April 27, 2018

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japan Standards] (Consolidated)

Company name:	MAX Co., Ltd.	Stock listing: Tokyo Stock Exchange	
Securities code:	6454	URL:http://www.max-ltd.co.jp	
Representative:	Mitsuteru Kurosawa, President		TEL: +81-3-3669-8106
Contact:	Akio Kitaya, General Manager, General Affairs Dept.		

Date of annual shareholder meeting June 28, 2018
Date of filing of financial statements June 28, 2018
Date of commencement of dividend payment June 29, 2018
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, 2018 (April 1, 2017 to March 31, 2018)

(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 2018	68,138	1.7	6,139	(2.9)	6,076	(5.9)	4,654	(1.5)
FY ended March 2017	66,967	0.7	6,323	7.5	6,455	11.4	4,726	34.6

(Note) Comprehensive income
FY ended March 31, 2018: 6,451 million yen (32.2%)
FY ended March 31, 2017: 4,881 million yen (707.1%)

	Net Income per Share	Net Income per Share after Dilution	ROE	ROA	Operating Margin
	Yen	Yen	%	%	%
FY ended March 2018	94.46	－	6.7	6.4	9.0
FY ended March 2017	95.93	－	7.2	7.1	9.4

(Note) Equity in (earnings) losses of affiliates
FY ended March 31, 2018: － million yen
FY ended March 31, 2017: － 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, 2018	96,133	71,574	74.3	1,450.61
FY ended March 31, 2017	93,000	67,210	72.2	1,362.05

(Reference) Shareholders' equity
FY ended March 31, 2018: 71,467 million yen
FY ended March 31, 2017: 67,110 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, 2018	6,859	(2,931)	(2,279)	23,722
FY ended March 31, 2017	8,512	(1,816)	(2,152)	21,965

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 2017	―	―	―	42.00	42.00	2,069	43.8	3.2
FY ended March 2018	―	―	―	42.00	42.00	2,069	44.5	3.0
FY ending March 2019 (Forecast)	―	―	―	44.00	44.00		47.1	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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)	33,700	2.4	2,970	3.3	3,060	2.3	2,180	(4.8)	44.25
Full year	70,400	3.3	6,400	4.2	6,550	7.8	4,600	(1.2)	93.37

* 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.: None
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, 2018: 49,500,626 shares
   As of March 31, 2017: 49,500,626 shares
2) Number of treasury stock at term-end
   As of March 31, 2018: 233,440 shares
   As of March 31, 2017: 228,862 shares
3) Number of average stock during term
   Twelve months ended March 31, 2018: 49,268,070 shares
   Twelve months ended March 31, 2017: 49,274,497 shares

(Reference) Non-consolidated Operating Results

Non-consolidated Operating Results for the Fiscal Year Ended March 31, 2018
(April 1, 2017 to March 31, 2018)

(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 2018	61,147	1.5	4,961	0.0	5,376	1.3	4,247	5.3
FY ended March 2017	60,251	1.0	4,961	0.2	5,306	0.6	4,033	19.9

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY ended March 2018	86.22	—
FY ended March 2017	81.86	—

(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, 2018	91,544	70,342	76.8	1,427.77
FY ended March 31, 2017	88,695	67,871	76.5	1,377.49

(Reference) Shareholders' equity:
FY ended March 31, 2018: 70,342 million yen
FY ended March 31, 2017: 67,871 million yen

***This summary of financial results is not subject to audits of certified public accountants or auditing corporations.**

***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 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 8 of the appendix, "1. Summary of Operating Results, (3) Future Prospects."

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[Qualitative Information and Financial Statements]

1. Summary of Operating Results

(1) Summary of Operating Results for the Current Term

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

(Millions of yen, %)

	FY 2018 (Ended March 2018)	FY 2017 (Ended March 2017)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	68,138	66,967	+1,170	+1.7
Operating Income	6,139	6,323	(183)	(2.9)
Ordinary Income	6,076	6,455	(379)	(5.9)
Net Income Attributable to Shareholders of Parental Company	4,654	4,726	(72)	(1.5)
Net Income per Share (yen)	94.46 yen	95.93 yen	(1.47) yen	–
Operating Margin	9.0	9.4	(0.4) points	
ROE	6.7	7.2	(0.5) points	

During the consolidated fiscal year under review (from April 1, 2017 to March 31, 2018), the Japanese economic recovery continued with a moderate pace, supported by improvements in the conditions of employment, income, and corporate earnings. Looking overseas, the U.S. economy continued to be firm, while in Europe also the economy continued on a gradual recovery trend.

On the other hand, there has been a sense of uncertainty with regard to the business conditions surrounding the Company due to a number of reasons including the fact that the number of new housing construction starts in Japan, which affects the Company's Industrial Equipment segment, entered a decelerating trend as compared with the previous fiscal year, notwithstanding the support measures for house acquisition implemented by the government.

Under such circumstances, we have established a management policy for this fiscal term as follows:

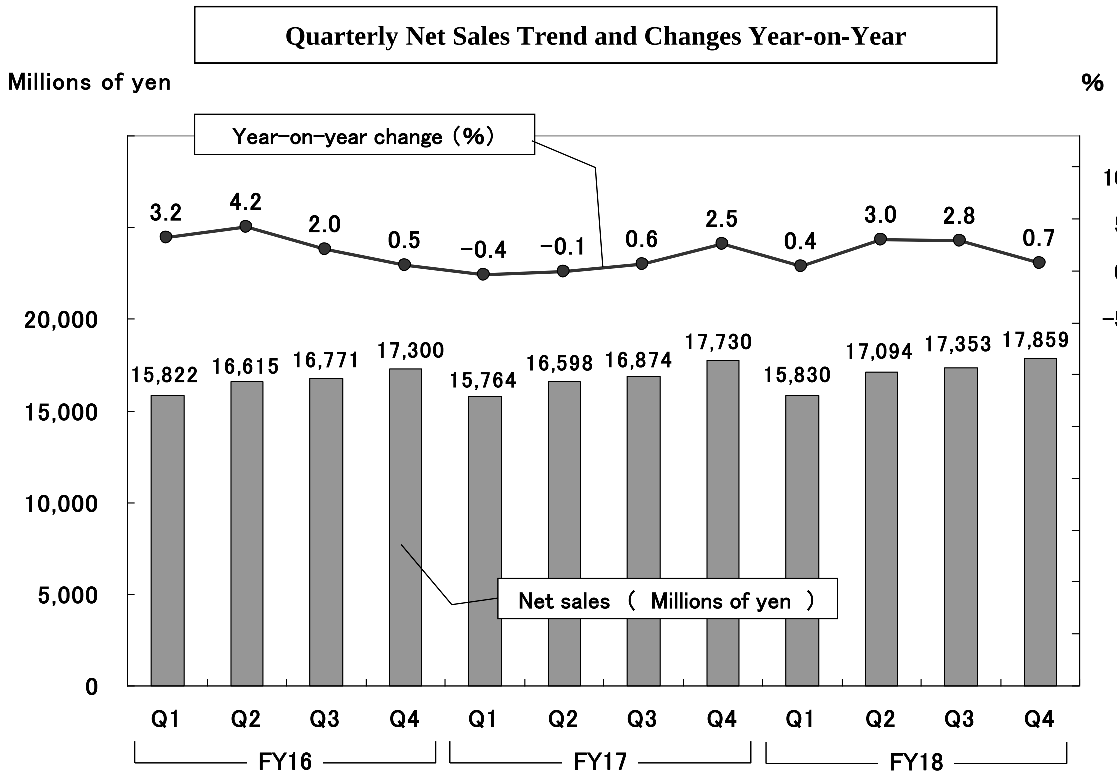
MAX will strive to continue to make ourselves receive the support of our customers.

1. We will strive to achieve business growth through our strong marketing and competitive products.
2. We will strive to enhance our job productivity, achieving both high profitability and realizing a healthy and good working environment.
3. We will strive to study job sites and understand their true nature. By doing so, we will build ourselves a high performance organization.

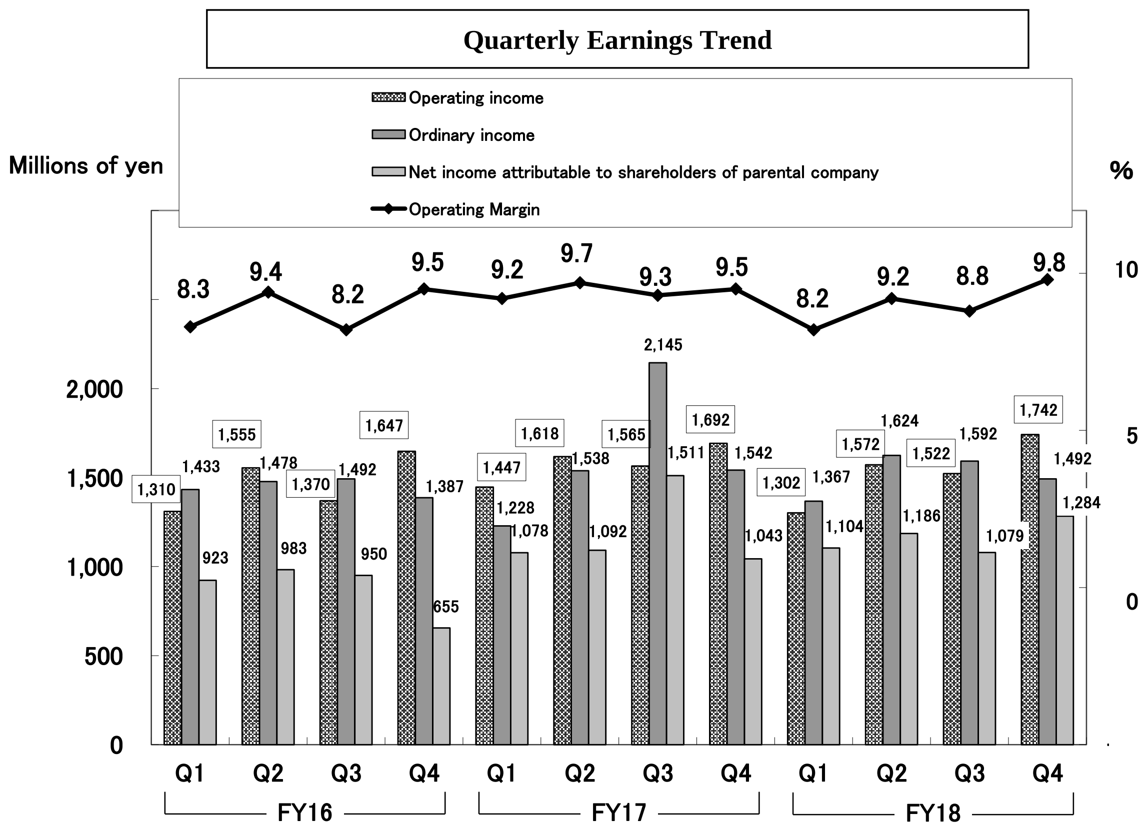
Working in the directions set in this policy, during the period under review the Max Group made continuous efforts to improve its organization, institutional framework and ways of working. Our aims are to strengthen our earning capacity, offer products that match the essential needs of job sites, and further establish the Max brand.

During the term under review, sales of tools for concrete structures increased both in Japan and overseas, and, combined with depreciation of the yen, resulted in an increase of revenue. On the other hand, there has been an increase in the cost of sales due to a rise of import price for Chinese products as well as an increase of price for various materials including steel, resulting in a decrease of profit.

Net sales increased 1.7% from the previous fiscal year to ¥68,138 million, while operating income decreased 2.9% from the previous fiscal year to ¥6,139 million. Ordinary income decreased 5.9% from the previous fiscal year to ¥6,076 million, and net income attributable to shareholders of parental company also decreased 1.5% from the previous fiscal year to ¥4,654 million.



Quarterly Net Sales Trend and Changes Year-on-Year
Millions of yen
%
Year-on-year change (%)
3.2
4.2
2.0
0.5
−0.4
−0.1
0.6
2.5
0.4
3.0
2.8
0.7
15,822
16,615
16,771
17,300
15,764
16,598
16,874
17,730
15,830
17,094
17,353
17,859
Net sales (Millions of yen)
20,000
15,000
10,000
5,000
0
10
5
0
−5
Q1
Q2
Q3
Q4
FY16
FY17
FY18



Quarterly Earnings Trend
Operating income
Ordinary income
Net income attributable to shareholders of parental company
Operating Margin
Millions of yen
%
8.3
9.4
8.2
9.5
9.2
9.7
9.3
9.5
8.2
9.2
8.8
9.8
1,310
1,433
923
1,555
1,478
983
1,370
1,492
950
1,647
1,387
655
1,447
1,228
1,078
1,618
1,538
1,092
1,565
2,145
1,511
1,692
1,542
1,043
1,302
1,367
1,104
1,572
1,624
1,186
1,522
1,592
1,079
1,742
1,492
1,284
2,000
1,500
1,000
500
0
10
5
0
Q1
Q2
Q3
Q4
FY16
FY17
FY18

2) Results by business sector

Office Equipment Segment

(Millions of yen, %)

	FY 2018 (Ended March 2018)	FY 2017 (Ended March 2017)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	22,566	23,182	(615)	(2.7)
Operating Income	4,266	4,133	+133	+3.2
Operating Margin	18.9	17.8	+1.1 points	

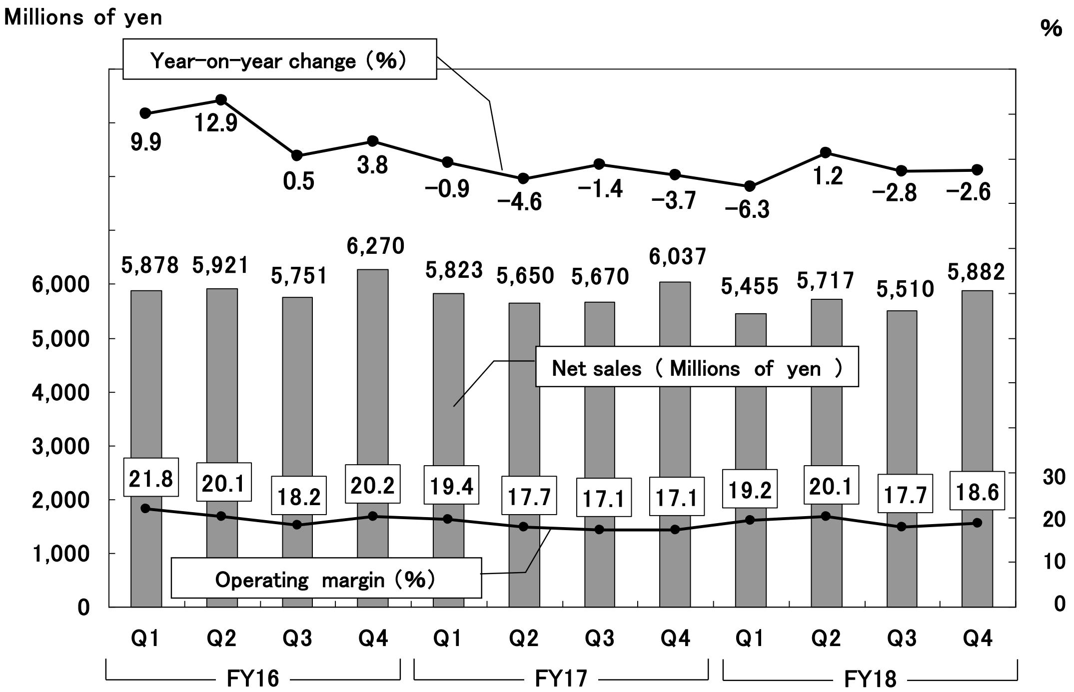
Business results for the Office Equipment segment were as follows: Net sales of ¥22,566 million (a decrease of 2.7% from the previous term), operating income of ¥4,266 million (an increase of 3.2% from the previous term), and operating margin of 18.9%.

In the domestic office operations, the Group posted an increase of sales of LETATWIN tube markers for electric equipment, where we made an addition of new models to the line-up, but sales of stationery-related products as well as time recorders decreased, resulting in a decrease of the overall segment revenue.

In the overseas office operations, sales of stationery-related products decreased, but sales of the "BEPOP" label-making machines increased thanks to the sales expansion in Europe by the Lighthouse (UK) Ltd., a subsidiary of the Group in the UK. Also, sales of LETATWIN tube markers, where we made an addition of new models to the line-up, increased in the Asian market, resulting in an increase of the segment revenue.

In auto-stapler operations, as a result of market volatility in the market of copying machines, the Group posted a decrease in sales in the first and the third quarters and could not make up for the decrease, which resulted in a decrease of the segment revenue as compared to the previous fiscal year.

Office Equipment Segment Sales and Operating Margin Trend



Industrial Equipment Segment

(Millions of yen, %)

	FY 2018 (Ended March 2018)	FY 2017 (Ended March 2017)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	42,313	40,528	+1,785	+4.4
Operating Income	1,829	2,207	(378)	(17.1)
Operating Margin	4.3	5.4	(1.1) points	

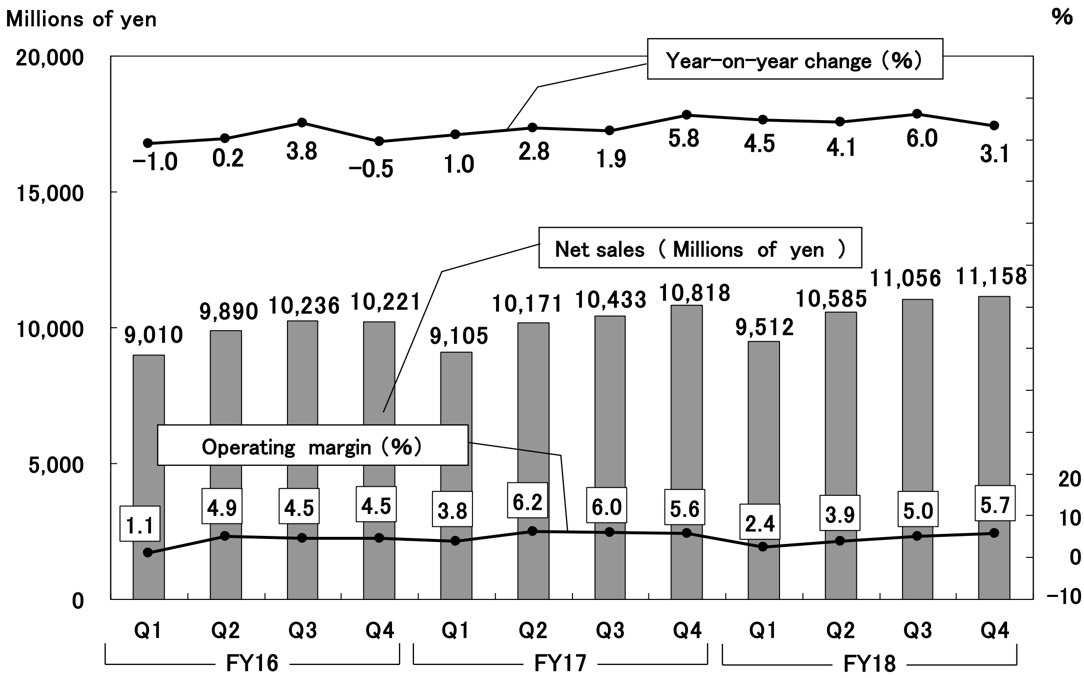
Business results for the Industrial Equipment segment were as follows: Net sales of ¥42,313 million (an increase of 4.4% from the previous term), operating income of ¥1,829 million (a decrease of 17.1% from the previous term), and operating margin of 4.3%.

In the domestic industrial equipment product operations, the sales of tools for wooden structures increased due to steady expansion in sales of the handy compressors released in June. In addition, tools for concrete structures also experienced strong sales of TWINTIER, a newly released rebar tying tool, resulting in an increase of the segment revenue.

In the overseas industrial equipment product operations, following the release in the Japanese market, the Group released TWINTIER, our new rebar tying tool in the Western markets also, which drove the overall sales. The Group also implemented measures to expand its presence in the market of tools for wooden structures resulting in an increase of revenue.

In the residential environmental equipment operations, there was an increase of sales, targeting both detached houses and apartment houses, of DRYFAN bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, and good progress was made with adoption of the series in the remodeling market. On the other hand, the sales of floor heaters decreased, and the overall segment revenue decreased.

Industrial Equipment Segment Sales and Operating Margin Trend



HCR Equipment Segment

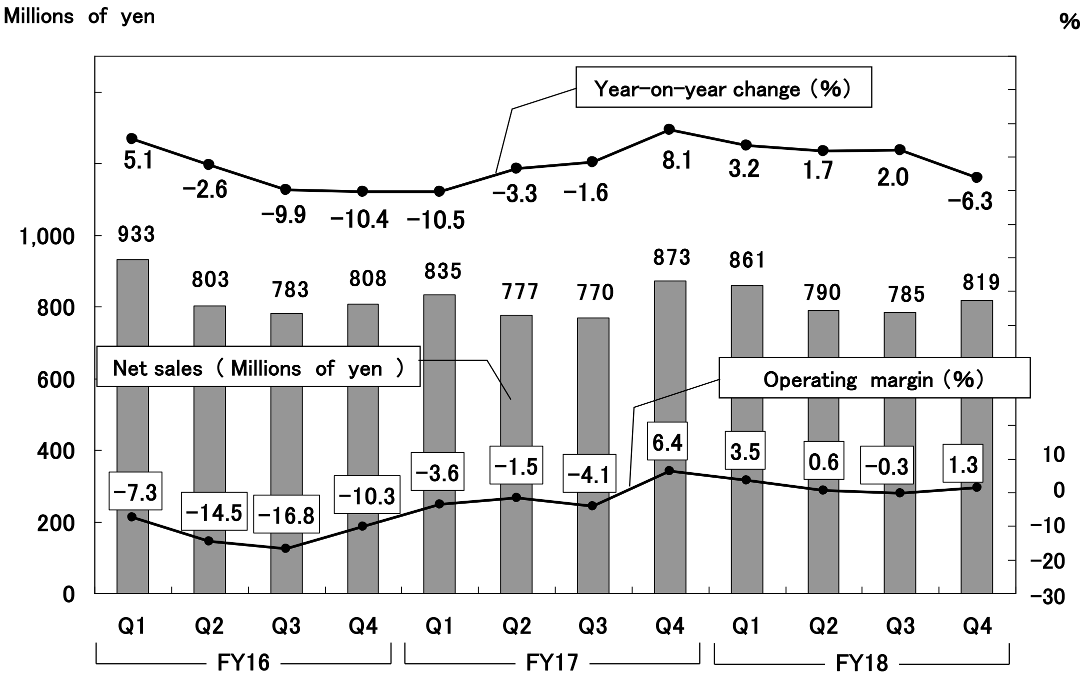
(Millions of yen, %)

	FY 2018 (Ended March 2018)	FY 2017 (Ended March 2017)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	3,257	3,257	+0	+0.0
Operating Income	43	(17)	+60	—
Operating Margin	1.3	(0.5)	+1.8 points	

Business results for the HCR Equipment segment were as follows: net sales of ¥3,257 million (roughly on the same level with the previous fiscal year), operating income of ¥43 million, and operating margin of 1.3%.

Sales of new high value-added wheelchairs increased as a result of the progress made with activities to introduce our products to the large-scale rental routes, but sales of standard wheelchairs made only a slight increase, resulting in the overall segment revenue remaining on the same level it was in the last fiscal year. Also, the segment achieved an increase in profitability due to an increase of sales of high value-added wheelchairs and measures conducted to reduce fixed costs.

HCR Equipment Segment Sales and Operating Margin Trend



(2) Summary of Financial Position for the Current Term

1) Analysis of the Consolidated Balance Sheets

(Millions of yen, %)

	FY 2018 (As of March 31, 2018)	FY 2017 (As of March 31, 2017)	Comparison with position at end of previous consolidated fiscal year	
			Increase (decrease)	Rate of increase (decrease)
Total Assets	96,133	93,000	+3,133	+3.4
Net Assets	71,574	67,210	+4,363	+6.5
Equity Ratio	74.3	72.2	+2.1 points	

Assets increased ¥3,133 million in comparison with the position at the end of the previous consolidated fiscal year, to ¥96,133 million. Current assets increased ¥3,770 million due to factors such as a rise of ¥1,757 million in cash and deposits and an increase of ¥1,713 million in marketable securities. Non-current assets decreased ¥637 million due to factors such as a drop of ¥933 million in investment securities.

Liabilities decreased ¥1,230 million in comparison with the position at the end of the previous consolidated fiscal year, to ¥24,559 million. Current liabilities decreased ¥641 million due to factors such as a fall of ¥432 million in income taxes payable. Non-current liabilities decreased ¥588 million due to factors such as a decrease of ¥624 million in net defined benefit liability.

Net assets increased ¥4,363 million in comparison with the position at the end of the previous consolidated fiscal year, to ¥71,574 million. Shareholders' equity increased ¥2,577 million. Key factors were cash dividends paid of ¥2,069 million, offset by a net income attributable to shareholders of parental company of ¥4,654 million.

2) Analysis of Consolidated Cash Flows

Summary of Consolidated Cash Flows

(Millions of yen)

Category	FY 2017	FY 2018	Increase (decrease)
Cash and cash equivalents at beginning of the year	17,783	21,965	4,182
Funds provided by (used in) operating activities	8,512	6,859	(1,652)
Funds provided by (used in) investment activities	(1,816)	(2,931)	(1,115)
Funds provided by (used in) financing activities	(2,152)	(2,279)	(127)
Effect of exchange rate change on cash and cash equivalents	(361)	109	470
Net increase (decrease) in cash and cash equivalents	4,182	1,757	(2,424)
Cash and cash equivalents at end of the year	21,965	23,722	1,757

Analysis of Consolidated Cash Flows

The balance of cash and cash equivalents ("funds") during the consolidated cumulative fiscal year under review was ¥23,722 million due to an increase of ¥1,757 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 ¥6,859 million. The key increases came from net income before income taxes of ¥6,072 million and a depreciation of ¥2,169 million. The key decrease came from income taxes paid of ¥2,057 million.

Cash flows from investment activities

Funds used in investment activities in the consolidated fiscal year under review were ¥2,931 million. The key decreases came from purchase of short-term and long-term investment securities of ¥4,592 million, and purchase of property, plant and equipment of ¥2,546 million. The key increase came from proceeds of ¥4,200 million from sales and 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 ¥2,279 million. The key decrease was cash dividends paid of ¥2,070 million.

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

	FY 2015	FY 2016	FY 2017	FY 2018
Equity Ratio (%)	73.8	72.2	72.2	74.3
Market Value-Based Equity Ratio (%)	78.7	64.1	78.4	70.0
Cash Flow to Interest Bearing Debt Ratio (annual)	0.4	0.5	0.3	0.4
Interest Coverage Ratio (times)	167.9	135.2	185.6	172.7

- 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) Future Prospects

The Japanese economy is expected to continue to show a recovery backed by continued improvements in employment, income conditions, and corporate earnings. On the other hand, the number of new housing construction starts is expected to continue to decline due to a number of reasons including a decline in the number of new rental housing construction starts. The current trend of limiting the use of paper is also expected to continue backed by progress of the IT and increase in environmental awareness. Overseas also, although the United States and European economies are expected to continue their steady growth, the situation surrounding Max Group defies prediction due to uncertainties in the trend of national policies in the U.S. and possible changes in the financial markets.

The Group's projections for the coming term are as follows: net sales of ¥70,400 million (an increase of 3.3% over this past term), operating income of ¥6,400 million (an increase of 4.2% over this past term), ordinary income of ¥6,550 million (an increase of 7.8% over this past term), and net income attributable to shareholders of parental company of ¥4,600 million (a decrease of 1.2% over this past term).

For the measures to be implemented by the Group in the future, please refer to 1) Enhancement of Enterprise Value in (3) Medium- to Long-Term Management Strategy and Issues to be Addressed of 2. Management Policies.

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

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.

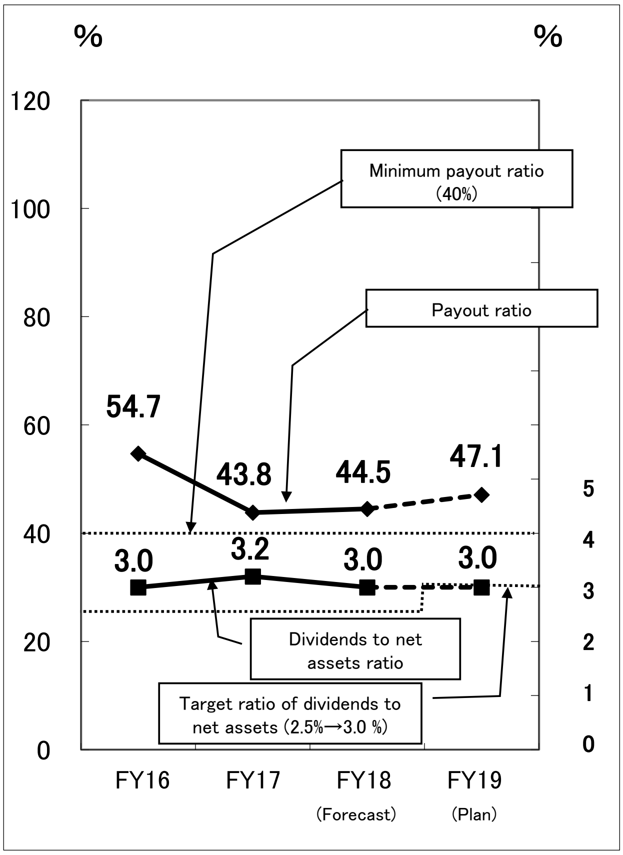
In the term under review, the Group released both in Japan and overseas TWINTIER, its new rebar tying tool, expanding our business of tools for concrete structures further, and operating revenue continued at a steady level. In light of the Group's financial situation and other aspects of our business, the Group plans to keep the dividend on the same level as the previous term: "annual dividend of ¥42 per share".

Outlook for Dividends for Coming Term

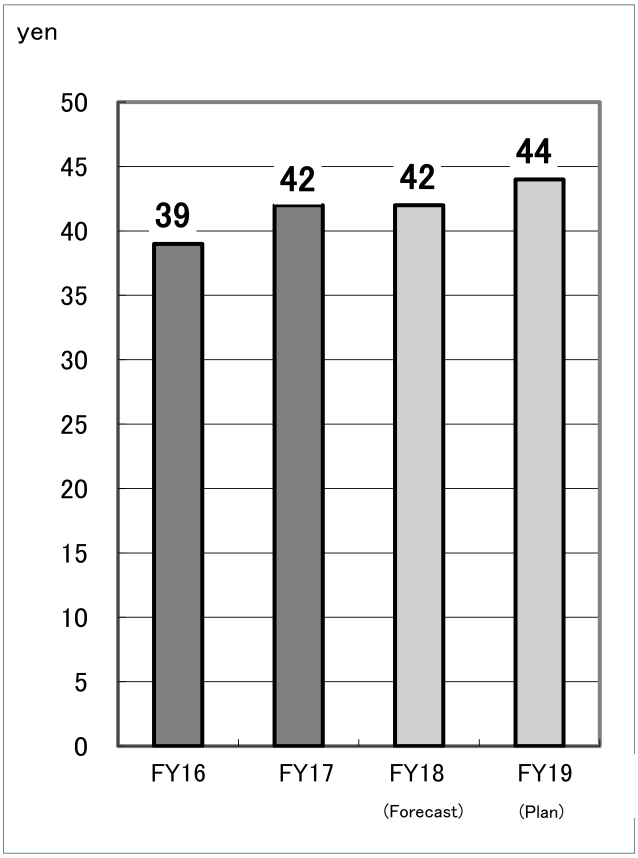
Having comprehensively considered the plans for future business results, the financial situation and other aspects of our business, to ensure that we can maintain stable payouts, we made partial changes to the dividend policy. Our dividend policy has been "targeting rate of dividends to net assets of 2.5%", but it was decided to raise the same figure to "3.0%".

The new dividend policy based on consolidated financial statement reads "maintaining a minimum of 40% payout ratio and targeting rate of dividends to net assets of 3.0%". In accordance with this policy, for the next dividend, we plan to increase the annual dividend from ¥42 it was this term by ¥2 adding up to "annual dividend of ¥44 per share".

Payout ratio and dividends to net assets ratio



Dividends per share



2. 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) Focus on 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) Promote 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) Focus on Management to Distribute the Results of Operations to Stakeholders

The results will be distributed fairly to "shareholders," "employees" and to "community."

(2) Target Management Indicators

Below are the next term management plan and the medium-term management plan.

Management Indicators

(Millions of yen, %)

	Current Term Results		Next Term Plan		Medium-Term Plan	
	FY 2018		FY 2019		FY 2021	
	Actual Results	Rate of Increase (Decrease)	Planned Results	Rate of Increase (Decrease)	Planned Results	Compound Annual Growth Rate (CAGR) for 2018 to 2021
Net Sales	68,138	1.7	70,400	3.3	78,200	4.7
Operating Income	6,139	(2.9)	6,400	4.2	8,340	10.8
Ordinary Income	6,076	(5.9)	6,550	7.8	8,540	12.0
Net Income Attributable to Shareholders of Parental Company	4,654	(1.5)	4,600	(1.2)	6,000	8.9
Net Income per Share (yen)	94.46 yen		93.37 yen		121.92 yen	
Operating Margin	9.0		9.1		10.7	
ROE	6.7		6.3		7.6	

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

1) Enhancement of Enterprise Value

The medium-term management plan, which was recently newly established, continues in the direction set by the current management policies. Centering on the concept of "continuing to be a company supported by the customers", the plan defines the measures to be implemented for Max to reach in three years a state we have envisaged for ourselves.

Economic environment surrounding the Group is changing quickly. Each of the businesses comprising the Group created plans for various measures to be implemented on the path to achieve our goals, and we shall strive to deal with problems by trying to get to the very heart of them, based on the facts only, with all employees working together as one, and achieve the goals set in the medium-term management plan with flexible and finely-tuned responses and decision-making power, never shrink from the changes of environment, and always standing by the fundamental management stance of "striving to become a community, whose members unite their strength, work actively and happily, achieving growth together". The outline of the medium-term management plan is as follows.

(a) Ensuring thorough segment management

We shall ensure thorough management of each segment, namely, Industrial Equipment segment, Office Equipment segment, and HCR Equipment segment. We shall create a framework stipulating the priorities, such as growth and profitability, as well as roles for each business of each segment, targeting both Japan and the overseas, thus accelerating the increase in growth and profitability of each segment and, as a result, of the Group as a whole.

(b) Expansion of overseas business

In the medium-term management plan, the overseas business comprised of such products as rebar tying tools, products for agriculture and horticulture, high-pressure nailers, "BEPOP" label-making machines, etc. is regarded as a growth engine for the Group as a whole, and we shall strive to increase the synergistic effect between the operations in Japan and overseas.

(c) Reform of earnings structure of domestic operations

Market is expected to shrink in Japan due to a decrease of population, decline in the number of new housing construction starts, and advance of the current trend of limiting the use of paper. The Group shall cope with these changes of the market and implement reforms of the earnings structure by reforming our business model.

In the residential environmental equipment operations, we chose DRYFAN as our growth pillar, and in addition to the B-to-B business with house manufacturers, we shall also develop a B-to-C stock business of legal inspections, remodeling, and replacements.

In the industrial equipment product operations, on the backdrop of a decline in the number of new housing construction starts in Japan, we shall strive to increase the profitability through marketing activities in the existing construction/carpentry markets, as well as in the peripheral markets that are less likely to be impacted by the changes in the number of construction starts, such as concrete formwork carpentry and remodeling.

In the office equipment business, due to a decrease of population in Japan, trend of limiting the use of paper, and other reasons, as the stationery flow business is shrinking, we shall make a shift to stock business centering on "BEPOP" that requires customers to buy expendable supplies.

(d) Reforms of work style and organizational climate

We shall reform the Group in a way that would make it "an easy-to-work business enterprise that cares about the health of its workers". In order to make our working environment an easy-to-work one, we shall make some adjustments to our personal rating system to allow for more flexibility. By improving work efficiency, we shall strive to create a working environment which allows people to be healthy, stay with us for many years, and make time to think creatively about their work, while also building opportunities for our employees and motivating them to tackle new challenges.

Moreover, we shall strive to establish an atmosphere that does not punish people for mistakes, furnishing an understanding that both personal and organizational growth is possible by tackling new challenges, by repeating trial and error, and that such efforts serve as a foundation for the growth of the Company as a whole.

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 of information assets.

Furthermore, the Group acquired the Information Security Management System (ISMS) certification (ISO/IEC27001) on April 27, 2004.

4) Responding to “Major Natural Disasters”

The Group acquired the Business Continuity Management System (BCMS) certification (ISO22301) on March 25, 2016.

3. 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.

4. Consolidated Financial Statement and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2017 (As of March 31, 2017)	FY 2018 (As of March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	21,965	23,722
Notes and accounts receivable-trade	14,748	14,855
Marketable securities	4,212	5,925
Merchandise and finished goods	5,160	5,280
Work in process	845	812
Raw materials	1,183	1,189
Deferred tax assets	922	885
Other	879	1,017
Allowance for doubtful accounts	(1)	(1)
Total current assets	49,916	53,687
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,008	5,781
Machinery, equipment and vehicles, net	2,610	2,848
Land	6,972	7,208
Leased assets, net	441	484
Construction in progress	479	819
Other, net	830	954
Total property, plant and equipment	17,342	18,097
Intangible assets		
Goodwill	269	143
Other	226	259
Total intangible assets	496	403
Investments and other assets		
Investment securities	21,034	20,100
Long-term loans receivable	288	235
Deferred tax assets	3,071	2,731
Other	857	883
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	25,245	23,945
Total non-current assets	43,084	42,446
Total assets	93,000	96,133

(Millions of yen)

	FY 2017 (As of March 31, 2017)	FY 2018 (As of March 31, 2018)
LIABILITIES		
Current liabilities		
Accounts payable-trade	3,864	3,710
Short-term loans payable	1,950	1,850
Lease obligations	170	185
Accounts payable	1,756	1,899
Income taxes payable	1,372	940
Accrued consumption taxes	246	91
Deferred tax liabilities	22	27
Provision for bonuses	1,719	1,770
Provision for directors’ bonuses	53	42
Other	1,436	1,433
Total current liabilities	12,592	11,951
Non-current liabilities		
Long-term loans payable	50	150
Lease obligations	270	298
Deferred tax liabilities for land revaluation	462	472
Provision for product warranties	44	43
Net defined benefit liability	12,061	11,437
Asset retirement obligations	18	18
Negative goodwill	15	7
Other	273	179
Total non-current liabilities	13,197	12,608
Total liabilities	25,789	24,559
NET ASSETS		
Shareholders’ equity		
Capital stock	12,367	12,367
Capital surplus	10,518	10,518
Retained earnings	46,444	49,029
Treasury stock	(271)	(278)
Total shareholders’ equity	69,059	71,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,635	1,947
Revaluation reserve for land	(328)	(338)
Foreign currency translation adjustment	(306)	59
Remeasurements of defined benefit plans	(2,949)	(1,837)
Total accumulated other comprehensive income	(1,948)	(169)
Non-controlling interests	100	106
Total net assets	67,210	71,574
Total liabilities and net assets	93,000	96,133

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Net sales	66,967	68,138
Cost of sales	40,385	41,683
Gross profit	26,582	26,454
Selling, general and administrative expenses	20,259	20,314
Operating income	6,323	6,139
Non-operating income		
Interest income	83	73
Dividend income	124	140
Rent income	16	16
Amortization of negative goodwill	7	7
Gain on donation of non-current assets	48	—
Settlement received	—	39
Other	86	97
Total non-operating income	367	375
Non-operating expenses		
Interest expenses	45	39
Taxes and dues	7	5
Foreign exchange losses	126	361
Other	55	31
Total non-operating expenses	234	438
Ordinary income	6,455	6,076
Extraordinary income		
Gain on sales of non-current assets	17	32
Gain on sales of investment securities	—	0
Total extraordinary income	17	32
Extraordinary loss		
Loss on abandonment of non-current assets	20	22
Impairment loss	103	13
Total extraordinary loss	123	36
Net income before income taxes	6,349	6,072
Income taxes-current	2,004	1,751
Income taxes for prior periods	(250)	(106)
Income taxes-deferred	(135)	(224)
Total income taxes	1,618	1,419
Net income	4,731	4,653
Net income attributable to non-controlling interests	4	(0)
Net income attributable to shareholders of parental company	4,726	4,654

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Net income	4,731	4,653
Other comprehensive income		
Valuation difference on available-for-sale securities	445	311
Foreign currency translation adjustment	(604)	375
Adjustments relating to retirement benefits	309	1,111
Total other comprehensive income	150	1,798
Comprehensive income	4,881	6,451
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	4,890	6,443
Comprehensive income attributable to non-controlling interest	(8)	7

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at beginning of the year	12,367	10,518	43,654	(263)	66,277
Changes of items during the period					
Dividends of surplus			(1,921)		(1,921)
Net income attributable to shareholders of parental company			4,726		4,726
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		0		0	0
Reversal of difference in revaluation of land			(14)		(14)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	0	2,790	(8)	2,782
Balance at end of the year	12,367	10,518	46,444	(271)	69,059

(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	1,190	(343)	285	(3,258)	(2,126)	112	64,263
Changes of items during the period							
Dividends of surplus							(1,921)
Net income attributable to shareholders of parental company							4,726
Purchase of treasury shares							(8)
Disposal of treasury shares							0
Reversal of difference in revaluation of land							(14)
Net changes of items other than shareholders' equity	445	14	(592)	309	178	(12)	165
Total changes of items during the period	445	14	(592)	309	178	(12)	2,947
Balance at end of the year	1,635	(328)	(306)	(2,949)	(1,948)	100	67,210

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	12,367	10,518	46,444	(271)	69,059
Changes of items during the period					
Dividends of surplus			(2,069)		(2,069)
Net Income attributable to shareholders of parental company			4,654		4,654
Purchase of treasury shares				(7)	(7)
Net changes of items other than shareholders’ equity					—
Total changes of items during the period	—	—	2,584	(7)	2,577
Balance at end of the year	12,367	10,518	49,029	(278)	71,636

(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	1,635	(328)	(306)	(2,949)	(1,948)	100	67,210
Changes of items during the period							
Dividends of surplus							(2,069)
Net Income attributable to shareholders of parental company							4,654
Purchase of treasury shares							(7)
Net changes of items other than shareholders' equity	311	(10)	366	1,111	1,779	6	1,786
Total changes of items during the period	311	(10)	366	1,111	1,779	6	4,363
Balance at end of the year	1,947	(338)	59	(1,837)	(169)	106	71,574

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Net income before income taxes	6,349	6,072
Depreciation	2,036	2,169
Amortization of negative goodwill	(7)	(7)
Impairment loss	103	13
Increase (decrease) in allowance for doubtful accounts	(14)	(0)
Amortization of goodwill	140	137
Increase (decrease) in provision for bonuses	298	46
Increase (decrease) in provision for directors' bonuses	9	(11)
Increase (decrease) in provision for product warranties	(3)	(0)
Increase (decrease) in net defined benefit liability	713	931
Interest and dividend income	(207)	(213)
Interest expenses	45	39
Foreign exchange losses (gains)	3	38
Loss on abandonment of non-current assets	20	22
Loss (gain) on sales of non-current assets	(17)	(32)
Loss (gain) on sales of investment securities	―	(0)
Settlement received	―	(39)
Decrease (increase) in notes and accounts receivable-trade	(537)	(27)
Decrease (increase) in inventories	222	(98)
Increase (decrease) in notes and accounts payable-trade	(64)	(165)
Increase (decrease) in accrued consumption taxes	168	(138)
Decrease (increase) in other assets	83	(90)
Increase (decrease) in other liabilities	241	(27)
Subtotal	9,584	8,618
Interest and dividend income received	303	298
Interest expenses paid	(45)	(39)
Income taxes (paid) refund	(1,329)	(2,057)
Settlement package received	―	39
Cash flows from operating activities	8,512	6,859

(Millions of yen)

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from investment activities		
Purchase of short-term and long-term investment securities	(3,049)	(4,592)
Proceeds from sales and redemption of short-term and long-term investment securities	3,200	4,200
Purchase of property, plant and equipment	(2,000)	(2,546)
Proceeds from sales of property, plant and equipment	21	45
Purchase of intangible assets	(88)	(110)
Payments of loans receivable	(3)	(2)
Collection of loans receivable	112	74
Payments for asset retirement obligations	(10)	－
Cash flows from investment activities	(1,816)	(2,931)
Cash flows from financing activities		
Proceeds from loans payable	－	150
Repayments of loans payable	－	(150)
Proceeds from sales of treasury shares	0	－
Purchase of treasury shares	(8)	(7)
Cash dividends paid	(1,922)	(2,070)
Cash dividends paid to non-controlling shareholders	(4)	(1)
Repayments of lease obligations	(217)	(201)
Cash flows from financing activities	(2,152)	(2,279)
Effect of exchange rate change on cash and cash equivalents	(361)	109
Net increase (decrease) in cash and cash equivalents	4,182	1,757
Balance of cash and cash equivalents, beginning of the period	17,783	21,965
Balance of cash and cash equivalents, end of the period	21,965	23,722

(5) Notes Relating to the Assumption of Going Concern

None.

(6) Notes Relating to the Consolidated Financial Statements

(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, profit or loss, assets and other items

The method of accounts processing used for the reported business segments is generally consistent with the method used in creation of consolidated financial statement.

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

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reported segment			Total
	Office Equipment	Industrial Equipment	HCR Equipment	
Net Sales				
Net sales to outside customers	23,182	40,528	3,257	66,967
Inter-segments sales or transfers	—	—	—	—
Total	23,182	40,528	3,257	66,967
Segment profit (loss)	4,133	2,207	(17)	6,323
Segment assets	19,642	28,354	2,584	50,581
Other items				
Depreciation	617	1,338	74	2,031
Amortization of goodwill	140	—	—	140
Amortization of negative goodwill	—	7	—	7
Impairment loss	20	56	26	103
Increase in property, plant and equipment and intangible assets	821	1,253	54	2,129

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

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reported segment			Total
	Office Equipment	Industrial Equipment	HCR Equipment	
Net Sales				
Net sales to outside customers	22,566	42,313	3,257	68,138
Inter-segments sales or transfers	—	—	—	—
Total	22,566	42,313	3,257	68,138
Segment profit	4,266	1,829	43	6,139
Segment assets	20,078	29,309	2,545	51,933
Other items				
Depreciation	632	1,420	110	2,163
Amortization of goodwill	137	—	—	137
Amortization of negative goodwill	—	7	—	7
Impairment loss	—	13	—	13
Increase in property, plant and equipment and intangible assets	858	1,714	65	2,639

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

4) Difference between the total amount 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 2017	FY 2018
Reported segment total	50,581	51,933
Group-wide assets (Note)	42,419	44,200
Total assets in the consolidated balance sheets	93,000	96,133

(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, 2017 (From April 1, 2016 to March 31, 2017)

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 idle assets and assets to be sold has been reduced to the recoverable value, and said reduction has been recorded in extraordinary loss as “impairment loss.”

Recoverable value has been calculated according to the net disposal value. In the current consolidated accounting year, the assets subject to impairment loss of ¥103 million are idle assets, and assets such as land and buildings 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, 2018 (From April 1, 2017 to March 31, 2018)

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 idle assets has been reduced to the recoverable value, and said reduction has been recorded in extraordinary loss as “impairment loss.”

Recoverable value has been calculated according to the net disposal value. In the current consolidated accounting year, the assets subject to impairment loss of ¥13 million are idle assets. The net disposal value has been calculated based on the reasonably adjusted amount of appraised value of non-current assets for property tax.

(Per Share Information)

(Yen)

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	1,362.05	1,450.61
Net income per share	95.93	94.46

(Note) 1. With respect to the net income 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 net income per share is as follows.

	FY 2017 (From April 1, 2016 to March 31, 2017)	FY 2018 (From April 1, 2017 to March 31, 2018)
Net income attributable to shareholders of parental company (¥ million)	4,726	4,654
Amount not relating to common shares (¥ million)	—	—
Net income attributable to shareholders of parental company relating to common shares (¥ million)	4,726	4,654
Average number of common shares outstanding during the term (shares)	49,274,497	49,268,070

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

	FY 2017 (As of March 31, 2017)	FY 2018 (As of March 31, 2018)
Total of net assets (¥ million)	67,210	71,574
Amount to be deducted from the total of net assets (¥ million)	100	106
(Of which non-controlling interests (¥ million))	(100)	(106)
Closing net assets relating to common shares (¥ million)	67,100	71,467
Number of common shares as of end of term used in the calculation of net assets per share (shares)	49,271,764	49,267,186

(Significant Subsequent Events)

None.