Reference) Shareholders' equity
FY ended March 31, 2016: 64,150 million yen
FY ended March 31, 2015: 65,379 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financial Activities	Cash and Cash Equivalents at End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended March 31, 2016	5,471	(570)	(2,068)	17,783
FY ended March 31, 2015	6,713	(1,275)	(2,025)	15,343

2. Dividends

	Dividends per Share					Total Dividends	Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended March 2015	－	－	－	37.00	37.00	1,823	56.6	2.8
FY ended March 2016	－	－	－	39.00	39.00	1,921	54.7	3.0
FY ending March 2017 (Forecast)	－	－	－	39.00	39.00		48.0	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half (Total)	33,200	2.4	2,600	(9.2)	2,700	(7.3)	1,750	(8.2)	35.51
Full year	69,400	4.3	6,000	2.0	6,150	6.2	4,000	13.9	81.24

* Notes

(1) Changes in material subsidiaries during the fiscal term under review (changes in specific subsidiaries affecting the scope of consolidation): None

New: － (Company name:) Excluded: － (Company name:)

(2) Changes in accounting principles, changes in accounting estimates and restatements

1) Changes due to revisions to accounting standards, etc.: Yes
2) Changes other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)
   As of March 31, 2016: 49,500,626 shares
   As of March 31, 2015: 49,500,626 shares
2) Number of treasury stock at term-end
   As of March 31, 2016: 222,798 shares
   As of March 31, 2015: 212,716 shares
3) Number of average stock during term
   Twelve months ended March 31, 2016: 49,282,397 shares
   Twelve months ended March 31, 2015: 49,291,366 shares

(Reference) Non-consolidated Operating Results

Non-consolidated Operating Results for the Fiscal Year Ended March 31, 2016
(April 1, 2015 to March 31, 2016)

(1) Non-consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 2016	59,668	1.9	4,949	7.4	5,274	(1.2)	3,363	10.9
FY ended March 2015	58,570	(1.5)	4,610	13.6	5,340	8.9	3,033	(3.5)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY ended March 2016	68.25	—
FY ended March 2015	61.54	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2016	84,282	65,324	77.5	1,325.64
FY ended March 31, 2015	83,987	64,146	76.4	1,301.48

(Reference) Shareholders' equity:
FY ended March 31, 2016: 65,324 million yen
FY ended March 31, 2015: 64,146 million yen

***Display concerning execution condition of the auditing procedure**
This summary of financial results is not subject to auditing procedures based on the Financial Instruments and Exchange Act, and at the time of its disclosure, the auditing procedure for the financial statements based on the Financial Instruments and Exchange Act has not ended.

***Explanation and other special notes regarding the appropriate use of the earnings forecast**
Statements on the future of our business in these materials, including the earnings forecast, are based on information available at this moment and certain preconditions which we judge as rational and appropriate. Therefore, actual results and other achievements may differ substantially from the above forecasts for various reasons. For the preconditions of our earnings forecast and matters to be noticed when using the forecast, please refer to page 7 of the appendix, "1. Operating Results, (1) Analysis of Consolidated Operating Results, 3) Outlook for the Coming Term."

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[Qualitative Information and Financial Statements]

1. Operating Results

(1) Analysis of Consolidated Operating Results

1) Business results of all companies during the consolidated fiscal year under review

(Millions of yen, %)

	FY 2016 (Ended March 2016)	FY 2015 (Ended March 2015)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	66,510	64,950	+1,559	+2.4
Operating Income	5,883	5,290	+593	+11.2
Ordinary Income	5,792	5,939	(146)	(2.5)
Net Income Attributable to Shareholders of Parental Company	3,512	3,222	+290	+9.0
Net Income per Share (yen)	71.27 yen	65.37 yen	+5.90 yen	–
Operating Margin	8.8	8.1	+0.7 points	
ROE	5.4	5.1	+0.3 points	

During the consolidated cumulative period under review (fiscal year ended March 31, 2016), the Japanese economy continued to recover at a gradual pace driven by improvements in employment and income conditions, as corporate earnings kept growing due to economic and financial measures implemented by the Government. The number of new housing starts affecting our operations showed signs of a recovery in Japan, underpinned by the scaling down of the negative impact in demand after the buying rush preceding April 2014 tax hike, and by the Government's efforts to support housing purchases.

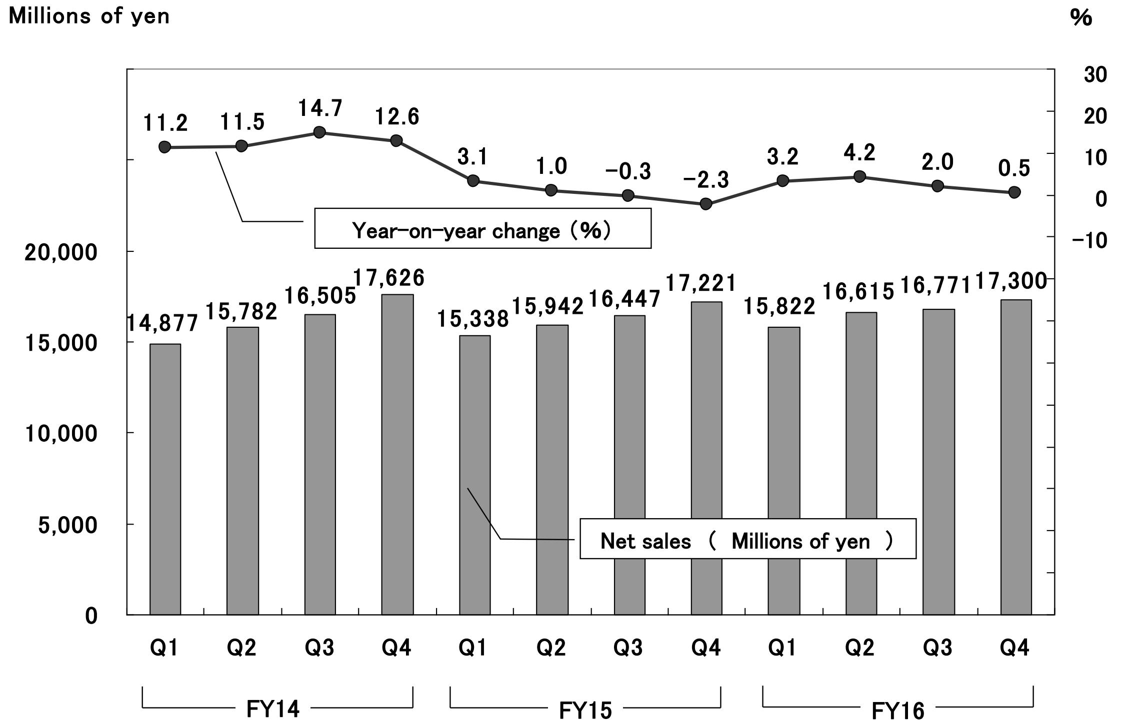
The US economy continued to be solid supported by rising consumer spending and housing investments, which favorably impacted the Company's performance overseas. The sluggish growth in Europe still at low levels overall, despite some countries showing signs of a modest recovery, and the slowdown in certain Asian emerging economies and China, however, have taken their toll, leaving the situation surrounding Max Group still uncertain.

Under such circumstances, we have established a management policy for this fiscal term of "1. Establishing growth businesses, 2. Increasing earning capacity, 3. Thinking and acting by oneself," and we have been working on implementing the following four fundamental strategies: 1) Shift investments to growth areas; 2) Restructure our consumables business; 3) Reduce costs through capital investment and reorganization of locations; 4) Explore and cultivate new technological fields. This way, the Group is committed to achieving sustained growth and enhancing group-wide profitability.

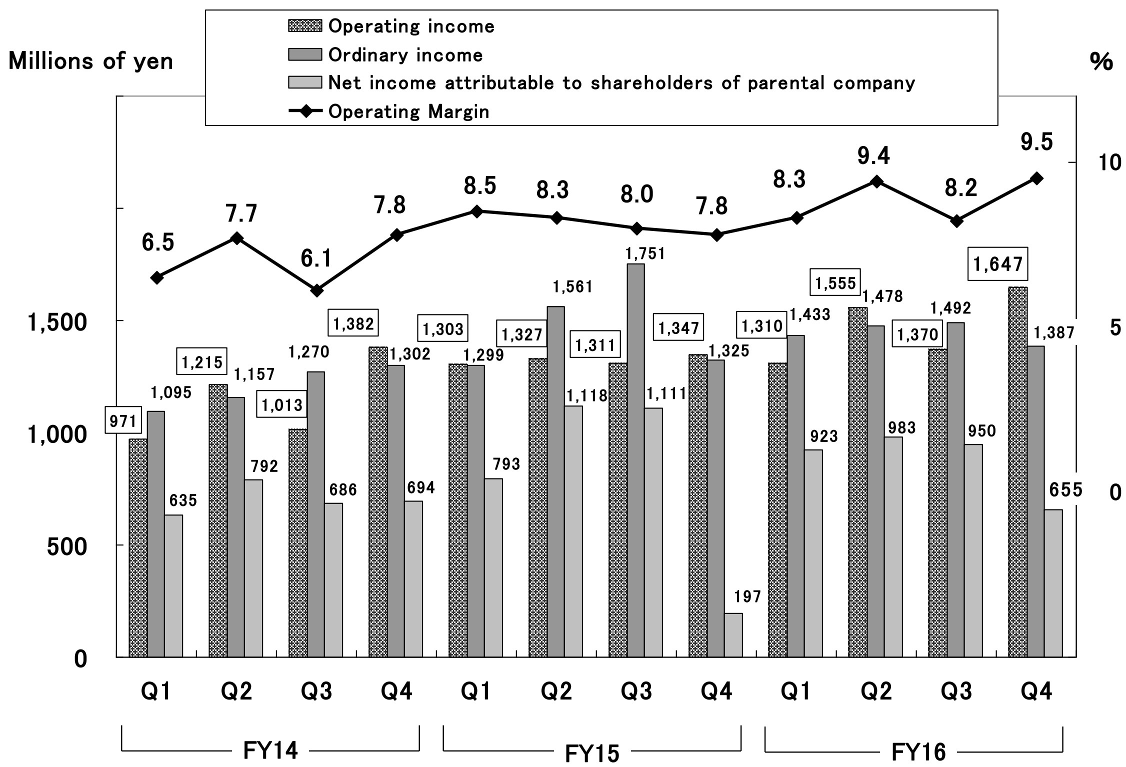
In the Office Equipment segment, sales of "BEPOP" signage creation machines grew both in Japan and overseas, thus resulting in an increase of the overall segment revenue. In the Industrial Equipment segment, the overall revenue increased as sales of bathroom heaters, ventilators and dehumidifiers strengthened in the domestic residential environment business, and sales of tools to use in concrete structures rose overseas, mainly in the US market. In the HCR Equipment segment, despite solution-proposing sales activities focusing on large-scale rental routes, wheelchair sales fell, thus resulting in a decrease of the overall segment revenue.

As a result, net sales increased 2.4% from the previous fiscal year to ¥66,510 million. Operating income also increased 11.2% from the previous fiscal year to ¥5,883 million. Ordinary income decreased 2.5% from the previous fiscal year to ¥5,792 million, reflecting foreign exchange losses on foreign currency denominated assets, compared to the gains recorded in the previous fiscal year. Net income attributable to shareholders of parental company also increased 9.0% from the previous fiscal year to ¥3,512 million.

Quarterly Net Sales Trend and Changes Year-on-Year



Quarterly Earnings Trend



2) Results by business sector

Office Equipment Segment

(Millions of yen, %)

	FY 2016 (Ended March 2016)	FY 2015 (Ended March 2015)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	22,672	22,356	+315	+1.4
Operating Income	4,683	4,274	+409	+9.6
Operating Margin	20.7	19.1	+1.6 points	

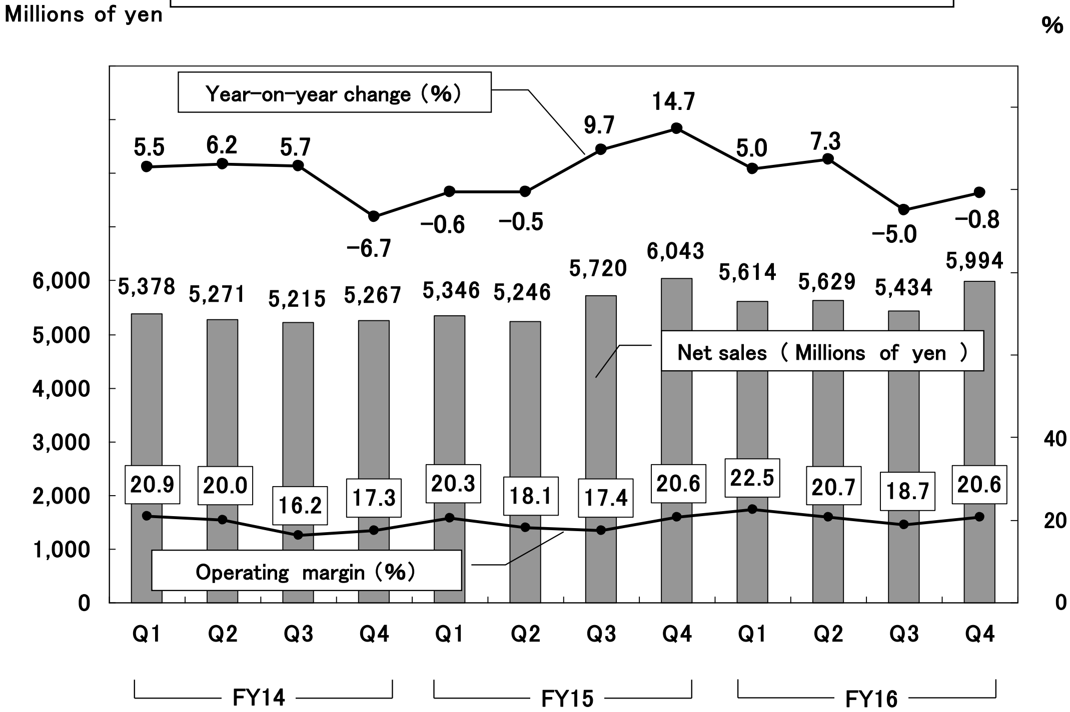
Business results for the Office Equipment segment were as follows: Net sales of ¥22,672 million (an increase of 1.4% from the previous term), operating income of ¥4,683 million (an increase of 9.6% from the previous term), and operating margin of 20.7%.

In domestic office operations, despite launching new products of the “Vaimo11” stapler series and our concerted efforts to market them, stationery-related sales dropped. However, we managed to secure overall sales at the same level as the previous fiscal year thanks to sales expansion of “BEPOP” signage creation machines for plant and public works builders.

In overseas office operations, although stapler sales were flat in South Asia, “BEPOP” sales rose across Europe due to the effect of new product launches through our UK subsidiary, Lighthouse UK. As a result, the overall segment sales increased.

In auto-stapler operations, the photocopier market remained robust thanks to a gradual recovery in both the United States and European economies. As a result, the overall segment revenue increased.

Office Equipment Segment Sales and Operating Margin Trend



Industrial Equipment Segment

(Millions of yen, %)

	FY 2016 (Ended March 2016)	FY 2015 (Ended March 2015)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	40,508	39,109	+1,399	+3.6
Operating Income	1,600	1,247	+352	+28.2
Operating Margin	4.0	3.2	+0.8 points	

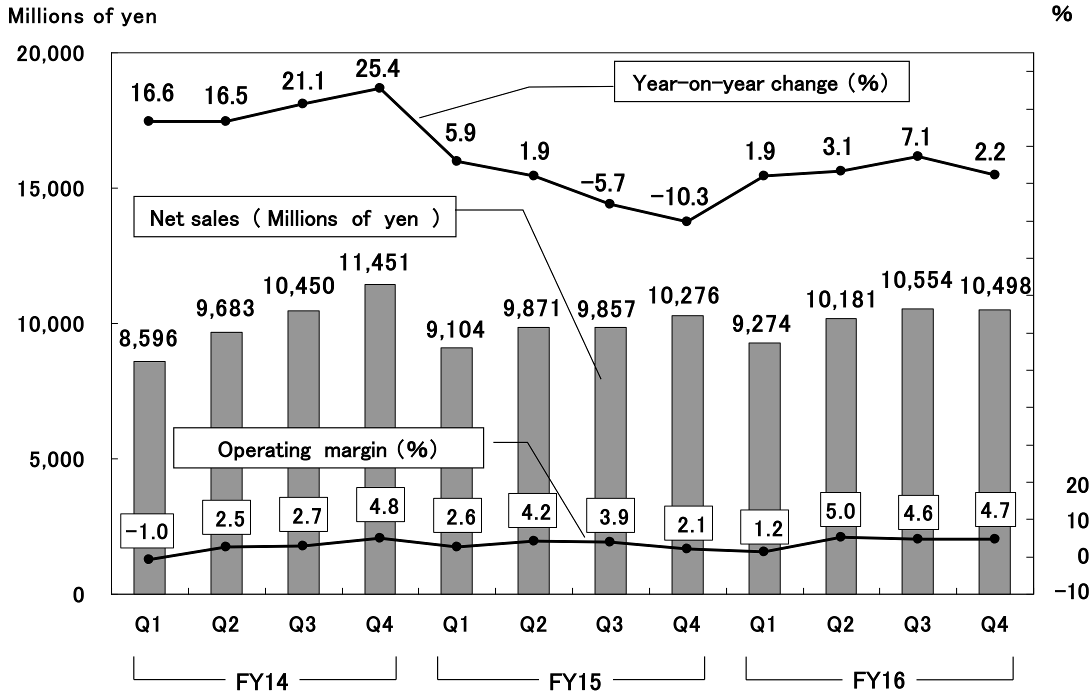
Business results for the Industrial Equipment segment were as follows: Net sales of ¥40,508 million (an increase of 3.6% from the previous term), operating income of ¥1,600 million (an increase of 28.2% from the previous term), and operating margin of 4.0%.

In the domestic industrial equipment operations, the number of reinforced concrete non-housing starts have decreased, and labor supply shortages are likely to be solved. These caused sluggish growth in sales of tools for concrete structures. However, we managed to score a higher revenue overall from the sales of consumables for wood structures which increased thanks to the gradual recovery in the number of new housing starts.

In the overseas industrial equipment operations, overall revenue increased due to an increase in sales of tools for concrete structures, and nailers and other tools for wood structures. This rise was supported by a sustained recovery trend in the US housing market in line with the economy steadily picking up.

In the residential environment operations, although sales of floor heating systems weakened, sales of the Company's major product line of bathroom heaters, ventilators and dehumidifiers for detached houses increased, resulting in an overall increase of the segment revenue.

Industrial Equipment Segment Sales and Operating Margin Trend



HCR Equipment Segment

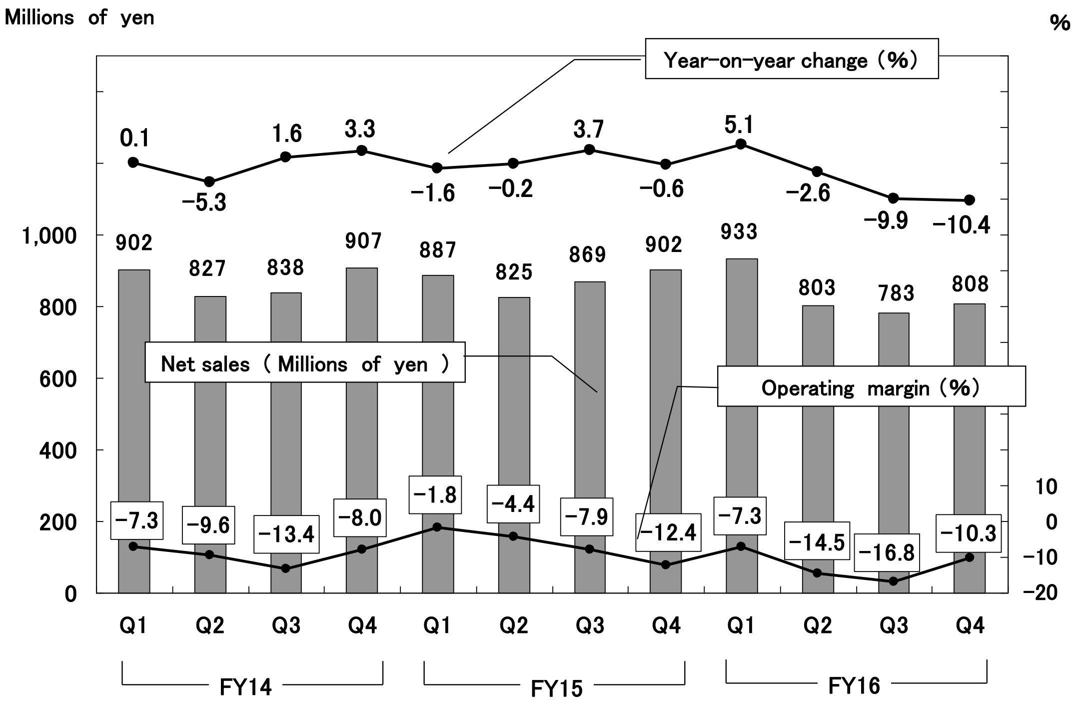
(Millions of yen, %)

	FY 2016 (Ended March 2016)	FY 2015 (Ended March 2015)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	3,329	3,484	(155)	(4.4)
Operating Income	(400)	(231)	(168)	—
Operating Margin	(12.0)	(6.6)	(5.4) points	

Business results for the HCR Equipment segment were as follows: Net sales of ¥3,329 million (a decrease of 4.4% from the previous term) and operating income of -¥400 million.

Despite our concerted efforts focusing on large-scale rental routes, wheelchair sales fell, resulting in a decrease in the segment revenue. Moreover, operating loss increased due to higher production costs arising from the yen depreciation, compared to last year.

HCR Equipment Segment Sales and Operating Margin Trend



3) Outlook for the Coming Term

The overall economy is expected to continue to show a gradual recovery on the back of improvement in employment and income conditions. On the other hand, uncertainty prevails as to whether any surge in demand of new housing starts is expected amid debates over whether to push through the consumption tax hike scheduled for April 2017.

Overseas, although the United States and European economies are expected to continue their steady growth, the pace of economic growth may slow in Asia's emerging countries due to a fall in commodity prices and currency depreciation. As a result, the situation surrounding Max Group defies prediction.

Under such circumstances, the Group pursues to "establish growth businesses" and to "increase earning capacity," based on its management policy for the current fiscal term that places "customer value" and "realism" at the basis of our activities. In accordance with this management policy, we will strive to enhance results both in Japan and overseas by continuing our ongoing efforts to take on business challenges.

The Group's projections for the coming term are as follows: net sales of ¥69,400 million (an increase of 4.3% over this past term), operating income of ¥6,000 million (an increase of 2.0% over this past term), ordinary income of ¥6,150 million (an increase of 6.2% over this past term), and net income attributable to shareholders of parental company of ¥4,000 million (an increase of 13.9% over this past term).

(2) Analysis of Financial Position

1) Analysis of the Consolidated Balance Sheets

(Millions of yen, %)

	FY 2016 (As of March 31, 2016)	FY 2015 (As of March 31, 2015)	Comparison with position at end of previous consolidated fiscal year	
			Increase (decrease)	Rate of increase (decrease)
Total Assets	88,828	88,590	+237	+0.3
Net Assets	64,263	65,495	(1,232)	(1.9)
Equity Ratio	72.2	73.8	(1.6) points	

Assets increased ¥237 million in comparison with the position at end of the previous consolidated fiscal year, to ¥88,828 million. Current assets increased ¥1,339 million due to factors such as a rise of ¥2,439 million in cash and deposits. Non-current assets decreased ¥1,101 million due to factors such as a decrease of ¥800 million in investment securities.

Liabilities increased ¥1,470 million in comparison with the position at end of the previous consolidated fiscal year, to ¥24,565 million. Current liabilities decreased ¥1,119 million, as accounts payable fell ¥745 million and so did income taxes payable by ¥389 million. Non-current liabilities increased ¥2,589 million due to factors such an increase of ¥2,709 million in net defined benefit liability.

Net assets decreased ¥1,232 million in comparison with the position at end of the previous consolidated fiscal year, to ¥64,263 million. Shareholders' equity increased ¥843 million. Key factors were cash dividends paid of ¥1,823 million, offset by a net income of ¥3,512 million.

Although the revaluation reserved for land increased ¥869 million, accumulated other comprehensive income fell ¥2,072 million as resulted from a drop of ¥1,781 million in remeasurements of defined benefit plans.

2) Analysis of Consolidated Cash Flows

Summary of Consolidated Cash Flows

(Millions of yen)

Category	FY 2015	FY 2016	Increase (decrease)
Cash and cash equivalents at beginning of the year	11,025	15,343	4,318
Funds provided by (used in) operating activities	6,713	5,471	(1,242)
Funds provided by (used in) investment activities	(1,275)	(570)	704
Funds provided by (used in) financing activities	(2,025)	(2,068)	(43)
Effect of exchange rate change on cash and cash equivalents	373	(392)	(766)
Net increase (decrease) in cash and cash equivalents	3,786	2,439	(1,347)
Net increase (decrease) in cash and cash equivalents accompanying changes in the scope of consolidation	531	–	(531)
Cash and cash equivalents at end of the year	15,343	17,783	2,439

Analysis of Consolidated Cash Flows

The balance of cash and cash equivalents ("funds") during the consolidated cumulative fiscal year under review was ¥17,783 million due to an increase of ¥2,439 million in cash and cash equivalents.

Factors in the status of each type of cash flow in the consolidated fiscal year under review were as follows.

Cash flows from operating activities

Funds provided by operating activities in the consolidated fiscal year under review amounted to ¥5,471 million. The key increases came from net income before income taxes of ¥5,710 million. The key decreases came from a decrease of ¥559 million in notes and accounts receivable-trade and payment of ¥2,249 million in income taxes.

Cash flows from investment activities

Funds used in investment activities in the consolidated fiscal year under review were ¥570 million. The key expenditures came from purchase of short-term and long-term investment securities of ¥3,072 million, and purchase of property, plant and equipment of ¥1,989 million. The key increases came from proceeds of ¥4,193 million from redemption of short-term and long-term investment securities.

Cash flows from financing activities

Funds used in financing activities in the consolidated fiscal year under review were ¥2,068 million. The key expenditures were cash dividends paid of ¥1,823 million.

The trend of the Group's cash flow indicators is as follows.

	FY 2013	FY 2014	FY 2015	FY 2016
Equity Ratio (%)	75.7	73.2	73.8	72.2
Market Value-Based Equity Ratio (%)	70.2	66.8	78.7	64.1
Cash Flow to Interest Bearing Debt Ratio	0.7	0.5	0.4	0.5
Interest Coverage Ratio (times)	116.6	121.0	167.9	135.2

- Equity Ratio: Shareholders' Equity ÷ Total Assets
- Market Value-Based Equity Ratio: Market Value of Shares ÷ Total Assets
- Cash Flow to Interest Bearing Debt Ratio: Interest-Bearing Debt ÷ Operating Cash Flows
- Interest Coverage Ratio: Operating Cash Flows ÷ Interest Payments

(Note 1) In each case, indices are calculated based on consolidated financial figures.
(Note 2) Market Value of Shares is based on the number of outstanding shares excluding treasury stock.
(Note 3) For Cash Flow, operating cash flow is used.
(Note 4) Interest-Bearing Debt includes all debt on the consolidated balance sheets that incur interest.

(3) Basic Policy Relating to Distribution of Profits and Dividends for the Current and Coming Term

1) Basic Policy Relating to Distribution of Profits

The company has positioned returning profits to shareholders as one of the highest priority policies and it is the company's policy to increase the return on equity by pursuing growth of the business and business profits and make distribution of the results supported by corporate performance.

Accordingly, our dividend policy is "maintaining a minimum of 40% payout ratio and targeting rate of dividends to net assets of 2.5%."

2) Dividends for Current Term

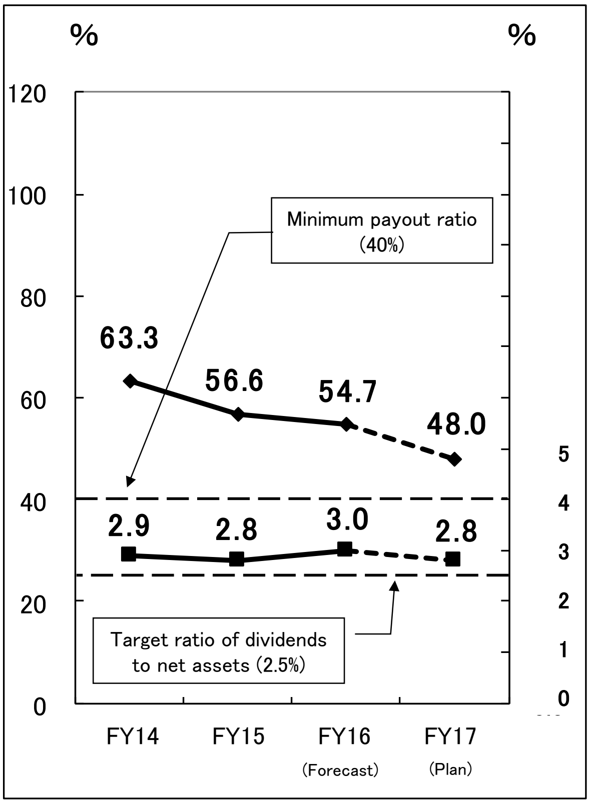
During the term under review, corporate earnings remained solid, a result of the Group's efforts to reduce group-wide costs, as part of its pursuit to "establish growth businesses" and to "increase earning capacity." This robust trend was achieved thanks to manpower-saving production and internal integration of added value through the expansion of tool market for concrete structures and investments in restructuring of manufacturing plants both in Japan and overseas.

In light of these circumstances, the Company plans to raise the dividend by 2 yen from the previous term to a "¥39 per share annual dividend" paid for the current term in acknowledgment of the support that our shareholders have always shown.

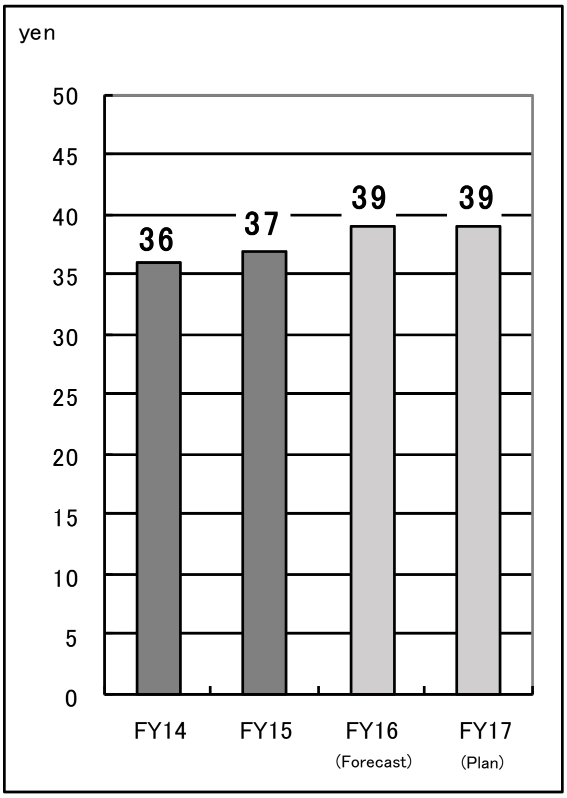
3) Outlook for Dividends for Coming Term

Although the Company's performance may be impacted by various factors such as the hike in consumption tax scheduled for April 2017 in Japan, and the economic environment and exchange rate fluctuations overseas, taking into account the Company's business outlook for the next term, its medium- to long-term projections, and its financial position among other factors, we plan to make the same annual dividend payment of "¥39 per share" as the current fiscal year.

Payout ratio and dividends to net assets ratio



Dividends per share



(4) Business Risks

1) Trend in the Domestic New Housing Starts

Among the businesses of the Group, nailers, air compressors, battery-power tools, consumables including staples, nails, screws and the like, residential environmental equipment including bathroom heaters, ventilators and dehumidifiers, and 24-hour ventilation systems for the construction market are included among the principal products of the industrial equipment business. Consequently, decline in domestic new housing starts may impact the demand for such products and the business performance of the industrial equipment business while an increase may provide a positive impact.

2) Trends in the Foreign Exchange Rates

Among the sales overseas and procurement from overseas in the Group, there are foreign currency denominated transactions and are subject to the influences of changes in the foreign exchange rates at the time of yen conversion.

3) Fluctuations in the Prices of Raw Materials

Among the products of the Group, ordinary wire materials are used as raw material in the manufacture of consumables including staples, nails, screws and wires for the rebar-tying tools. The prices for the ordinary wire materials may be subject to fluctuations due to shortage in raw materials such as iron ore, coal and oil and demand trends in other countries. The Group has identified the restructuring of the profit structure as one of the issues and continue to take actions to strengthen cost competitiveness; however, sudden changes in raw material prices may adversely affect corporate performance.

4) Matters Concerning Product Quality

The Company places high priority on the quality of the products and has put in place an organization for quality management and quality assurance including the acquisition of ISO9001 certification in development and manufacturing; however, there is no guarantee that no defects will arise with respect to all products. In the unlikely event of an occurrence of product accidents or the like, expenses due to notifying customers, inspection of products and recall will arise and may adversely impact on the corporate performance.

5) Information Leakage, Damage or Destruction of Information System

Regarding the confidentiality of customer information and availability of order information, the Group aims to enhance information security maintenance through measures including acquisition of “Information Security Management System (ISMS).” In addition, an ISMS Risk Response Plan had been formulated and customer information leakage measures in terms of staffing, organization, physics and technology are being implemented. With respect also to system damage or destruction, business continuation plan has been formulated and training has been implemented but in the case of incidence of information leakage, system damage or destruction there may an adverse impact on the business.

6) Limits to Intellectual Property Protection

The Group has been strengthening the customer trust through the Max brand by accumulating technology and know-how that differentiate the Group from competitors and product development that meets the customer needs. The Group recognizes the importance of the intellectual properties that have been accumulated in the Group and are taking measures to protect such properties. However, there are cases where manufacture of similar products by a third party cannot be prevented and this may adversely impact on the Group’s market competitiveness. In addition, efforts are made to the extent possible to not infringe upon intellectual property held by third parties, however, there are possibilities that such intellectual properties are being infringed and this may adversely impact the business.

7) Pension Benefit Obligations

Group calculates its retirement benefit expenses and obligations based on the assumptions set under actuarial calculations including discount rate and expected rate of return on investments. In addition, the discount rate is set taking into account the market yields on Japanese Government Bonds. When the actual results diverge from the assumptions or when the assumptions are changed, the effects are accumulated and is recognized regularly over the future and in general, impact on the expenses recognized over future periods and the recorded obligations. Further decline in discount rate or deterioration of investment yield may adversely impact on corporate performance.

8) Country Risk

In the course of engaging in business activities overseas, there are risks of unexpected change in laws and regulations, existence or the appearance of unfavorable factors that are of economic disadvantage, social or political turmoil due to terrorism, war or other factors. By the manifestation of such risks, impediments will arise in business activities overseas and may impact the Group performance and future plans.

9) Natural Disaster

In the event of a large-scale natural disaster, our business activities may result impacted such way it may be difficult to maintain the operation system working at our sales and production locations due to damages to their assets or to the absence of employees. As a result, such disaster may have a major effect on the Group’s performance.

2. State of the Group

The Group is constituted by 25 subsidiaries and 1 affiliate, and engaged in manufacture and sales of office equipment including staplers, time recorders, labeling machines and auto staplers, also industrial equipment centered on nailers, air compressors, rebar tying tools, battery-power tools, bathroom heaters, ventilators, dehumidifiers and 24-hour ventilation systems throughout buildings, as well as HCR equipment including both standard and special wheel chairs.

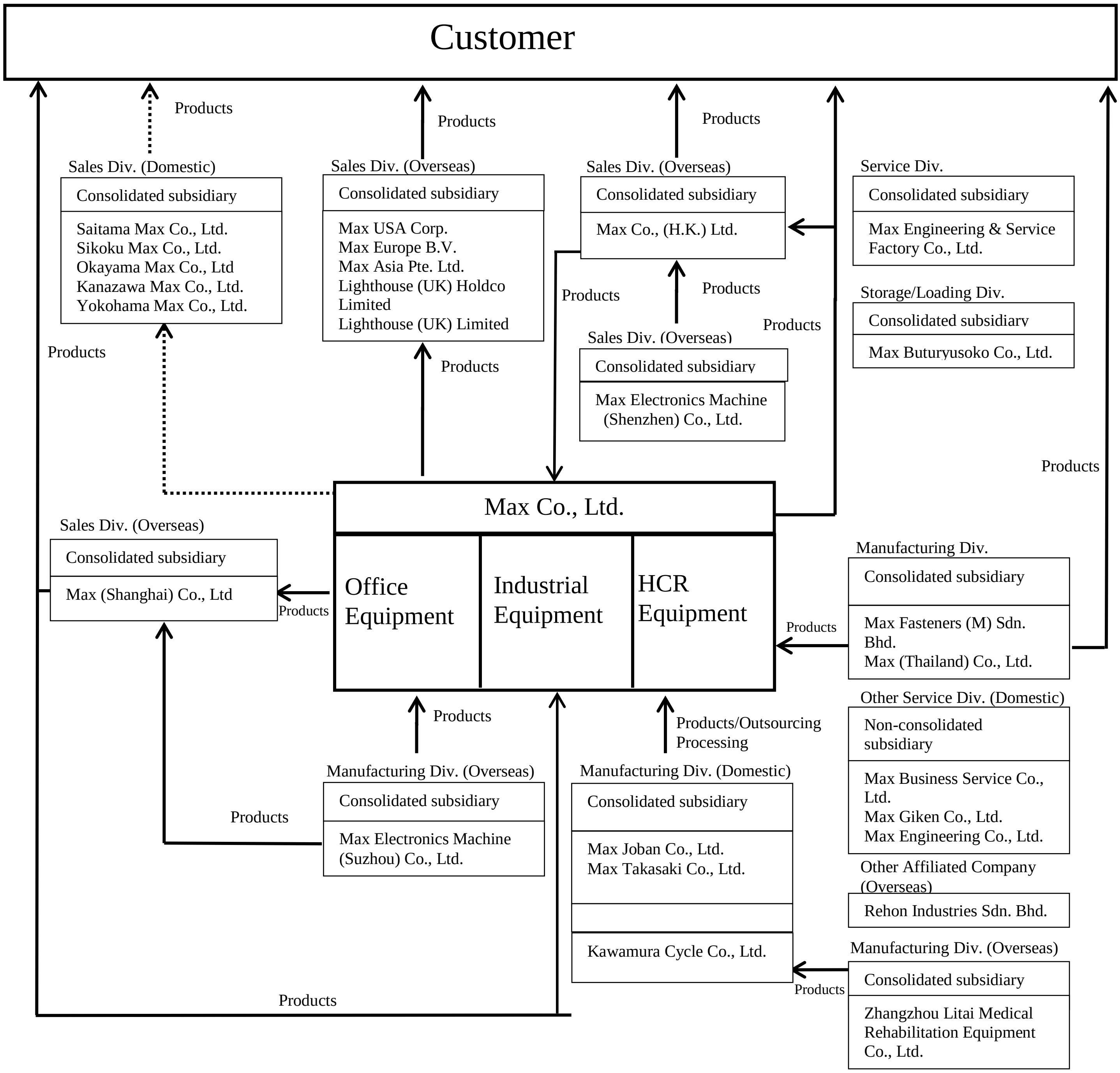
Further, the Group is also engaged in logistics relating to the businesses and other services.

The positioning concerning each business segment of the Group is as follows.

Office Equipment:	In addition to the manufacture and sales performed by the Company, manufacturing is also being performed mainly by Max (Thailand) Co., Ltd. and Max Electronic Machinery (Shenzhen) Co., Ltd., and the products are purchased by the Company for marketing.
Industrial Equipment:	In addition to the manufacture and sales by the Company, manufacturing is also performed mainly by Max Joban Co., Ltd., Max Takasaki Co., Ltd., Max Fasteners (M) Sdn. Bhd., Max (Thailand) Co., Ltd., and Max Electronics Machinery (Suzhou) Co., Ltd., and purchased by the Company for marketing.
HCR Equipment:	Related products are produced and sold mainly by Kawamura Cycle Co., Ltd.

Part of the Company’s domestic sales are being performed by subsidiaries including Saitama Max Co., Ltd. and a part of overseas sales are being conducted through overseas subsidiaries including Max USA Corporation. With respect to the storage and shipping are being performed by Max Buturyusoko Co., Ltd. In addition, with respect to after service and repairs, these are performed by Max Engineering & Service Factory Co., Ltd.

Our Business Chart



(Note) mark indicates the business flow related to consolidated subsidiaries acting as our sales agencies.

*The liquidation of Xiamen Aitai Medical Rehabilitation Equipment Co., Ltd. was completed on October 1, 2015, and Land Walker Co., Ltd. merged with Kawamura Cycle Co., Ltd. on March 28, 2016.

3. Management Policies

(1) Basic Management Policies

The basic management philosophy of the Group is through business activities providing “customer value,” all employees, by taking action to “enhance customer support and combining our strengths vibrantly and enjoyably” “will grow together” and with this organizational power as the source, will pursue the expansion of business and business profit, and aim for sustainable success and development.

The following 3 items have been identified as the basic management posture:

1) Enforce Transparent Management
Emphasize consolidated accounting and based on generally fair and appropriate accounting standards, we will publicize the Company’s policies, performance and conditions in a timely and appropriate manner both internally and to the outside.

2) Enforce Fully Participatory Management
Employees will actively participate in management through performance of their tasks and within their own respective roles will expand business results.

3) Enforce Management in which the Fruits are Distributed to Employees
The results will be distributed fairly to “shareholders,” “employees” and to “community.”

(2) Target Management Indicators

During the term ending March 31, 2017, business activities will be conducted by the following management indicators: Net sales of ¥69,400 million, operating income of ¥6,000 million, ordinary income of ¥6,150 million, net income attributable to shareholders of parental company of ¥4,000 million, and operating margin of 8.6%.

Medium-Term Management Plan

(Millions of yen, %)

	Current Term Results		Next Term Plan		Medium-Term Plan	
	FY 2016		FY 2017		FY 2018	
	Actual Results	Rate of increase (decrease)	Planned Results	Rate of increase (decrease)	Planned Results	Average growth rate (FY 2018÷FY 2016)
Net Sales	66,510	2.4	69,400	4.3	75,000	6.2
Operating Income	5,883	11.2	6,000	2.0	7,500	12.9
Ordinary Income	5,792	(2.5)	6,150	6.2	7,600	14.5
Net Income Attributable to Shareholders of Parental Company	3,512	9.0	4,000	13.9	4,800	16.9
Net Income per Share (yen)	71.27 yen		81.24 yen		97.38 yen	
Operating Margin	8.8		8.6		10.0	
ROE	5.4		5.8		6.8	

(3) Medium- to Long-Term Management Strategy and Issues to be Addressed

Our Basic Philosophy on Management Policies

The Group is currently in the second year of implementing its three-year Medium-Term Management Plan, which started from April 1, 2015 and will end on March 31, 2018. In order to establish growth businesses and increase our earning capacity, we will continue to work on our four fundamental strategies: 1) Shift investments to growth areas; 2) Restructure our consumables business; 3) Reduce costs through capital investment and reorganization of locations; 4) Explore and cultivate new technological fields. Accordingly, while implementing these strategies, the Group is committed to further achieving sustained growth, improving profit margin on sales, and to enhancing the return on equity.

1) Enhancement of Enterprise Value

Office Equipment Segment

In domestic office operations, regarding our founding business - “documents binding” - starting with staplers, we aim for growth in stapler operations using both metallic and non-metallic staples, and their consumables. In the labeling machines operations, we will expand the “BEPOP” signage creation machines and their consumables by launching new products as we offer solution proposals tailored to customers’ needs on the field.

In the overseas office operations, we will further enhance market share in the staplers business by reinforcing our sales routes and channels in new pioneer countries within the Asian market. In the labeling machine operations, we will fully utilize the marketing methods of Lighthouse (UK) Limited, and further expand sales in the European, North American and Asian markets.

In the auto-stapler operations, we will develop new products and explore new markets by thoroughly looking for the problems faced by the OEM photocopier manufacturer customers, and by further boosting our collaboration through "Design-in" activities.

Industrial Equipment Segment

In the domestic industrial equipment product operations, we will maximize activities toward customers by seizing markets in the area marketing, and revising workload allocation in operating activities, in order to respond to the changing market environment as it concerns the number of new housing starts among other changes. Also, we will strive to expand sales for wood structures including nailers, air compressors and their consumables – coil nails, staples, etc. Furthermore, we will continue to expand sales of tools for concrete structures into multiple markets, and strive to enhance popularity by drawing up solutions to field problems. Also, we will come up with new working modes and wrapping forms for the packing market in the agriculture and food industries, which will lead to sales expansion in the consumable business.

In the overseas industrial equipment product operations, we will enhance popularity of tools for concrete structures by continuing building sales channels in the United States and European markets. Our aim is to restructure the consumables business by increasing sales of gas- and high-pressure nailers.

In residential environment operations, we will provide our customers with proposals for multiple products targeting leading customers and markets and centering electric bathroom heaters, ventilators and dehumidifiers with which we have acquired top shares in the markets. In order to improve profitability, we will strive to standardize the basic designs and parts of our products, further enhance productivity and reduce costs.

HCR Equipment Segment

At the group company Kawamura Cycle Co., Ltd., our top priority is improving profitability by making further efforts to improve productivity of wheelchairs, and by reducing production costs. We will reduce in-process inventories through automation of processing facilities and item integration, and will bolster efficiency through shortening of production lead time. We will continue to conduct effective activities by reviewing the allocation of operating workload to sales routes in order to advance sales expansion in operating activities.

The Group will continue to understand the need of our customers at their job scene and thus provide products that highly satisfy them, with "customer value" and "realism" at the basis of our activities. Also, by further expanding the Max brand supported by its staplers, nailers, bathroom heaters, ventilators and dehumidifiers to name a few, the Group will be able to compete and succeed on the global stage.

2) Responding to "Environment Preservation"

The Group places "environment preservation" as one of the priority issues and has been taking steps toward reducing all load on the environment emanating from all sources including business activities from product development, manufacturing and disposal as well as promoting the use of environmentally friendly office products.

Four plants located in Gunma Prefecture (Tamamura, Fujioka, Yoshii and Takasaki) have each obtained ISO14001 certification.

3) Responding to "Protection of Personal Information"

The Group has defined protection of customer information assets and the protection of internal information assets as a priority issue and has taken measures to respond to the Personal Information Protection Act and has formulated basic policies for information security management to secure confidentiality, completeness and availability information assets. Furthermore, the Group has obtained the certification for "Information Security Management System (ISMS)" on April 27, 2004.

4) Responding to "Major Natural Disasters"

The Group has obtained certification for "ISO22301 Business Continuity Management System (BCMS)" on March 25, 2016.

4. Basic Approach to Selection of Accounting Standards

For the time being, the Group has applied the Japanese standards to its consolidated financial statements, as we have no listing overseas scheduled, not to mention our net sales and few locations overseas. However, considering the shift in foreign shareholders' percentage and trends of International Financial Reporting Standards (IFRS) adoption in other domestic companies, the Group is open to further consider the use of IFRS.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2015 (As of March 31, 2015)	FY 2016 (As of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	15,343	17,783
Notes and accounts receivable-trade	14,024	14,356
Marketable securities	4,009	3,224
Merchandise and finished goods	5,336	5,141
Work in process	983	878
Raw materials	1,644	1,480
Deferred tax assets	1,199	923
Other	839	918
Allowance for doubtful accounts	(27)	(13)
Total current assets	43,354	44,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,817	6,213
Machinery, equipment and vehicles, net	1,969	2,290
Land	7,255	7,095
Leased assets, net	519	465
Construction in progress	375	431
Other, net	776	802
Total property, plant and equipment	17,714	17,298
Intangible assets		
Goodwill	705	505
Other	249	212
Total intangible assets	955	717
Investments and other assets		
Investment securities	22,473	21,672
Long-term loans receivable	487	384
Deferred tax assets	2,578	3,214
Other	1,036	855
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	26,566	26,118
Total non-current assets	45,236	44,134
Total assets	88,590	88,828

(Millions of yen)

	FY 2015 (As of March 31, 2015)	FY 2016 (As of March 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	3,912	4,073
Short-term loans payable	1,850	1,850
Lease obligations	190	175
Accounts payable	2,314	1,568
Income taxes payable	1,212	822
Accrued consumption taxes	294	73
Deferred tax liabilities	19	25
Provision for bonuses	1,407	1,435
Provision for directors' bonuses	43	43
Other	1,393	1,450
Total current liabilities	12,638	11,519
Non-current liabilities		
Long-term loans payable	150	150
Lease obligations	329	289
Deferred tax liabilities for land revaluation	498	462
Provision for directors' retirement benefits	154	—
Provision for product warranties	65	47
Net defined benefit liability	9,078	11,788
Asset retirement obligations	27	28
Negative goodwill	30	22
Other	122	256
Total non-current liabilities	10,456	13,045
Total liabilities	23,094	24,565
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus	10,517	10,518
Retained earnings	42,798	43,654
Treasury stock	(250)	(263)
Total shareholders' equity	65,434	66,277
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,578	1,190
Revaluation reserve for land	(1,213)	(343)
Foreign currency translation adjustment	1,057	285
Remeasurements of defined benefit plans	(1,477)	(3,258)
Total of other comprehensive income	(54)	(2,126)
Non-controlling interests	116	112
Total net assets	65,495	64,263
Total liabilities and net assets	88,590	88,828

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Net sales	64,950	66,510
Cost of sales	40,264	41,083
Gross profit	24,686	25,426
Selling, general and administrative expenses	19,395	19,543
Operating income	5,290	5,883
Non-operating income		
Interest income	99	93
Dividend income	111	125
Rent income	23	16
Amortization of negative goodwill	7	7
Foreign exchange gains	438	—
Other	104	97
Total non-operating income	784	341
Non-operating expenses		
Interest expenses	39	40
Taxes and dues	18	7
Foreign exchange losses	—	342
Other	76	41
Total non-operating expenses	135	432
Ordinary income	5,939	5,792
Extraordinary income		
Reversal of foreign currency translation adjustment	—	9
Gain on sales of non-current assets	21	41
Gain on sales of investment securities	—	91
Total extraordinary income	21	142
Extraordinary loss		
Loss on sales of non-current assets	30	0
Loss on abandonment of non-current assets	91	21
Impairment loss	31	154
Loss on liquidation of subsidiaries and associates	42	—
Product quality warranty expenses	389	49
Total extraordinary loss	585	225
Net income before income taxes	5,375	5,710
Income taxes-current	2,113	1,799
Income taxes-deferred	32	386
Total income taxes	2,146	2,185
Net income	3,229	3,524
Net income attributable to non-controlling interests	7	11
Net income attributable to shareholders of parental company	3,222	3,512

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Net income	3,229	3,524
Other comprehensive income		
Valuation difference on available-for-sale securities	995	(388)
Revaluation reserve for land	51	36
Foreign currency translation adjustment	781	(786)
Adjustments relating to retirement benefits	422	(1,781)
Total other comprehensive income	2,250	(2,919)
Comprehensive income	5,479	604
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	5,469	607
Comprehensive income attributable to non-controlling interest	10	(2)

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at beginning of the year	12,367	10,517	42,828	(1,423)	64,290
Cumulative effect of changes in accounting principles			(182)		(182)
Balance at beginning of the year reflecting changes in accounting principles	12,367	10,517	42,645	(1,423)	64,108
Changes of items during the period					
Dividends of surplus			(1,788)		(1,788)
Net income attributable to shareholders of parental company			3,222		3,222
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares				0	0
Retirement of treasury shares			(1,181)	1,181	—
Reversal of difference in revaluation of land			(99)		(99)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	153	1,172	1,325
Balance at end of the year	12,367	10,517	42,798	(250)	65,434

(Millions of yen)

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at beginning of the year	583	(1,364)	279	(1,899)	(2,401)	105	61,995
Cumulative effect of changes in accounting principles							(182)
Balance at beginning of the year reflecting changes in accounting principles	583	(1,364)	279	(1,899)	(2,401)	105	61,813
Changes of items during the period							
Dividends of surplus							(1,788)
Net income attributable to shareholders of parental company							3,222
Purchase of treasury shares							(9)
Disposal of treasury shares							0
Retirement of treasury shares							—
Reversal of difference in revaluation of land							(99)
Net changes of items other than shareholders' equity	995	151	778	422	2,346	10	2,356
Total changes of items during the period	995	151	778	422	2,346	10	3,682
Balance at end of the year	1,578	(1,213)	1,057	(1,477)	(54)	116	65,495

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	12,367	10,517	42,798	(250)	65,434
Cumulative effect of changes in accounting principles					
Balance at beginning of the year reflecting changes in accounting principles	12,367	10,517	42,798	(250)	65,434
Changes of items during the period					
Dividends of surplus			(1,823)		(1,823)
Net Income attributable to shareholders of parental company			3,512		3,512
Purchase of treasury shares				(16)	(16)
Disposal of treasury shares		0		3	3
Retirement of treasury shares					―
Reversal of difference in revaluation of land			(833)		(833)
Net changes of items other than shareholders’ equity					
Total changes of items during the period	―	0	855	(12)	843
Balance at end of the year	12,367	10,518	43,654	(263)	66,277

(Millions of yen)

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at beginning of the year	1,578	(1,213)	1,057	(1,477)	(54)	116	65,495
Cumulative effect of changes in accounting principles							
Balance at beginning of the year reflecting changes in accounting principles	1,578	(1,213)	1,057	(1,477)	(54)	116	65,495
Changes of items during the period							
Dividends of surplus							(1,823)
Net Income attributable to shareholders of parental company							3,512
Purchase of treasury shares							(16)
Disposal of treasury shares							3
Retirement of treasury shares							―
Reversal of difference in revaluation of land							(833)
Net changes of items other than shareholders' equity	(388)	869	(772)	(1,781)	(2,072)	(3)	(2,075)
Total changes of items during the period	(388)	869	(772)	(1,781)	(2,072)	(3)	(1,232)
Balance at end of the year	1,190	(343)	285	(3,258)	(2,126)	112	64,263

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income before income taxes	5,375	5,710
Depreciation	1,924	1,980
Amortization of negative goodwill	(7)	(7)
Impairment loss	31	154
Increase (decrease) in allowance for doubtful accounts	23	(13)
Amortization of goodwill	164	174
Increase (decrease) in provision for bonuses	(20)	30
Increase (decrease) in provision for directors’ bonuses	1	0
Increase (decrease) in provision for product warranties	65	(17)
Increase (decrease) in provision for directors’ retirement benefits	28	(154)
Increase (decrease) in net defined benefit liability	25	245
Interest and dividend income	(211)	(219)
Interest expenses	39	40
Loss (gain) on liquidation of subsidiaries and associates	42	—
Product quality warranty expenses	389	49
Foreign exchange losses (gains)	(101)	39
Reversal of foreign currency translation adjustment	—	(9)
Loss on abandonment of non-current assets	91	21
Loss (gain) on sales of non-current assets	8	(41)
Loss (gain) on sales of short-term and long-term investment securities	—	(91)
Decrease (increase) in notes and accounts receivable-trade	897	(559)
Decrease (increase) in inventories	111	265
Increase (decrease) in notes and accounts payable-trade	(754)	456
Increase (decrease) in accrued consumption taxes	229	(221)
Decrease (increase) in other assets	112	95
Increase (decrease) in other liabilities	(112)	(480)
Subtotal	8,356	7,446
Interest and dividend income received	314	314
Interest expenses paid	(39)	(40)
Income taxes (paid) refund	(1,917)	(2,249)
Cash flows from operating activities	6,713	5,471

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Cash flows from investment activities		
Purchase of short-term and long-term investment securities	(4,391)	(3,072)
Purchase of investments in subsidiaries	(3)	—
Proceeds from sales and redemption of short-term and long term investment securities	3,631	4,193
Purchase of property, plant and equipment	(1,382)	(1,989)
Proceeds from sales of property, plant and equipment	263	222
Purchase of intangible assets	(70)	(43)
Payments of loans receivable	(14)	(6)
Collection of loans receivable	108	125
Other	584	—
Cash flows from investment activities	(1,275)	(570)
Cash flows from financing activities		
Decrease in short-term loans payable	(2)	—
Proceeds from sales of treasury shares	0	3
Purchase of treasury shares	(9)	(16)
Cash dividends paid	(1,788)	(1,823)
Cash dividends paid to non-controlling shareholders	(0)	(1)
Repayments of lease obligations	(225)	(231)
Cash flows from financing activities	(2,025)	(2,068)
Effect of exchange rate change on cash and cash equivalents	373	(392)
Net increase (decrease) in cash and cash equivalents	3,786	2,439
Balance of cash and cash equivalents, beginning of the period	11,025	15,343
Net increase (decrease) in cash and cash equivalents accompanying changes in the scope of consolidation	531	—
Balance of cash and cash equivalents, end of the period	15,343	17,783

(5) Notes Relating to the Assumption of Going Concern

None.

(6) Material Matters Forming the Basis for the Preparation of Consolidated Financial Statements

1) Matters Relating to the Scope of Consolidation

(a) Number of consolidated subsidiaries: 22

Names of principal consolidated subsidiaries

Kawamura Cycle Co., Ltd., Max Joban Co., Ltd., Lighthouse (UK) Holdco Limited, Max Engineering & Service Factory Co., Ltd., Saitama Max Co., Ltd., Max (Thailand) Co., Ltd., Max Fasteners (M) Sdn. Bhd.

Land Walker Co., Ltd., which had appeared in the Company's scope of consolidation in the previous consolidated fiscal year, was excluded from said scope because it was absorbed, while Kawamura Cycle Co., Ltd. survived in this absorption merger.

Xiamen Aitai Medical Rehabilitation Equipment Co., Ltd. was also excluded from the Company's scope of consolidation with the completion of liquidation.

(b) Number of non-consolidated subsidiaries: 3

Names of non-consolidated subsidiaries

Max Business Service Co., Ltd., Max Giken Co., Ltd. and Max Engineering Co., Ltd.

The reason for exclusion from consolidation

The three non-consolidated subsidiaries are all small and the impact of their aggregate total assets, sales, net income or losses for the term (amount corresponding to the holdings) and profit reserves (amount corresponding to holdings) are in each case of the consolidated financial statement not material; thus, have been excluded from the scope of consolidation.

2) Matters Relating to the Application of the Equity Method

(a) Number of non-consolidated subsidiaries and associates that apply the equity method

There are no corresponding non-consolidated subsidiaries and associates.

(b) Names of principal companies among non-consolidated subsidiaries and associates that do not apply the equity method

Max Business Service Co., Ltd.

The reason for the non-application of the equity method

The companies that do not apply the equity method are all small and the impact of their aggregate net income or losses for the term (amount corresponding to the holdings) and profit reserves (amount corresponding to holdings) on the consolidated financial statements are in each case not material; thus, have been excluded from the scope of application of the equity method.

3) Matters Relating to the Business Years of Consolidated Subsidiaries

Among consolidated subsidiaries, the financial closing date of overseas subsidiaries is December 31. For these companies, consolidated financial statements based on provisional results as of December 31 have been prepared.

As for Lighthouse (UK) Holdco Limited and Lighthouse (UK) Limited, these subsidiaries close their accounts on December 31, thus the financial results as of this closing date are used, while necessary adjustments for consolidation are made to reflect significant transactions that occurred between December 31 and March 31.

Furthermore, the last date of the business year of the domestic consolidated subsidiaries coincides with the closing date of consolidation.

4) Matters Relating to the Accounting Standards

(a) Valuation bases and methods of important assets

(i) Marketable Securities

Other marketable securities

(A) Those with market prices

Market Value Method based on the market prices as of the consolidated closing date (evaluation differences are reported as a component in the shareholder equity and the disposition cost is calculated suing the moving average method).

(B) Those without market prices

Cost method using the moving average method.

Further, no marketable securities for trading or bonds to be held to materials are being held.

(ii) Inventories

Principally, the cost method based on the gross averaging method (method of devaluing the book value due to a decline in revenues)

(b) Method of Depreciation of Material Depreciable Assets

(i) Property, plant and equipment (excluding leased assets including real estate for rent)

In principle, the declining balance method is used. However, for buildings acquired after April 1, 1998 the company and the domestic consolidated subsidiaries use a straight line depreciation (excluding equipment attached to buildings).

Their useful lives are as follows.

Buildings and structures: 2 to 60 years
Machinery, equipment and vehicles: 2 to 15 years
Others: 2 to 15 years

(ii) Intangible Assets

The Company and the domestic consolidated subsidiaries use the straight line method. With respect to the useful life, it is according to the same method and standards provided for in the Corporate Taxation Act. However, with respect to software for own use, straight line method based on projected usable period (5 years), for software intended for sales to the market, the amortization amount based on projected sales volume and equal distribution amount based on the residual effective period (3 years or less) are compared and whichever is the larger is recognized.

(iii) Leased Assets

With respect to leased assets related to financing lease without transfer of title, a straight line method with zero residual value with the lease term as the useful life is applied.

(c) Criteria for the Recording of Material Provisions

(i) Allowance for Doubtful Accounts

The Company and the consolidated subsidiaries, in order to prepare for losses due to defaults of claims, book expected unrecoverable amounts calculated based on the historical bad loan rates with respect to general claims or with respect to bankruptcy reorganization claims or the like amount after taking into account the likelihood for recovery on an individual basis .

(ii) Provisions for Bonuses

The Company and some of its consolidated subsidiaries provide for bonus payments to employees based on an estimated amount corresponding to the consolidated accounting year under review.

(iii) Provisions for Directors Bonuses

The Company and some of its consolidated subsidiaries provide for bonus payments to directors based on an estimated amount corresponding to the consolidated accounting year under review.

(iv) Provision for Product Warranties

In order to provide for payments for repairs during free-charge product warranty period, the stated provision is calculated based on past repair records.

(d) Method of Accounts Processing for the Payment of Retirement Benefits

The Company and the consolidated subsidiaries to prepare for the payment of retirement benefits to employee record amounts deemed to be rising as of the end of the consolidated accounting year under review based on the retirement benefit obligations and the pension assets as of the end of the consolidated accounting year under review. Further, with respect to actuarial differences, these are expensed over 5 years from the immediately succeeding consolidated accounting year from the year of incidence using the straight line method. In addition, with respect to historical service liabilities, these are expensed over 5 years from the year of incidence using the straight line method.

(e) Method of Amortization and Amortization Period for Good Will

Good will is amortized by the use of the straight line method (amortization period is the period in which the effects of the good will continue but not more than 20 years). Further, with respect to negative good will that arose prior to the application of “Accounting Standards Relating to Corporate Combinations” (Corporate Accounting Standard No. 21, December 26, 2008), these are mainly amortized by the straight line method over 20 years.

(f) Scope of Cash in the Consolidated Statement of Cash Flows

Cash (Cash and Cash Equivalents) in the consolidated statement of cash flows consists of cash on hand, demand deposit and short term investments that are easily converted to cash and whose risk of price fluctuation is small and whose maturity date comes within 3 months of the date of acquisition.

(g) Other Material Matters for the Preparation of the Consolidated Financial Statements

Accounting Treatment of Consumption Tax and other Taxes

With respect to the Consumption Tax and the Local Consumption Tax, it is by tax exclusion method.

5) Change in Accounting Principles

We have adopted the “Accounting Standards for Business Combinations” (Corporate Accounting Standards No. 21 of September 13, 2013), the “Accounting Standards for Consolidated Financial Statements” (Corporate

Accounting Standards No. 22 of September 13, 2013), and the “Accounting Standards for Business Divestitures” (Corporate Accounting Standards No. 7 of September 13, 2013), effective from the consolidated accounting year under review. Accordingly, we modified the presentation of the net income, as well as the reporting for minority interests (renamed “non-controlling interests”).

Also, consolidated financial statements for the previous fiscal year have been restated in order to reflect these changes in presentation.

(Additional Information)

Abolition of the directors’ retirement benefits system

As part of the Company’s organizational reform efforts, the directors’ retirement benefits system―which is a strong element of deferral of remuneration―was abolished upon conclusion of the 84th Regular General Meeting of Shareholders held on June 26, 2015. As a result, the remaining amount reserved for “directors’ retirement benefits” has been reclassified in the “Other” account of non-current liabilities as long-term accounts payable, worth ¥152 million.

(7) Notes Relating to the Consolidated Financial Statements

(Consolidated Balance Sheet Related)

1) Details of accumulated depreciation

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Property, plant and equipment	47,588	47,472
Investments and other assets	310	316

2) The details relating non-consolidated subsidiaries and associates are as follows.

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Investment securities	100	100

3) Based on the Law Relating to Revaluation of Land (Law No. 34 promulgated March 31, 1998), revaluation of land for business use was performed and the amount corresponding to taxes related to said revaluation difference has been recorded in liabilities as “Deferred Tax Liabilities for Land Revaluation” and the amount after deduction of said amount has been recorded in the net assets as “Revaluation Reserve for Land”. The date of the revaluation was March 31, 2002 and the method of revaluation was by calculation after reasonable adjustments based on the appraised amount of property tax as provided in Article 2, Paragraph 3 of the Law Implementation Order Relating to Revaluation of Land (Cabinet Order No. 119, promulgated March 31, 1998).

Further, the difference between market value and the book value after revaluation as of the end of the term in which the revaluation was performed is as follows.

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Land	(2,362)	(2,349)
Land for lease	(2)	4

4) Notes receivable discount and export bill discount

(Millions of yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Notes receivable discount	427	571
Export bills discount	8	10

(Consolidated Statement of Income Related)

1) Selling, general and administrative expenses account includes the following major items and amounts.

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Salaries	5,694	5,742
Packing and delivery expenses	1,891	1,938
Promotion expenses	1,488	1,309
Depreciation	662	653
Provision for bonuses	916	888
Provision for directors' bonuses	43	43
Provision for directors' retirement benefits	62	9
Provision for product warranties	65	(17)
Retirement benefit expenses	1,033	1,149
Provision of allowance for doubtful accounts	23	8

2) Research and development expenses included in the general and administrative expenses are as follows.

(Millions of yen)

FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
2,440	2,515

3) Details of gain on sales of non-current assets are as follows.

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Buildings and structures	—	24
Machinery, equipment and vehicles	—	1
Tools, furniture and fixtures	—	0
Land	21	14
Total	21	41

4) Details of loss on sales of non-current assets are as follows.

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Tools, furniture and fixtures	2	0
Land	27	—
Total	30	0

5) Details of loss on abandonment of non-current asset are as follows.

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Buildings and structures	38	2
Machinery, equipment and vehicles	23	12
Demolition expense	28	2
Tools, furniture and fixtures	1	2
Total	91	21

(Consolidated Statement of Comprehensive Income Related)

Reclassification Adjustments and Tax Effect Relating to Other Comprehensive Income

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities		
Amount accrued in this period	1,373	(366)
Reclassification adjustment	(3)	(91)
Before tax effect adjustment	1,370	(458)
Tax effect	(375)	70
Valuation difference on available-for-sale securities	995	(388)
Revaluation reserve for land		
Amount accrued in this period	—	—
Reclassification adjustment	—	—
Before tax effect adjustment	—	—
Tax effect	51	36
Revaluation reserve for land	51	36
Foreign currency translation adjustment		
Amount accrued in this period	781	(777)
Reclassification adjustment	—	(9)
Before tax effect adjustment	781	(786)
Tax effect	—	—
Foreign currency translation adjustment	781	(786)
Adjustments relating to retirement benefits		
Amount accrued in this period	201	(3,223)
Reclassification adjustment	564	760
Before tax effect adjustment	765	(2,463)
Tax effect	(343)	682
Adjustments relating to retirement benefits	422	(1,781)
Total other comprehensive income	2,250	(2,919)

(Consolidated Statement of Changes to Shareholders Equity Related)

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

1) Matters Relating to Outstanding Shares

Type of Share	Beginning of the year	Increase	Decrease	End of the year
Common shares (thousands of shares)	50,500	—	1,000	49,500

2) Matters Relating to Treasury Shares

Type of Share	Beginning of the year	Increase	Decrease	End of the year
Common shares (thousands of shares)	1,205	7	1,000	212

(Summary of Causes of Change)

The breakdown of the increase in the number of shares is as follows.
Increase due to purchase of shares less than one unit 7,000 shares

The breakdown of the decrease in the number of shares is as follows.
Decrease due to retirement of treasury shares 1,000,000 shares

3) Matters Relating to Dividends

(a) Amount of dividends paid

Resolution	Type of Share	Aggregate Dividend (¥ million)	Dividend per Share (¥)	Date of Record	Effective Date
June 27, 2014 Regular General Meeting of the Shareholders	Common shares	1,774	36	March 31, 2014	June 30, 2014

(b) Of the dividend whose date of record is in the consolidated accounting year under review, those whose effective date of dividends falls in the immediately succeeding consolidated accounting year

Resolution	Type of Share	Dividend Resource	Aggregate Dividend (¥ million)	Dividend per Share (¥)	Date of Record	Effective Date
June 26, 2015 Regular General Meeting of the Shareholders	Common shares	Retained earnings	1,823	37	March 31, 2015	June 29, 2015

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

1) Matters Relating to Outstanding Shares

Type of Share	Beginning of the Year	Increase	Decrease	End of the Year
Common shares (thousands of shares)	49,500	—	—	49,500

2) Matters Relating to Treasury Shares

Type of Share	Beginning of the Year	Increase	Decrease	End of the Year
Common shares (thousands of shares)	212	13	3	222

(Summary of Causes of Change)

The breakdown of the increase in the number of shares is as follows.
Increase due to purchase of shares less than one unit 13,000 shares

The breakdown of the decrease in the number of shares is as follows.
Decrease due to request for purchase of shares less than one unit 3,000 shares

3) Matters Relating to Dividends

(a) Amount of dividends paid

Resolution	Type of Share	Aggregate Dividend (¥ million)	Dividend per Share (¥)	Date of Record	Effective Date
June 26, 2015 Regular General Meeting of the Shareholders	Common shares	1,823	37	March 31, 2015	June 29, 2015

(b) Of the dividends whose date of record is in the consolidated accounting year under review, the following are those dividends whose effective date falls in the immediately succeeding consolidated accounting year.

Resolution	Type of Share	Dividend resource	Aggregate Dividend (¥ million)	Dividend per Share (¥)	Date of Record	Effective Date
June 29, 2016 Regular General Meeting of the Shareholders	Common shares	Retained earnings	1,921	39	March 31, 2016	June 30, 2016

(Consolidated Statement of Cash Flows Related)

The relationship between the closing balance of Cash and Cash Equivalents and the amount recorded in the accounts on the consolidated balance sheet is as follows.

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Cash and deposits	15,343	17,783
Cash and cash equivalents	15,343	17,783

(Segment Information)

1) Summary of Reported Segments

The reported segments of the Company are those of the constituent units of the Company for which separate financial statements are available and are subject to regular review by the board of directors for decisions on allocation of management resources and to assess business performance.

The Company has a manufacturing and sales organization with products and services and with respect to the products and services handled formulates comprehensive domestic and overseas strategies and engage in business activities.

Therefore, the Company is constituted by segments by products and services based on the manufacturing and sales organization and have 3 reported segments of "Office Equipment", "Industrial Equipment" and "HCR Equipment."

"Office Equipment" segment is engaged in the manufacture and sale of office equipment and stationery related products. "Industrial Equipment" segment is engaged in the manufacture and sale of construction machinery and tools as well as residential equipment. "HCR Equipment" is engaged in the manufacture and sale of assistive technologies.

2) Method of calculating the amounts of segment sales, income or loss, assets and other items

The method used in accounting treatment for the reported business segment is generally consistent with what is included in the "Material Matters that form the Basis for the Preparation of the Consolidated Financial Statements."

3) Information on the amounts of segment sales, income or loss, assets and other items

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reported segment			Total
	Office Equipment	Industrial Equipment	HCR Equipment	
Net Sales				
Net sales to outside customers	22,356	39,109	3,484	64,950
Inter-segments sales or transfers	—	—	—	—
Total	22,356	39,109	3,484	64,950
Segment profit (loss)	4,274	1,247	(231)	5,290
Segment assets	20,994	27,310	2,809	51,114
Other items				
Depreciation	657	1,184	91	1,933
Amortization of goodwill	164	—	—	164
Amortization of negative goodwill	—	7	—	7
Impairment loss	—	31	—	31
Increase in property, plant and equipment and intangible assets	1,696	797	70	2,565

(Note) Segment profit (loss) is consistent with operating income in consolidated statement of income.

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reported segment			Total
	Office Equipment	Industrial Equipment	HCR Equipment	
Net Sales Net sales to outside customers	22,672	40,508	3,329	66,510
Inter-segments sales or transfers	—	—	—	—
Total	22,672	40,508	3,329	66,510
Segment profit (loss)	4,683	1,600	(400)	5,883
Segment assets	19,800	28,326	2,647	50,773
Other item Depreciation	643	1,253	78	1,976
Amortization of goodwill	174	—	—	174
Amortization of negative goodwill	—	7	—	7
Impairment loss	35	118	—	154
Increase in property, plant and equipment and intangible assets	815	1,014	36	1,866

(Note) Segment profit (loss) is consistent with operating income in consolidated statement of income.

4) Difference between the total amount of income (loss) of reported segments and the amount appropriated in the consolidated balance sheets, as well as key details of said difference (items related to adjustment of differences)

(Millions of Yen)

Assets	FY 2015	FY 2016
Reported segment total	51,114	50,773
Group-wide assets (Note)	37,476	38,054
Total assets in the consolidated balance sheets	88,590	88,828

(Note) Group-wide assets are principally investment marketable securities not attributable to reported segments.

5) Information relating to loss due to impairment of non-current assets

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

The Company groups its assets according to its management accounting segmentation as the smallest units generating cash flows. As a result, the book value of the Yoshii factory, idle assets, and assets to be sold have been reduced to the recoverable value, and said reduction has been recorded in extraordinary losses as “Impairment loss.”

Recoverable value has been calculated to the net disposal value. In the current consolidated accounting year, the assets subject to loss on impairment of ¥31 million are Yoshii factory, dormant land or land to be sold. The net disposal value has been calculated based on the reasonably adjusted amount of real estate appraisal value or appraised value of non-current assets for property tax.

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

The Company groups its assets according to its management accounting segmentation as the smallest units generating cash flows. As a result, the book value of the Yoshii factory, idle assets, and assets already sold or those to be sold have been reduced to the recoverable value, and said reduction has been recorded in extraordinary losses as “Impairment loss.”

Recoverable value has been calculated according to the net disposal value. In the current consolidated accounting year, the assets subject to loss on impairment of ¥154 million are Yoshii factory, dormant land, land already sold or to be sold. The net disposal value has been calculated based on the reasonably adjusted amount of real estate appraisal value or appraised value of non-current assets for property tax.

(Per Share Information)

(Yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	1,326.48	1,301.81
Earnings per share	65.37	71.27

(Note) 1. With respect to the earnings per share after adjusting for latent shares, as no latent shares exist, no inclusion has been made.

2. The basis for the calculation of the earnings per share is as follows.

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Net income attributable to shareholders of parental company (¥ million)	3,222	3,512
Amount not relating to common shares (¥ million)	—	—
Net income attributable to shareholders of parental company relating to common shares (¥ million)	3,222	3,512
Average number of common shares outstanding during the term (shares)	49,291,366	49,282,397

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

	FY 2015 (As of March 31, 2015)	FY 2016 (As of March 31, 2016)
Total of net assets (¥ million)	65,495	64,263
Amount to be deducted from the total of net assets (¥ million)	116	112
(Of which non-controlling interests (¥ million))	(116)	(112)
Closing net assets relating to common shares (¥ million)	65,379	64,150
Number of common shares as of end of term used in the calculation of net assets per share (shares)	49,287,910	49,277,828

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None.

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	FY 2015 (As of March 31, 2015)	FY 2016 (As of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	10,607	13,182
Notes receivable-trade	1,427	1,311
Notes and accounts receivable-trade	12,892	13,310
Marketable securities	4,009	3,224
Merchandise and finished goods	3,903	3,804
Work in process	716	694
Raw materials	914	816
Prepaid expenses	160	213
Deferred tax assets	810	569
Short-term loans receivable	348	291
Accounts receivable-other	200	208
Other	87	196
Allowance for doubtful accounts	(0)	(0)
Total current assets	36,077	37,822
Non-current assets		
Property, plant and equipment		
Buildings	4,664	4,274
Structures	212	198
Machinery and equipment	970	1,154
Vehicles	7	10
Tools, furniture and fixtures	290	394
Land	6,223	6,114
Leased assets	449	403
Construction in progress	295	404
Total property, plant and equipment	13,114	12,954
Intangible assets	141	128
Investments and other assets		
Investment securities	22,354	21,556
Shares of subsidiaries and associates	8,828	8,664
Long-term loans receivable	917	796
Deferred tax assets	1,613	1,601
Real estate for rent, net	258	252
Lease and guarantee deposits	112	77
Other	574	431
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	34,653	33,375
Total current assets	47,909	46,459
Total assets	83,987	84,282

(Millions of yen)

	FY 2015 (As of March 31, 2015)	FY 2016 (As of March 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	4,025	3,881
Short-term loans payable	1,850	1,850
Lease obligations	176	166
Accounts payable	1,872	1,430
Income taxes payable	1,061	712
Deposits received	1,205	1,213
Current portion of guarantee deposits received	750	776
Provision for bonuses	1,074	1,059
Provision for directors' bonuses	43	43
Other	370	280
Total current liabilities	12,430	11,414
Non-current liabilities		
Long-term loans payable	150	150
Lease obligations	272	236
Deferred tax liabilities for land revaluation	498	462
Provision for retirement benefits	6,244	6,473
Provision for directors' retirement benefits	154	—
Provision for product warranties	65	47
Asset retirement obligations	14	10
Other	9	162
Total non-current liabilities	7,409	7,543
Total liabilities	19,840	18,957
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus		
Legal capital surplus	10,517	10,517
Other capital surplus	—	0
Total capital surplus	10,517	10,518
Retained earnings		
Legal retained earnings	3,091	3,091
Other retained earnings		
Reserve for reduction entry of land	121	132
Reserve for reduction entry of depreciable assets	55	57
General reserve	33,770	33,770
Retained earnings brought forward	4,117	4,812
Total retained earnings	41,157	41,863
Treasury stock	(250)	(263)
Total shareholders' equity	63,792	64,486
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,568	1,182
Revaluation reserve for land	(1,213)	(343)
Total valuation and translation adjustments	354	838
Total net assets	64,146	65,324
Total liabilities and net assets	83,987	84,282

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY 2015 (From April 1, 2014 to March 31, 2015)	FY 2016 (From April 1, 2015 to March 31, 2016)
Net sales	58,570	59,668
Cost of sales	38,354	39,326
Gross profit	20,215	20,342
Selling, general and administrative expenses	15,604	15,392
Operating income	4,610	4,949
Non-operating income		
Interest and dividend income	486	687
Rent income	24	17
Foreign exchange gains	303	—
Miscellaneous income	38	45
Total non-operating income	853	750
Non-operating expenses		
Interest expenses	42	43
Foreign exchange losses	—	330
Other	80	52
Total non-operating expenses	123	426
Ordinary income	5,340	5,274
Extraordinary income		
Gain on sales of non-current assets	—	39
Gain on sales of investment securities	—	91
Total extraordinary income	—	131
Extraordinary loss		
Loss on sales of non-current assets	27	—
Loss on abandonment of non-current assets	70	9
Loss on valuation of shares of subsidiaries and associates	—	163
Impairment loss	27	128
Product quality warranty expenses	389	49
Loss on liquidation of subsidiaries and associates	61	—
Total extraordinary loss	576	350
Income before income taxes	4,763	5,054
Income taxes-current	1,722	1,369
Income taxes-deferred	7	321
Total income taxes	1,730	1,691
Net income	3,033	3,363

(3) Non-consolidated Statements of Changes in Net Assets

Accounting year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity			
	Capital stock	Capital surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at beginning of the year	12,367	10,517	－	10,517
Cumulative effect of changes in accounting principles				
Balance at beginning of the year reflecting changes in accounting principles	12,367	10,517	－	10,517
Changes of items during the period				
Dividends of surplus				
Current net income				
Purchase of treasury shares				
Disposal of treasury shares				
Retirement of treasury shares				
Provision of reserve for reduction entry of land				
Provision of reserve for reduction entry of depreciable assets				
Reversal of reserve for reduction entry of depreciable assets				
Reversal of difference in revaluation of land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	－	－	－	－
Balance at end of the year	12,367	10,517	－	10,517

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings					
	Legal Retained Earnings	Other Retained Earnings				Total Retained Earnings
		Reserve for Reduction Entry of Land	Reserve for Reduction Entry of Depreciable Assets	General Reserve	Retained Earnings Brought Forward	
Balance at beginning of the year	3,091	121	58	33,770	4,319	41,361
Cumulative effect of changes in accounting principles					(182)	(182)
Balance at beginning of the year reflecting changes in accounting principles	3,091	121	58	33,770	4,137	41,179
Changes of items during the period						
Dividends of surplus					(1,774)	(1,774)
Current net income					3,033	3,033
Purchase of treasury shares						
Disposal of treasury shares						
Retirement of treasury shares					(1,181)	(1,181)
Provision of reserve for reduction entry of land						
Provision of reserve for reduction entry of depreciable assets						
Reversal of reserve for reduction entry of depreciable assets			(2)		2	－
Reversal of difference in revaluation of land					(99)	(99)
Net changes of items other than shareholders' equity						
Total changes of items during the period	－	－	(2)	－	(19)	(21)
Balance at end of the year	3,091	121	55	33,770	4,117	41,157

(Millions of yen)

	Shareholders' Equity		Valuation and Translation Adjustments			
	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	Total Net Assets
Balance at beginning of the year	(1,423)	62,824	576	(1,364)	(788)	62,035
Cumulative effect of changes in accounting principles		(182)				(182)
Balance at beginning of the year reflecting changes in accounting principles	(1,423)	62,641	576	(1,364)	(788)	61,853
Changes of items during the period						
Dividends of surplus		(1,774)				(1,774)
Current net income		3,033				3,033
Purchase of treasury shares	(9)	(9)				(9)
Disposal of treasury shares	0	0				0
Retirement of treasury shares	1,181	—				—
Provision of reserve for reduction entry of land		—				—
Provision of reserve for reduction entry of depreciable assets		—				—
Reversal of reserve for reduction entry of depreciable assets		—				—
Reversal of difference in revaluation of land		(99)				(99)
Net changes of items other than shareholders' equity			991	151	1,143	1,143
Total changes of items during the period	1,172	1,150	991	151	1,143	2,293
Balance at end of the year	(250)	63,792	1,568	(1,213)	354	64,146

Accounting year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' Equity			
	Capital stock	Capital surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at beginning of the year	12,367	10,517	―	10,517
Cumulative effect of changes in accounting principles				
Balance at beginning of the year reflecting changes in accounting principles	12,367	10,517	―	10,517
Changes of items during the period				
Dividends of surplus				
Current net income				
Purchase of treasury shares				
Disposal of treasury shares			0	0
Retirement of treasury shares				
Provision of reserve for reduction entry of land				
Provision of reserve for reduction entry of depreciable assets				
Reversal of reserve for reduction entry of depreciable assets				
Reversal of difference in revaluation of land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	―	―	0	0
Balance at end of the year	12,367	10,517	0	10,518

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings					
	Legal Retained Earnings	Other Retained Earnings				Total Retained Earnings
		Reserve for Reduction Entry of Land	Reserve for Reduction Entry of Depreciable Assets	General Reserve	Retained Earnings Brought Forward	
Balance at beginning of the year	3,091	121	55	33,770	4,117	41,157
Cumulative effect of changes in accounting principles						
Balance at beginning of the year reflecting changes in accounting principles	3,091	121	55	33,770	4,117	41,157
Changes of items during the period						
Dividends of surplus					(1,823)	(1,823)
Current net income					3,363	3,363
Purchase of treasury shares						
Disposal of treasury shares						
Retirement of treasury shares						
Provision of reserve for reduction entry of land		10			(10)	―
Provision of reserve for reduction entry of depreciable assets			2		(2)	―
Reversal of reserve for reduction entry of depreciable assets			(0)		0	―
Reversal of difference in revaluation of land					(833)	(833)
Net changes of items other than shareholders' equity						
Total changes of items during the period	―	10	1	―	694	706
Balance at end of the year	3,091	132	57	33,770	4,812	41,863

(Millions of yen)

	Shareholders' Equity		Valuation and Translation Adjustments			
	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	Total Net Assets
Balance at beginning of the year	(250)	63,792	1,568	(1,213)	354	64,146
Cumulative effect of changes in accounting principles						
Balance at beginning of the year reflecting changes in accounting principles	(250)	63,792	1,568	(1,213)	354	64,146
Changes of items during the period						
Dividends of surplus		(1,823)				(1,823)
Current net income		3,363				3,363
Purchase of treasury shares	(16)	(16)				(16)
Disposal of treasury shares	3	3				3
Retirement of treasury shares		—				—
Provision of reserve for reduction entry of land		—				—
Provision of reserve for reduction entry of depreciable assets		—				—
Reversal of reserve for reduction entry of depreciable assets		—				—
Reversal of difference in revaluation of land		(833)				(833)
Net changes of items other than shareholders' equity			(386)	869	483	483
Total changes of items during the period	(12)	694	(386)	869	483	1,177
Balance at end of the year	(263)	64,486	1,182	(343)	838	65,324