

FACT DATA

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 72,122	¥ 97,750	\$ 871,290
Receivables:			
Notes and accounts receivable—trade (Note 4):			
Unconsolidated subsidiaries and affiliates	5,858	633	5,642
Other	158,678	166,170	1,481,148
Short-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	14,836	13,312	118,656
Other	975	366	3,262
Other	11,703	13,175	117,435
Securities (Notes 3 and 5)	29,000	20,000	178,269
Inventories (Note 7)	120,443	122,312	1,090,222
Deferred tax assets (Note 13)	8,256	15,064	134,272
Other current assets	9,650	18,883	168,313
Allowance for doubtful accounts	(1,016)	(910)	(8,111)
Total current assets	430,505	466,755	4,160,398
Property, plant and equipment (Note 11):			
Land	43,080	44,493	396,586
Buildings and structures	189,695	192,100	1,712,274
Machinery, equipment and vehicles	571,536	584,970	5,214,101
Tools	87,519	91,911	819,244
Construction in progress	8,475	15,471	137,900
Other	3,117	2,410	21,482
Subtotal	903,422	931,355	8,301,587
Accumulated depreciation	(700,155)	(690,065)	(6,150,861)
Total property, plant and equipment	203,267	241,290	2,150,726
Intangible assets:			
Goodwill	7,297	32,738	291,809
Other	9,356	36,303	323,585
Total intangible assets	16,653	69,041	615,394
Investments and other assets:			
Investment securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	39,330	38,543	343,551
Other	80,284	88,794	791,461
Long-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	1,602	1,237	11,026
Other	669	610	5,437
Net defined benefit asset (Note 9)	32,553	37,988	338,604
Deferred tax assets (Note 13)	4,279	10,965	97,736
Other	16,453	10,922	97,353
Allowance for doubtful accounts	(2,166)	(2,092)	(18,647)
Total investments and other assets	173,004	186,967	1,666,521
Total assets	¥ 823,429	¥ 964,053	\$ 8,593,039

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4 and 8)	¥ 55,528	¥ 57,585	\$ 513,281
Current portion of long-term loans payable (Notes 4 and 8)	27,493	51,327	457,501
Payables (Note 4):			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	1,466	1,021	9,101
Other	69,928	78,096	696,105
Other	25,683	29,934	266,815
Income taxes payable	6,239	5,021	44,754
Provision for business structure improvement	3,039	15,112	134,700
Accrued expenses	24,997	26,262	234,085
Deferred tax liabilities (Note 13)	52	54	481
Other current liabilities	13,772	15,161	135,137
Total current liabilities	228,197	279,573	2,491,960
Long-term liabilities:			
Long-term loans payable (Notes 4 and 8)	218,794	265,540	2,366,878
Provision for business structure improvement	12,556	10,945	97,558
Net defined benefit liability (Note 9)	30,440	35,428	315,786
Asset retirement obligations (Note 18)	2,405	1,323	11,792
Deferred tax liabilities (Note 13)	5,640	8,371	74,614
Other long-term liabilities	10,985	11,043	98,432
Total long-term liabilities	280,820	332,650	2,965,060
Net assets (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized—3,000,000,000 shares in 2016 600,000,000 shares in 2017			
Issued—984,758,665 shares in 2016 196,951,733 shares in 2017	70,817	70,817	631,224
Capital surplus	101,474	103,664	924,004
Retained earnings	127,377	168,661	1,503,351
Treasury stock, at cost: 1,530,571 shares in 2016 231,413 shares in 2017	(355)	(275)	(2,451)
Total shareholders' equity	299,313	342,867	3,056,128
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	17,755	21,842	194,688
Deferred gains (losses) on hedges	(1,304)	(276)	(2,460)
Foreign currency translation adjustments	(15,072)	(24,889)	(221,847)
Remeasurements of defined benefit plans	(579)	(1,160)	(10,340)
Total accumulated other comprehensive income	800	(4,483)	(39,959)
Subscription rights to shares	837	862	7,683
Non-controlling interests	13,462	12,584	112,167
Total net assets	314,412	351,830	3,136,019
Total liabilities and net assets	¥823,429	¥964,053	\$8,593,039

FACT DATA

Consolidated Statements of Income

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Net sales	¥790,748	¥741,292	\$6,607,469
Costs and expenses:			
Cost of sales	536,309	492,862	4,393,101
Selling, general and administrative expenses	154,024	156,501	1,394,964
Research and development expenses	33,285	35,417	315,687
Operating income	67,130	56,512	503,717
Other income (expenses):			
Interest and dividend income	2,311	2,510	22,373
Interest expenses	(2,419)	(2,224)	(19,824)
Gain (loss) on sales of investment securities	(10)	119	1,061
Gain on sales of noncurrent assets	306	318	2,834
Gain (loss) on valuation of derivatives	(1,277)	(541)	(4,822)
Gain on investments in partnership	324	1,100	9,805
Loss on sales and retirement of noncurrent assets	(2,865)	(4,772)	(42,535)
Loss on valuation of investment securities (Note 5)	(567)	(27)	(241)
Impairment loss (Note 11)	(7,565)	(1,378)	(12,283)
Reversal of impairment loss	3,265	52	464
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(2,944)	2,079	18,531
Business structure improvement expenses	(5,507)	(16,315)	(145,423)
Reversal of provision for business structure improvement	—	788	7,024
Gain on revision of retirement benefit plan (Note 9)	—	193	1,720
Insurance income	—	392	3,494
Other, net	(4,601)	(4,878)	(43,479)
Total other income (expenses)	(21,549)	(22,584)	(201,301)
Income before income taxes	45,581	33,928	302,416
Income taxes (Note 13):			
Current	13,070	12,026	107,194
Deferred	3,289	(29,487)	(262,831)
Total income taxes	16,359	(17,461)	(155,637)
Net income	29,222	51,389	458,053
Profit (loss) attributable to non-controlling interests	(1,868)	1,256	11,195
Profit attributable to owners of parent	¥ 31,090	¥ 50,133	\$ 446,858
	Yen		U.S. dollars (Note 1)
Profit attributable to owners of parent per share (Note 2)	¥158.15	¥254.91	\$2.27
Profit attributable to owners of parent per share—diluted	143.42	231.09	2.06
Cash dividends applicable to the year	35.00	55.00	0.49

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Net income	¥ 29,222	¥51,389	\$458,053
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	(6,483)	4,180	37,258
Deferred gains or losses on hedges	1,266	1,027	9,154
Foreign currency translation adjustments	(6,056)	(7,702)	(68,651)
Remeasurements of defined benefit plans, net of tax	(2,075)	(305)	(2,719)
Share of other comprehensive income of associates accounted for using the equity method	(74)	(2,306)	(20,554)
Total	(13,422)	(5,106)	(45,512)
Comprehensive income	¥ 15,800	¥46,283	\$412,541
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of the parent	¥ 17,855	¥44,850	\$399,768
Comprehensive income attributable to non-controlling interests	(2,055)	1,433	12,773

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Changes in Net Assets

	Millions of yen					
	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2015	984,758,665	¥70,817	¥101,447	¥101,202	¥(427)	¥273,039
Changes of items during the period:						
Dividends from surplus				(4,915)		(4,915)
Net income				31,090		31,090
Purchase of treasury stock					(41)	(41)
Disposal of treasury stock			27		113	140
Net changes of items other than shareholders' equity						
Total		—	27	26,175	72	26,274
Balance at March 31, 2016	984,758,665	¥70,817	¥101,474	¥127,377	¥(355)	¥299,313
Changes of items during the period:						
Dividends from surplus				(8,849)		(8,849)
Net income				50,133		50,133
Purchase of treasury stock					(24)	(24)
Disposal of treasury stock			12		104	116
Change in ownership interest of parent due to transactions with non-controlling interests			2,178			2,178
Net changes of items other than shareholders' equity						
Total		—	2,190	41,284	80	43,554
Balance at March 31, 2017	196,951,733	¥70,817	¥103,664	¥168,661	¥(275)	¥342,867

	Thousands of U.S. dollars (Note 1)					
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2016		\$631,224	\$904,483	\$1,135,369	\$(3,164)	\$2,667,912
Changes of items during the period:						
Dividends from surplus				(78,876)		(78,876)
Net income				446,858		446,858
Purchase of treasury stock					(214)	(214)
Disposal of treasury stock			107		927	1,034
Change in ownership interest of parent due to transactions with non-controlling interests			19,414			19,414
Net changes of items other than shareholders' equity						
Total		—	19,521	367,982	713	388,216
Balance at March 31, 2017		\$631,224	\$924,004	\$1,503,351	\$(2,451)	\$3,056,128

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen							
	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at March 31, 2015	¥24,227	¥(2,569)	¥ (8,102)	¥ 479	¥ 14,035	¥845	¥15,717	¥303,636
Changes of items during the period:								
Dividends from surplus								(4,915)
Net income								31,090
Purchase of treasury stock								(41)
Disposal of treasury stock								140
Net changes of items other than shareholders' equity	(6,472)	1,265	(6,970)	(1,058)	(13,235)	(8)	(2,255)	(15,498)
Total	(6,472)	1,265	(6,970)	(1,058)	(13,235)	(8)	(2,255)	10,776
Balance at March 31, 2016	¥17,755	¥(1,304)	¥(15,072)	¥ (579)	¥ 800	¥837	¥13,462	¥314,412
Changes of items during the period:								
Dividends from surplus								(8,849)
Net income								50,133
Purchase of treasury stock								(24)
Disposal of treasury stock								116
Change in ownership interest of parent due to transactions with non-controlling interests								2,178
Net changes of items other than shareholders' equity	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	(6,136)
Total	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	37,418
Balance at March 31, 2017	¥21,842	¥ (276)	¥(24,889)	¥(1,160)	¥ (4,483)	¥862	¥12,584	¥351,830

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at March 31, 2016	\$158,258	\$(11,623)	\$(134,344)	\$ (5,161)	\$ 7,130	\$7,461	\$119,993	\$2,802,496
Changes of items during the period:								
Dividends from surplus								(78,876)
Net income								446,858
Purchase of treasury stock								(214)
Disposal of treasury stock								1,034
Change in ownership interest of parent due to transactions with non-controlling interests								19,414
Net changes of items other than shareholders' equity	36,430	9,163	(87,503)	(5,179)	(47,089)	222	(7,826)	(54,693)
Total	36,430	9,163	(87,503)	(5,179)	(47,089)	222	(7,826)	333,523
Balance at March 31, 2017	\$194,688	\$ (2,460)	\$(221,847)	\$(10,340)	\$(39,959)	\$7,683	\$112,167	\$3,136,019

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Cash flows from operating activities:			
Income before income taxes	¥ 45,581	¥ 33,928	\$ 302,416
Depreciation and amortization	38,894	39,331	350,575
Impairment loss	7,565	1,378	12,283
Reversal of impairment loss	(3,265)	(52)	(463)
Increase (decrease) in net defined benefit liability	604	3,237	28,853
Decrease (increase) in net defined benefit asset	(1,777)	(5,586)	(49,791)
Increase (decrease) in allowance for doubtful accounts	(754)	(225)	(2,006)
Increase (decrease) in provision for business structure improvement	974	10,463	93,261
Interest and dividend income	(2,311)	(2,510)	(22,373)
Interest expenses	2,419	2,224	19,824
Equity in losses (earnings) of affiliates	2,944	(2,079)	(18,531)
Loss (gain) on sales and retirement of noncurrent assets	2,559	4,454	39,701
Loss (gain) on sales of investment securities	10	(119)	(1,061)
Loss (gain) on valuation of derivatives	1,277	541	4,822
Loss (gain) on valuation of investment securities	567	27	241
Decrease (increase) in notes and accounts receivable—trade	2,999	5,253	46,822
Decrease (increase) in inventories	(6,933)	990	8,824
Increase (decrease) in notes and accounts payable—trade	(550)	2,192	19,538
Increase (decrease) in accrued payments due to change in retirement benefits	(2,015)	—	—
Other, net	1,366	(4,010)	(35,743)
Subtotal	90,154	89,437	797,192
Interest and dividend income received	6,589	6,022	53,677
Interest expenses paid	(2,482)	(2,168)	(19,324)
Income taxes paid	(13,620)	(14,251)	(127,026)
Net cash and cash equivalents provided by operating activities	80,641	79,040	704,519
Cash flows from investing activities:			
Purchase of property, plant and equipment	(31,895)	(37,663)	(335,707)
Proceeds from sales of property, plant and equipment	669	2,415	21,526
Purchase of intangible assets	(2,802)	(2,941)	(26,214)
Purchase of investment securities	(2,406)	(2,642)	(23,549)
Proceeds from sales of investment securities	848	2,026	18,059
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(82,890)	(738,836)
Decrease (increase) in short-term loans receivable	(2,643)	(2,380)	(21,214)
Payments of long-term loans receivable	(59)	(22)	(196)
Collection of long-term loans receivable	189	91	811
Other, net	(2,224)	(3,644)	(32,482)
Net cash and cash equivalents used in investing activities	(40,323)	(127,650)	(1,137,802)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	3,146	1,605	14,306
Redemption of bonds	(20,770)	—	—
Proceeds from long-term loans payable	36,707	98,761	880,301
Repayment of long-term loans payable	(21,821)	(27,310)	(243,426)
Cash dividends paid	(4,914)	(8,849)	(78,875)
Cash dividends paid to non-controlling shareholders	(284)	(373)	(3,325)
Proceeds from share issuance to non-controlling shareholders	—	1,817	16,196
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,585)	(14,128)
Other, net	(381)	(301)	(2,683)
Net cash and cash equivalents (used in) provided by financing activities	(8,317)	63,765	568,366
Effect of exchange rate changes on cash and cash equivalents	(1,971)	823	7,336
Net increase in cash and cash equivalents	30,030	15,978	142,419
Cash and cash equivalents at beginning of year	70,562	100,955	899,857
Increase in cash and cash equivalents resulting from change in scope of consolidation	363	617	5,500
Cash and cash equivalents at end of year (Note 3)	¥100,955	¥ 117,550	\$ 1,047,776

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TEIJIN LIMITED

Note 1 Basis of presenting consolidated financial statements

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

The Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force ("PITF") No. 18, issued by the Accounting Standards Board of Japan ("ASBJ") on February 19, 2010). In principle, the Company has unified the accounting standards for overseas subsidiaries and makes necessary adjustments upon consolidation. There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the years ended March 31, 2016 and 2017.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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

Note 2 Summary of significant accounting policies**Consolidation**

The consolidated financial statements include the accounts of the Company and 89 significant subsidiaries for the year ended March 31, 2017 (69 in 2016). Investments made in 80 (84 in 2016) unconsolidated subsidiaries and affiliates are, with minor exceptions, stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

Companies which are 40% or more owned and substantially controlled by the Company are considered subsidiaries for inclusion in the consolidation. Equity method accounting is applied to unconsolidated subsidiaries and affiliates which are substantially controlled or of which operating and financial policies are significantly influenced by the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill is usually amortized using the straight-line method over the estimated useful life from 5 to 20 years.

Of the Company's consolidated subsidiaries, 12 subsidiaries in 2017 and 2016 did not change their fiscal year-end of December 31. These 12 subsidiaries prepared, for consolidation purposes, provisional financial statements for the period that correspond to the fiscal year of the Company.

Statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with

maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It is determined by adding the individually estimated uncollectible amounts of certain accounts to an amount calculated using the provision rate based on past experience.

Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Company and its consolidated subsidiaries (the "Companies") do not hold trading securities. Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using moving-average cost.

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Notes to Consolidated Financial Statements

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for using the equity method is not readily available, the securities will be written down to net asset value with a corresponding charge in the consolidated statements of income in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

Inventories

Inventories are stated at the lower of average cost or net realizable value.

Property, plant and equipment

Property, plant and equipment are amortized using the straight-line method over the estimated useful life of the asset.

Intangible assets

Goodwill, patents, trademarks and other intangible assets are amortized using the straight-line method over the estimated useful life of the asset.

Software for internal use is amortized using the straight-line method over the estimated useful life, i.e. 5 to 10 years.

Research and development expenses

The Company charges research and development expenses to income as incurred.

Retirement benefits

Employees

The Company has an unfunded lump-sum benefit plan and a funded contributory pension plan, generally covering all employees. Certain consolidated subsidiaries have unfunded lump-sum benefit plans and non-contributory pension plans. Most overseas subsidiaries do not have pension plans.

Under the terms of the lump-sum benefit plans, eligible employees are, upon mandatory retirement at age 60 or voluntary termination before such age, entitled under most circumstances to a lump-sum payment based on their compensation at the time of severance and

years of service.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provided for employees' severance and retirement benefits at March 31, 2016 and 2017 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The method of attributing expected benefits to periods is on the benefit formula basis. Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively. In October 2016, the Company and certain consolidated subsidiaries transferred a portion of their defined benefit pension plan to a defined contribution pension plan.

Liabilities arising from the application of the equity method

Liabilities arising from the application of the equity method have been provided with respect to losses that may arise from the Company's portion of the capital deficits of unconsolidated subsidiaries and affiliates that are accounted for by the equity method, after giving consideration to the Company's investments in, and guarantees for, such companies.

Provision for business structure improvement

The provision is provided in amounts sufficient to cover possible losses for business structure improvement.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of the gain or loss resulting from a change in fair value of the derivative financial instrument until the related gain or loss on the hedged item is recognized.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the forecast transaction will be recorded using the contracted forward rate on recognition, and no gains or losses on the forward foreign exchange contract are recognized (the "principle-based method").

If interest rate swap contracts of the Company are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (the "special method").

Income taxes

The provision for income taxes is based on income for financial statement purposes. Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its wholly owned domestic consolidated subsidiaries have adopted consolidated tax return filing under Japanese tax regulations.

Translation of foreign currency

Cash, receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. All revenues and expenses in foreign currencies are translated at the exchange rates prevailing when such transactions are made. The resulting exchange loss or gain is charged or credited to income.

The balance sheet accounts of the overseas consolidated subsidiaries and foreign investments accounted for by the equity method are translated at the rates of exchange in effect at the balance sheet date, except for capital accounts and assets and liabilities due to/from the Company, which are translated at historical rates. Accounts in the consolidated statements of income are translated at the average rates of exchange for the year. Differences arising from translations are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements. The Companies report foreign currency translation adjustments in net assets.

Profit attributable to owners of parent per share

Computations of profit attributable to owners of parent per share of common stock are based on the weighted-average number of shares outstanding during each period. Diluted profit attributable to owners of parent per share is calculated based on the assumption that all dilutive convertible debentures and stock warrants were converted or exercised at the beginning of the year or at the time of issue.

Cash dividends per share represent amounts applicable for the respective years on an accrual basis.

The Company implemented a share consolidation on its common stock with a ratio of five shares to one share on October 1, 2016.

Profit attributable to owners of parent per share of common stock and Cash dividends per share are calculated based on the assumption that consolidation of shares had been carried out at the beginning of

the year ended March 31, 2016. Profit attributable to owners of parent per share for the years ended March 31, 2016 and 2017 is calculated based on the following factors:

Year ended March 31, 2016

(a) Profit attributable to owners of parent:	¥31,090 million	
(b) Amount not attributable to common shareholders:	¥ — million	
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million	
(d) Profit attributable to owners of parent allocated to common stock:	¥31,090 million	
(e) Average number of shares outstanding during the period:	196,589 thousand shares*	
(f) Increase in number of shares:	19,979 thousand shares	
(g) Increase in number of subscription rights to shares included in (f):	19,979 thousand shares	
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential shares do not have a dilutive effect:	—	

Year ended March 31, 2017

(a) Profit attributable to owners of parent:	¥50,133 million	(\$446,858 thousand)
(b) Amount not attributable to common shareholders:	¥ — million	(\$ — thousand)
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million	(\$ — thousand)
(d) Profit attributable to owners of parent allocated to common stock:	¥50,133 million	(\$446,858 thousand)
(e) Average number of shares outstanding during the period*:	196,668 thousand shares*	
(f) Increase in number of shares:	20,147 thousand shares	
(g) Increase in number of subscription rights to shares included in (f):	20,147 thousand shares	
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential shares do not have a dilutive effect:	—	

* 5 shares of common stock were consolidated into 1 share on October 1, 2016.

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(Reclassifications and restatements)

Certain prior year amounts have been reclassified and restated to conform to the current year's presentation. These reclassifications and restatements have no impact on previously reported results of operations or retained earnings.

(Additional information)

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")) from the current fiscal year.

Note 3 Statements of cash flows

- (1) The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows, as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and time deposits in the consolidated balance sheets	¥ 72,122	¥ 97,750	\$ 871,290
Securities	29,000	20,000	178,269
Time deposits with maturities exceeding three months	(167)	(200)	(1,783)
Cash and cash equivalents in the consolidated statements of cash flows	¥100,955	¥117,550	\$1,047,776

- (2) Important non-cash transactions

The amounts recognized for important asset retirement obligations as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Important asset retirement obligations recognized	¥(2,397)	¥764	\$6,810

- (3) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

Assets and liabilities of acquired companies (Continental Structural Plastics Holdings Corporation and its 15 consolidated subsidiaries), acquisition cost of shares and net cash outflow for such acquisition are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current assets	¥ 20,653		\$ 184,089
Noncurrent assets	65,794		586,452
Goodwill	29,805		265,665
Current liabilities	(10,556)		(94,090)
Noncurrent liabilities	(20,617)		(183,769)
Acquisition cost of shares	85,079		758,347
Account payables included in the acquisition price	(470)		(4,189)
Cash and cash equivalents	(1,719)		(15,322)
Net cash used for the acquisition	¥ 82,890		\$ 738,836

Note 4 Fair value of financial instruments

- (1) Qualitative information on financial instruments

speculation or trading purposes.

(a) Policies for using financial instruments

The Companies' fund management policy is to put money into short-term deposits only and to raise money through loans payable, commercial paper and corporate bonds.

The Companies principally enter into derivative transactions in connection with managing their market risk and not for

(b) Details of financial instruments used and the exposure to risk and how it arises

Notes and accounts receivable—trade are exposed to customers' credit risk. To manage that risk, the Companies check the balance of the accounts and confirm the collection of money at

the due date. The Companies also review the credit risk of their main customers periodically in accordance with the Company's credit management regulations.

Marketable securities are negotiable certificates of deposit subject to settlement in the short term. Securities are exposed to market price fluctuation risk; however, the Companies only hold shares in firms with which they have business relations and these are not held for speculation.

The due dates of notes and accounts payable—trade are mainly within one year.

Short-term loans receivable are used mainly for operating purposes, and funding through corporate bonds and long-term loans payable is mainly for capital investment. Debts with a floating rate are exposed to interest rate fluctuation risk, but interest on some long-term loans payable is converted to a fixed rate through interest rate swap transactions.

The Companies use derivative transactions of, for example, forward currency exchange and currency swaps that are used to hedge the risk of fluctuation in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies resulting from import and export transactions. With respect to other derivative transactions, interest rate swap transactions are used to hedge the risk of fluctuation in interest rates. The Companies evaluate hedge

effectiveness by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivative instruments.

The Companies report periodically to the Chief Financial Officer and the Treasury Office on the actual results of derivative transactions. Furthermore, the Companies enter into contracts with banks and securities houses with high credit ratings to minimize credit risk exposure.

(c) Supplementary information on fair values

The fair value of financial instruments is calculated based on quoted market price or, in cases where there is no market price, by making a reasonable estimation. Because the preconditions applied include a floating element, estimations of fair value may vary. The contracted amounts, as presented in Note 6, "Derivative transactions," do not reflect market risk.

- (2) Fair values of financial instruments

The following tables summarize fair value and book value of the financial instruments, and the difference between them, as of March 31, 2016 and 2017. Items for which fair value is difficult to estimate are not included in the following tables.

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 72,122	¥ 72,122	¥ —
(2) Receivables	164,536	164,536	—
(3) Short-term loans receivable	15,757	15,757	—
(4) Marketable securities and investment securities	103,692	103,692	—
(5) Long-term loans receivable	2,325	—	—
Allowance for doubtful accounts*	(519)	—	—
	1,806	1,806	—
Total	¥357,913	¥357,913	¥ —
(1) Payables	¥ 71,394	¥ 71,394	¥ —
(2) Short-term loans payable	55,528	55,528	—
(3) Bonds	55,149	61,368	6,219
(4) Long-term loans payable	191,138	193,205	2,067
Total	¥373,209	¥381,495	¥8,286
Derivative transactions ¹			
(1) To which hedge accounting is not applied	¥ 5,110	¥ 5,110	¥ —
(2) To which hedge accounting is applied	(1,814)	(1,814)	—
Total	¥ 3,296	¥ 3,296	¥ —

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Notes to Consolidated Financial Statements

	Millions of yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 97,750	¥ 97,750	¥ —
(2) Receivables	166,803	166,803	—
(3) Short-term loans receivable	13,407	13,407	—
(4) Marketable securities and investment securities	102,007	102,007	—
(5) Long-term loans receivable	2,118	—	—
Allowance for doubtful accounts*	(513)	—	—
Total	¥381,572	¥381,572	¥ —
(1) Payables	¥ 79,117	¥ 79,117	¥ —
(2) Short-term loans payable	57,585	57,585	—
(3) Bonds	55,110	61,419	6,309
(4) Long-term loans payable	261,758	262,334	576
Total	¥453,570	¥460,455	¥6,885
Derivative transactions†			
(1) To which hedge accounting is not applied	¥ 5,010	¥ 5,010	¥ —
(2) To which hedge accounting is applied	(361)	(361)	—
Total	¥ 4,649	¥ 4,649	¥ —

	Thousands of U.S. dollars		
	2017		
	Book value	Fair value	Difference
(1) Cash and time deposits	\$ 871,290	\$ 871,290	\$ —
(2) Receivables	1,486,790	1,486,790	—
(3) Short-term loans receivable	119,503	119,503	—
(4) Marketable securities and investment securities	909,234	909,234	—
(5) Long-term loans receivable	18,878	—	—
Allowance for doubtful accounts*	(4,573)	—	—
Total	\$3,401,122	\$3,401,122	\$ —
(1) Payables	\$ 705,206	\$ 705,206	\$ —
(2) Short-term loans payable	513,281	513,281	—
(3) Bonds	491,221	547,455	56,234
(4) Long-term loans payable	2,333,167	2,338,301	5,134
Total	\$4,042,875	\$4,104,243	\$61,368
Derivative transactions†			
(1) To which hedge accounting is not applied	\$ 44,656	\$ 44,656	\$ —
(2) To which hedge accounting is applied	(3,218)	(3,218)	—
Total	\$ 41,438	\$ 41,438	\$ —

* Allowance for doubtful accounts is estimated for each category and is deducted from long-term loans receivable.

† Derivative transactions are presented net of receivables and liabilities, and figures within parenthesis indicate net liabilities.

(Note 1) The method of estimating the fair value for securities and derivative transactions is as follows:

Assets

(1) Cash and time deposits, (2) Receivables and (3) Short-term loans receivable

The terms of all of the above are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value.

(4) Marketable securities and investment securities

The fair value of shares is the market price. The terms of negotiable certificates of deposit are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value. See Note 5, "Market securities and investment securities" for information on investment securities categorized by holding purpose.

(5) Long-term loans receivable

The fair value of long-term loans receivable, categorized by term, is discounted by the interest rate that is based on that of government bonds, to which a spread that reflects credit risk has been added.

Moreover, the fair value of long-term loans receivable that are doubtful is estimated in the same way or is provided in an amount sufficient to cover possible losses on collection.

Liabilities

(1) Payables and (2) Short-term loans payable

The terms of all of the above are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value.

(3) Bonds

The fair value of corporate bonds is calculated based on market price. In cases where there is no market price, fair value is calculated by using the discounted cash flow based on the sum of the principal and total interest of the remaining period and credit risk.

(4) Long-term loans payable

The fair value of long-term loans payable is the sum of the principal and total interest discounted by the rate that is applied if a new loan is made. Certain long-term loans payable with floating rates are tied to interest rate swap transactions and subject to special treatment.

Derivative transactions

See Note 6, "Derivative transactions."

(Note 2) Financial instruments for which fair value is difficult to estimate:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unlisted shares	¥ 5,388	¥ 5,407	\$ 48,195
Shares in affiliated companies	28,973	27,690	246,813
Total	¥34,361	¥33,097	\$295,008

Market prices of the above shares are not available and the future cash flow cannot be estimated. Therefore, fair value is difficult to estimate. Accordingly, these are not included in "(4) Marketable securities and investment securities."

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(Note 3) Expected repayment amounts of monetary assets and securities with maturity after the date of the accounting period are as follows:

	Millions of yen		
	2016		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 72,122	¥ —	¥ —
Receivables	164,536	—	—
Short-term loans receivable	15,757	—	—
Long-term loans receivable	54	1,771	500

	Millions of yen		
	2017		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 97,750	¥ —	¥ —
Receivables	166,803	—	—
Short-term loans receivable	13,407	—	—
Long-term loans receivable	271	1,347	500

	Thousands of U.S. dollars		
	2017		
	Within one year	One year to five years	Over five years
Cash and time deposits	\$ 871,290	\$ —	\$ —
Receivables	1,486,790	—	—
Short-term loans receivable	119,503	—	—
Long-term loans receivable	2,415	12,006	4,457

(Note 4) Repayment schedule of bonds and long-term loans payable:
See Note 8, "Loans payable."

Note 5 Marketable securities and investment securities

(1) Information on securities held by the Companies at March 31, 2016 is as follows:

- (a) There were no held-to-maturity debt securities with fair values at March 31, 2016.
(b) The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with fair values as of March 31, 2016.

	Millions of yen		
	2016		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥12,576	¥ 41,851	¥29,275
Securities with book values not exceeding acquisition costs:			
Corporate shares	37,471	32,841	(4,630)
Negotiable certificates of deposit	29,000	29,000	—
Total	¥79,047	¥103,692	¥24,645

(c) Total sales of available-for-sale securities in the year ended March 31, 2016 and the related gains and losses amounted to ¥848 million, ¥71 million and ¥81 million, respectively.

(d) Available-for-sale securities with no fair values as of March 31, 2016 consisted mostly of non-listed equity securities and others amounting to ¥3,813 million and ¥1,575 million, respectively.

(e) Impairment loss on available-for-sale securities of ¥567 million was recognized as of March 31, 2016.

(2) Information on securities held by the Companies at March 31, 2017 is as follows:

- (a) There were no held-to-maturity debt securities with fair values at March 31, 2017.
(b) The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with fair values as of March 31, 2017.

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥14,908	¥ 46,893	¥31,985
Securities with book values not exceeding acquisition costs:			
Corporate shares	36,402	35,114	(1,288)
Negotiable certificates of deposit	20,000	20,000	—
Total	¥71,310	¥102,007	¥30,697

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	\$132,881	\$417,978	\$285,097
Securities with book values not exceeding acquisition costs:			
Corporate shares	324,467	312,987	(11,480)
Negotiable certificates of deposit	178,269	178,269	—
Total	\$635,617	\$909,234	\$273,617

(c) Total sales of available-for-sale securities in the year ended March 31, 2017 and the related gains and losses amounted to ¥2,026 million (\$18,059 thousand), ¥119 million (\$1,061 thousand) and ¥0 million (\$0 thousand), respectively.

(d) Available-for-sale securities with no fair values as of March 31, 2017 consisted mostly of non-listed equity securities and others amounting to ¥2,787 million (\$24,842 thousand) and ¥2,620 million (\$23,353 thousand), respectively.

(e) Impairment loss on available-for-sale securities of ¥27 million (\$241 thousand) was recognized as of March 31, 2017.

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Notes to Consolidated Financial Statements

Note 6 Derivative transactions

(1) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2016 to which hedge accounting is not applied.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2016, were as follows:

Currency-related derivatives

	Millions of yen			
	2016			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,831	¥ 3,831	¥ (136)	¥ (136)
U.S. dollars received for Japanese yen	¥12,350	¥12,350	¥5,499	¥5,499
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 6,801	¥ 914	¥ (183)	¥ (183)
Sell: Euro	¥ 1,851	¥ —	¥ 22	¥ 22
Sell: Japanese yen	¥ 465	¥ 145	¥ (6)	¥ (6)
Buy: U.S. dollars	¥ 2,427	¥ —	¥ (98)	¥ (98)
Buy: Euro	¥ 79	¥ —	¥ 1	¥ 1
Buy: Renminbi	¥ 8	¥ —	¥ 0	¥ 0
Buy: British pounds	¥ 0	¥ —	¥ 0	¥ 0
Buy: Thai bahts	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 1,760	¥ —	¥ 11	¥ 11

(2) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2016 to which hedge accounting is applied.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥21,985	¥7,889	¥ (557)
Sell: Euro	¥ 824	¥ —	¥ 5
Sell: Renminbi	¥ 13	¥ —	¥ 0
Sell: Thai bahts	¥ 0	¥ —	¥ 0
Sell: Japanese yen	¥ 2,093	¥1,317	¥ (20)
Buy: U.S. dollars	¥24,354	¥ —	¥(1,083)
Buy: Euro	¥ 91	¥ —	¥ 0
Buy: British pounds	¥ 4	¥ —	¥ 0
Buy: Thai bahts	¥ 1	¥ —	¥ 0
Buy: Renminbi	¥ 56	¥ —	¥ 0

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Euro, pay fixed rate in Euro	¥3,831	¥ —	¥ (30)
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥3,831	¥3,831	¥(129)

Interest rate-related derivatives: Special method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥97,650	¥77,650	¥—

(3) The fair value of foreign currency forward contract transactions is based on the year-end forward rate. The fair value of foreign currency swap transactions and interest rate swap transactions is based on the prices presented by the counterpart financial institutions.

(4) Interest rate swaps to which special methods have been applied are included in long-term loans payable. Therefore, the fair value of interest rate swaps is included in the fair value of the hedged long-term loans payable.

(5) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2017 to which hedge accounting is not applied.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2017, were as follows:

Currency-related derivatives

	Millions of yen			
	2017			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,594	¥ 3,594	¥ 97	¥ 97
U.S. dollars received for Japanese yen	¥77,164	¥64,814	¥4,958	¥4,958
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 3,366	¥ —	¥ (28)	¥ (28)
Sell: Euro	¥ 1,608	¥ —	¥ 7	¥ 7
Sell: Japanese yen	¥ 490	¥ —	¥ (3)	¥ (3)
Sell: Thai bahts	¥ 3	¥ —	¥ (0)	¥ (0)
Buy: U.S. dollars	¥ 3,176	¥ —	¥ (12)	¥ (12)
Buy: Euro	¥ 189	¥ —	¥ (1)	¥ (1)
Buy: British pounds	¥ 0	¥ —	¥ 0	¥ 0
Buy: Thai bahts	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 1,821	¥ —	¥ (8)	¥ (8)

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	Thousands of U.S. dollars			
	2017			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	\$ 32,035	\$ 32,035	\$ 865	\$ 865
U.S. dollars received for Japanese yen	\$687,797	\$577,716	\$44,193	\$44,193
Foreign currency forward contract transactions:				
Sell: U.S. dollars	\$ 30,003	\$ —	\$ (250)	\$ (250)
Sell: Euro	\$ 14,333	\$ —	\$ 62	\$ 62
Sell: Japanese yen	\$ 4,368	\$ —	\$ (27)	\$ (27)
Sell: Thai bahts	\$ 27	\$ —	\$ (0)	\$ (0)
Buy: U.S. dollars	\$ 28,309	\$ —	\$ (107)	\$ (107)
Buy: Euro	\$ 1,685	\$ —	\$ (9)	\$ (9)
Buy: British pounds	\$ 0	\$ —	\$ 0	\$ 0
Buy: Thai bahts	\$ 0	\$ —	\$ 0	\$ 0
Buy: Japanese yen	\$ 16,231	\$ —	\$ (71)	\$ (71)

- (6) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2017 to which hedge accounting is applied.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥21,944	¥11,824	¥(333)
Sell: Euro	¥ 751	¥ —	¥ (1)
Sell: Renminbi	¥ 15	¥ —	¥ (0)
Sell: Thai bahts	¥ 0	¥ —	¥ 0
Sell: Japanese yen	¥ 3,977	¥ 2,617	¥ 20
Buy: U.S. dollars	¥12,030	¥ —	¥ 22
Buy: Euro	¥ 27	¥ —	¥ 0
Buy: British pounds	¥ 1	¥ —	¥ 0
Buy: Thai bahts	¥ —	¥ —	¥ —
Buy: Renminbi	¥ 47	¥ —	¥ (0)

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	\$195,597	\$105,393	\$(2,968)
Sell: Euro	\$ 6,694	\$ —	\$ (9)
Sell: Renminbi	\$ 134	\$ —	\$ (0)
Sell: Thai bahts	\$ 0	\$ —	\$ 0
Sell: Japanese yen	\$ 35,449	\$ 23,326	\$ 178
Buy: U.S. dollars	\$107,229	\$ —	\$ 196
Buy: Euro	\$ 241	\$ —	\$ 0
Buy: British pounds	\$ 9	\$ —	\$ 0
Buy: Thai bahts	\$ —	\$ —	\$ —
Buy: Renminbi	\$ 419	\$ —	\$ (0)

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥3,594	¥3,594	¥(69)

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	\$32,035	\$32,035	\$(615)

Interest rate-related derivatives: Special method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥77,650	¥50,000	¥—

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	\$692,129	\$445,673	\$—

- (7) The fair value of foreign currency forward contract transactions is based on the year-end forward rate. The fair value of foreign currency swap transactions and interest rate swap transactions is based on the prices presented by the counterpart financial institutions.

- (8) Interest rate swaps to which special methods have been applied are included in long-term loans payable. Therefore, the fair value of interest rate swaps is included in the fair value of the hedged long-term loans payable.

Note 7 Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Merchandise and finished goods	¥ 85,965	¥ 84,272	\$ 751,163
Work in process	7,739	8,980	80,043
Raw materials	21,527	23,759	211,766
Supplies	5,212	5,301	47,250
Total	¥120,443	¥122,312	\$1,090,222

Note 8 Loans payable

Short-term loans payable were represented by bank overdrafts and short-term notes with average annual interest rates of approximately 1.3% and 1.7% in 2016 and 2017, respectively.

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Long-term loans payable at March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unsecured:			
Banks and insurance companies at 0.0–0.7%, maturing serially through 2027	¥148,659	¥161,750	\$1,441,750
0.7% bonds, due 2019	15,000	15,000	133,702
Zero coupon convertible bonds, due 2018	20,067	20,042	178,643
Zero coupon convertible bonds, due 2021	20,081	20,067	178,866
Loans denominated in foreign currencies (principally U.S. dollars) at 0.0–2.6%, maturing serially through 2027	42,480	100,029	891,604
Lease obligations at 7.5%, maturing serially through 2047	1,483	1,260	11,231
	247,770	318,148	2,835,796
Less amounts due within one year	27,800	51,594	459,880
Total	¥219,970	¥266,554	\$2,375,916

The aggregate annual maturities of long-term loans payable at March 31, 2017, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 51,594	\$ 459,880
2019	35,818	319,262
2020	21,418	190,908
2021	29,124	259,595
2022 and thereafter	180,064	1,604,992

Note 9 Employees' retirement benefits

(1) Funded contributory pension plan as of March 31, 2016

(a) Projected benefit obligation at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen
	2016
Balance at April 1, 2015	¥72,021
Service cost	2,530
Interest cost	437
Actuarial loss (gain)	821
Benefits paid	(6,926)
Other	(153)
Balance at March 31, 2016	¥68,730

(b) Fair value of plan assets at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen
	2016
Balance at April 1, 2015	¥77,365
Expected return on plan assets	627
Actuarial loss (gain)	(1,544)
Contributions paid by the employer	560
Benefits paid	(4,745)
Other	(17)
Balance at March 31, 2016	¥72,246

(c) Projected benefit obligation at beginning and end of year of the companies to which the simplified method is applied

	Millions of yen
	2016
Balance at April 1, 2015	¥1,168
Retirement benefit costs	420
Benefits paid	(111)
Contributions paid by the employer	(267)
Other	194
Balance at March 31, 2016	¥1,404

(d) Adjustments to reconcile projected benefit obligation and fair value of plan assets at end of year with the difference between net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets

	Millions of yen
	2016
Funded retirement benefit obligations	¥ 71,386
Plan assets	(74,499)
	(3,113)
Unfunded retirement benefit obligations	1,000
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)
Liability for retirement benefits	¥ 30,440
Asset for retirement benefits	(32,553)
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)

Note: This calculation includes benefits of companies to which the simplified valuation method is applied.

(e) Severance and retirement benefits costs

	Millions of yen
	2016
Service cost	¥ 2,530
Interest cost	437
Expected return on plan assets	(627)
Net actuarial loss amortization	(1,220)
Past service costs amortization	314
Total retirement benefit costs for the fiscal year ended March 31, 2016, based on the simplified method	420
Other (Extra retirement payments, etc.)	1,162
Total retirement benefit costs for the fiscal year ended March 31, 2016	¥ 3,016

(f) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen
	2016
Past service costs	¥ 314
Actuarial gains and losses	(3,573)
Total balance at March 31, 2016	¥(3,259)

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(g) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen
	2016
Past service costs that are yet to be recognized	¥ —
Actuarial gains and losses that are yet to be recognized	(1,446)
Total balance at March 31, 2016	¥(1,446)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2016
Equity securities	17%
Debt securities	33%
General accounts	18%
Other	32%
Total	100%

(i) Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and projected future allocation of plan assets and present and future estimates for long-term investment returns calculated based on the diverse range of assets comprising plan assets.

(j) Actuarial assumptions

Actuarial assumptions used at March 31, 2016 were as follows:

	2016
Discount rate (funded contributory pension plan)	Mainly 0.1%
Debt securities (lump-sum benefit plan)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(2) Defined contribution pension plans as of March 31, 2016

Contributions to the defined contribution pension plans of the Companies totaled ¥2,357 million.

(3) Multi-employer pension plans as of March 31, 2016

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,858 million.

The funded status of the multiemployer contributory funded pension plans at December 31, 2015 (based on information available as of March 31, 2016), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen
	2016
Fair value of plan assets	¥ 2,723,713
Benefit obligation in the calculation of pension financing	(2,729,715)
Difference	¥ (6,002)
Companies' contribution percentage for multiemployer contributory funded pension plans*	4.0%

* This percentage shows the Companies' portion of the total estimated annual contribution to the plans, which is not necessarily equal to the actual percentage of the Companies' portion against the funded status in the above table.

(4) Funded contributory pension plan as of March 31, 2017

(a) Projected benefit obligation at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Balance at April 1, 2016	¥68,730	\$612,621
Service cost	2,291	20,421
Interest cost	393	3,503
Actuarial loss (gain)	778	6,935
Benefits paid	(5,886)	(52,465)
Change of scope of consolidation	6,439	57,394
Loss on transition to a defined contribution pension plan	(8,182)	(72,930)
Other	(625)	(5,571)
Balance at March 31, 2017	¥68,938	\$569,908

(b) Fair value of plan assets at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Balance at April 1, 2016	¥72,246	\$643,961
Expected return on plan assets	409	3,646
Actuarial loss (gain)	1,755	15,643
Contributions paid by the employer	381	3,396
Benefits paid	(3,983)	(35,502)
Change of scope of consolidation	4,529	40,369
Loss on transition to a defined contribution pension plan	(7,049)	(62,831)
Other	(270)	(2,407)
Balance at March 31, 2017	¥68,018	\$606,275

(c) Projected benefit obligation at beginning and end of year of the companies to which the simplified method is applied

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Balance at April 1, 2016	¥1,404	\$12,514
Retirement benefit costs	334	2,977
Benefits paid	(81)	(722)
Contributions paid by the employer	(127)	(1,132)
Other	(10)	(89)
Balance at March 31, 2017	¥1,520	\$13,548

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- (d) Adjustments to reconcile projected benefit obligation and fair value of plan assets at end of year with the difference between net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Funded retirement benefit obligations	¥ 67,013	\$ 597,317
Plan assets	(70,049)	(624,378)
	(3,036)	(27,061)
Unfunded retirement benefit obligations	475	4,234
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,561)	\$ (22,827)
Liability for retirement benefits	¥ 35,428	\$ 315,786
Asset for retirement benefits	(37,988)	(338,604)
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,560)	\$ (22,818)

Note: This calculation includes benefits of companies to which the simplified valuation method is applied.

- (e) Severance and retirement benefits costs

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Service cost	¥ 2,291	\$ 20,421
Interest cost	393	3,503
Expected return on plan assets	(409)	(3,646)
Net actuarial loss amortization	(1,500)	(13,370)
Past service costs amortization	4	36
Total retirement benefit costs for the fiscal year ended March 31, 2017, based on the simplified method	334	2,977
Gain on transition to a defined contribution pension plan	(193)	(1,720)
Other (Extra retirement payments, etc.)	1,445	12,879
Total retirement benefit costs for the fiscal year ended March 31, 2017	¥ 2,365	\$ 21,080

- (f) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Past service costs	¥ (69)	\$ (615)
Actuarial gains and losses	(146)	(1,301)
Total balance at March 31, 2017	¥(215)	\$(1,916)

- (g) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Past service costs that are yet to be recognized	¥ (69)	\$ (615)
Actuarial gains and losses that are yet to be recognized	(1,661)	(14,805)
Total balance at March 31, 2017	¥(1,730)	\$(15,420)

- (h) Composition of plan assets

The composition of plan assets was as follows:

	2017
Equity securities	23%
Debt securities	31%
General accounts	15%
Other	31%
Total	100%

- (i) Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and projected future allocation of plan assets and present and future estimates for long-term investment returns calculated based on the diverse range of assets comprising plan assets.

- (j) Actuarial assumptions

Actuarial assumptions used at March 31, 2017 were as follows:

	2017
Discount rate (funded contributory pension plan)	Mainly 0.1%
Debt securities (lump-sum benefit plan)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

- (5) Defined contribution pension plans as of March 31, 2017

Contributions to the defined contribution pension plans of the Companies totaled ¥2,496 million (\$22,248 thousand).

- (6) Multi-employer pension plans as of March 31, 2017

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,697 million (\$15,126 thousand).

The funded status of the multi-employer contributory funded pension plans at December 31, 2016 (based on information available as of March 31, 2017), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Fair value of plan assets	¥ 2,863,939	\$ 25,527,578
Benefit obligation in the calculation of pension financing	(2,849,804)	(25,401,586)
Difference	¥ 14,135	\$ 125,992
Companies' contribution percentage for multiemployer contributory funded pension plans*	3.7%	

* This percentage shows the Companies' portion of the total estimated annual contribution to the plans, which is not necessarily equal to the actual percentage of the Companies' portion against the funded status in the above table.

Note 10 Net assets

Under Japanese laws and regulations, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Under the Japanese Corporate Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of

the dividend and excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital is included in capital surplus and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may be used to

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eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the Board of Directors' meeting held on May 9, 2017, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2017 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥30.00 (\$0.27) per share	¥5,902	\$52,607

Note 11 Impairment loss

The Companies accounted for impairment losses for the year ended March 31, 2016 as follows:

Impairment loss			
Location	Purpose of use	Type of assets	Millions of yen
Utsunomiya City in Tochigi Prefecture and others	Performance Polymer Products facilities	Machinery, etc.	¥ 4,801
California, U.S.A.	Pharmaceuticals and home healthcare business	Goodwill, etc.	1,295
Others	—	—	1,469
Total			¥ 7,565

The Companies set up asset groupings by business unit for which the profit or loss is continually monitored. Idle assets, which are not being used for business, are separately treated.

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as "impairment loss" amounting to ¥7,565 million. The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 5–15%.

The Companies accounted for impairment losses for the year ended March 31, 2017 as follows:

Impairment loss				
Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Ibaraki City in Osaka Prefecture and others	R&D facilities, etc.	Building, etc.	¥ 449	\$ 4,002
Others	—	—	929	8,281
Total			¥1,378	\$12,283

The Companies set up asset groupings by business unit for which the profit or loss is continually monitored. Idle assets, which are not being used for business, are separately treated.

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as

"impairment loss" amounting to ¥1,378 million (\$12,283 thousand). The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 5–15%.

Note 12 Consolidated statements of comprehensive income

Components of other comprehensive income for the years ended March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥(10,420)	¥ 6,070	\$ 54,105
Reclassification adjustments	25	(49)	(437)
Subtotal, before tax	(10,395)	6,021	53,668
Tax (expense) or benefit	3,912	(1,841)	(16,410)
Subtotal, net of tax	(6,483)	4,180	37,258
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	4,196	718	6,400
Reclassification adjustments	(2,674)	718	6,400
Subtotal, before tax	1,522	1,436	12,800
Tax (expense) or benefit	(256)	(409)	(3,646)
Subtotal, net of tax	1,266	1,027	9,154
Foreign currency translation adjustments:			
Increase (decrease) during the year	(6,059)	(7,797)	(69,498)
Reclassification adjustments	215	—	—
Subtotal, before tax	(5,844)	(7,797)	(69,498)
Tax (expense) or benefit	(212)	95	847
Subtotal, net of tax	(6,056)	(7,702)	(68,651)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(2,396)	966	8,610
Reclassification adjustments	(864)	(1,181)	(10,526)
Subtotal, before tax	(3,260)	(215)	(1,916)
Tax (expense) or benefit	1,185	(90)	(803)
Subtotal, net of tax	(2,075)	(305)	(2,719)
Share of other comprehensive income of associates accounted for using the equity method:			
Increase (decrease) during the year	(194)	(2,362)	(21,054)
Reclassification adjustments	120	56	500
Subtotal	(74)	(2,306)	(20,554)
Total other comprehensive income	¥(13,422)	¥(5,106)	\$(45,512)

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Note 13 Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% for the year ended March 31, 2017. The following table

summarizes the significant differences between the Company's effective tax rate and the actual income tax rate for financial statement purposes for the year ended March 31, 2016 and 2017.

	2016	2017
Effective tax rate	32.9 %	30.7 %
Non-deductible expenses	0.5	4.9
Per capita inhabitants' taxes	0.4	0.5
Difference in statutory tax rate between Japan and other countries	(7.0)	(4.2)
Equity in earnings of affiliates	2.1	(1.8)
Amortization of goodwill	0.9	1.0
Changes in valuation allowance	9.0	(76.7)
Refund of income taxes	(6.2)	(9.0)
Increase (decrease) in statutory tax rate	2.0	(0.9)
Other	1.3	4.0
Actual income tax rate	35.9 %	(51.5)%

Revisions to the amounts of deferred tax assets and liabilities due to changes in the tax rates of the Japanese Corporation Tax

Since amendments to the Japanese tax regulations were enacted into law on November 18, 2016, the statutory tax rate utilized for the

measurement of deferred tax assets and liabilities in the current fiscal year changed from the previous year.

As a result, the amounts of the deferred tax assets (after deducting the deferred tax liabilities) increased by ¥298 million (\$2,656 thousand).

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Excess bonuses accrued	¥ 4,530	¥ 4,283	\$ 38,176
Provision for loss on guarantees	143	134	1,194
Write-down of investment securities	1,379	1,533	13,664
Retirement benefits	6,699	5,290	47,152
Accumulated impairment loss	12,494	9,108	81,184
Net operating loss carry forwards	44,393	45,657	406,961
Other	21,456	31,428	280,133
Total	91,094	97,433	868,464
Valuation allowance	(62,402)	(38,011)	(338,809)
Total deferred tax assets	28,692	59,422	529,655
Offset with deferred tax liabilities	(16,157)	(33,393)	(297,647)
Net deferred tax assets	¥ 12,535	¥ 26,029	\$ 232,008
Deferred tax liabilities:			
Adjustments to fixed assets based on Corporate Tax Law	¥ (4,469)	¥ (4,303)	\$ (38,355)
Accelerated depreciation of foreign subsidiaries' fixed assets	(980)	(807)	(7,193)
Tax effect of foreign subsidiaries' undistributed earnings	(3,085)	(4,225)	(37,659)
Adjustment of carrying amount based on fair value	(4,236)	(21,920)	(195,383)
Valuation difference on available-for-sale securities	(6,732)	(8,616)	(76,798)
Other	(2,347)	(1,947)	(17,355)
Total deferred tax liabilities	(21,849)	(41,818)	(372,743)
Offset with deferred tax assets	16,157	33,393	297,647
Net deferred tax liabilities	¥ (5,692)	¥ (8,425)	\$ (75,096)

Note 14 Leases

Operating leases as lessee

Future minimum lease payments for the remaining lease periods as of March 31, 2016 and 2017 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Due within one year	¥200	¥ 787	\$ 7,015
Due over one year	702	1,642	14,636
Total	¥902	¥2,429	\$21,651

Note 15 Stock option plans

Information on stock option plans at March 31, 2017 is as shown below.

Teijin Limited

The account and the amounts related to stock options in the years ended March 31, 2016 and 2017 are as follows:

Account	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Selling, general and administrative expenses	¥99	¥112	\$998

The following tables summarize the contents of stock options as of March 31, 2017.

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 54
Class and number of stock	Common Stock: 29,200
Date of issue	July 10, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 10, 2006 to July 9, 2026
Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 41,400
Date of issue	July 5, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2027
Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 65,600
Date of issue	July 7, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 7, 2008 to July 6, 2028

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Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 84,000
Date of issue	July 9, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2009 to July 8, 2029

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 69,800
Date of issue	July 9, 2010
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2010 to July 8, 2030

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 47
Class and number of stock	Common Stock: 147,400
Date of issue	March 12, 2012
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 12, 2012 to March 11, 2032

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 38
Class and number of stock	Common Stock: 139,600
Date of issue	March 15, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 15, 2013 to March 14, 2033

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 40
Class and number of stock	Common Stock: 123,600
Date of issue	March 14, 2014
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 14, 2014 to March 13, 2034

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 32
Class and number of stock	Common Stock: 75,800
Date of issue	March 18, 2015
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 18, 2015 to March 17, 2035

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 29
Class and number of stock	Common Stock: 54,800
Date of issue	March 16, 2016
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 16, 2016 to March 15, 2036

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 31
Class and number of stock	Common Stock: 57,400
Date of issue	March 17, 2017
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 17, 2017 to March 16, 2037

The following tables summarize the numbers and movements of stock options as of March 31, 2017.

Non-exercisable stock options

Company name	Shares										
	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	57,400
Forfeitures	—	—	—	—	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—	—	—	—	57,400
Stock options outstanding at March 31, 2017	—	—	—	—	—	—	—	—	—	—	—

Exercisable stock options

Company name	Shares										
	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	3,800	6,400	16,600	34,600	34,400	104,200	114,400	117,000	75,800	54,800	—
Conversion from non- exercisable stock options	—	—	—	—	—	—	—	—	—	—	57,400
Stock options exercised	1,400	2,600	7,400	15,200	9,200	27,600	9,200	13,000	—	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2017	2,400	3,800	9,200	19,400	25,200	76,600	105,200	104,000	75,800	54,800	57,400

The following table summarizes value information of stock options as of March 31, 2017.

Company name	Yen										
	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,916	1,912	1,941	1,958	1,958	1,980	2,016	2,002	—	—	—
Fair value at the date of grant	3,315	3,050	1,535	1,265	1,305	1,225	980	1,140	1,925	1,800	1,955

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The method of estimation for the fair value of stock options granted in the year ended March 31, 2017 is as follows:

Method of valuation	Black-Scholes Model
Volatility	30%
Expected remaining period	5.5 years
Expected dividend	¥45.00 per share
Interest rate without any risks	(0.12%)

Infocom Corporation

The account and the amounts related to stock options in the years ended March 31, 2016 and 2017 are as follows:

Account	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Selling, general and administrative expenses	¥30	¥27	\$241

The following tables summarize the contents of stock options as of March 31, 2017.

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 5
Class and number of stock	Common Stock: 36,200
Date of issue	May 31, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 1, 2013 to May 31, 2043

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 6
Class and number of stock	Common Stock: 23,000
Date of issue	June 6, 2014
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 7, 2014 to June 6, 2044

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 7
Class and number of stock	Common Stock: 26,800
Date of issue	June 9, 2015
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 10, 2015 to June 9, 2045

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 8
Class and number of stock	Common Stock: 18,400
Date of issue	June 13, 2016
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 14, 2016 to June 13, 2046

The following tables summarize the number and movements of stock options as of March 31, 2017.

Non-exercisable stock options

Company name	Shares			
	Infocom Corporation			
	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	—	—	—	—
Stock options granted	—	—	—	18,400
Forfeitures	—	—	—	—
Conversion to exercisable stock options	—	—	—	18,400
Stock options outstanding at March 31, 2017	—	—	—	—

Exercisable stock options

Company name	Shares			
	Infocom Corporation			
	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	36,200	23,000	26,800	—
Conversion from non- exercisable stock options	—	—	—	18,400
Stock options exercised	3,000	—	—	—
Forfeitures	—	—	—	—
Stock options outstanding at March 31, 2017	33,200	23,000	26,800	18,400

The following table summarizes value information of stock options as of March 31, 2017.

Company name	Yen			
	Infocom Corporation			
	2014	2015	2016	2017
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,660	—	—	—
Fair value at the date of grant	143,839	144,800	227,000	300,000

The method of estimation for the fair value of stock options granted in the year ended March 31, 2017 is as follows:

Method of valuation	Black-Scholes Model
Volatility	42.4%
Expected remaining period	7.6 years
Expected dividend rate	1.13%
Interest rate without any risks	(0.26%)

Note 16 Segment information

(1) Reportable operating segment information

The Company's reportable operating segments are components of an entity for which separate financial information is available and evaluated regularly by its chief decision-making authority in determining the allocation of management resources and in assessing performance. Up to and including the year ended March 31, 2017, the Company has divided its operations into business groups based on the type of product, nature of business and services provided. The business groups formulate product and service strategies in a comprehensive manner in Japan and overseas. Accordingly, the Company divided its operations into four reportable operating segments on the same basis as applied internally: Advanced Fibers and Composites; Electronics Materials and Performance Polymer Products; Healthcare; and Trading and Retail.

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The description of each segment is as follows:

Advanced Fibers and Composites:

- Production and sales of aramid fibers, carbon fibers, polyester fibers and composites for industrial applications

Electronics Materials and Performance Polymer Products:

- Production and sales of films and resins for various industrial applications

Healthcare:

- Production and sales of prescription and non-prescription drugs and production, sales and rental of home healthcare devices

Trading and Retail:

- Trading and retail of polyester filaments, other fibers and polymer products

(2) Accounting methods used to calculate segment sales, segment income, segment assets and other items for reportable operating segments

The accounting policies for the reportable segments are the same as those described in *Note 2. Summary of significant accounting policies.*

Segment income for reportable operating segments is based on operating income. Amounts for intersegment transactions or transfers are calculated based on market prices or on prices determined using the cost-plus method.

(3) Segment sales, segment income, segment assets and other items for reportable operating segments

Segment information for the years ended March 31, 2016 and 2017 is as shown below:

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	Total
Sales:							
1) External customers	¥133,017	¥163,699	¥147,501	¥270,934	¥715,151	¥75,597	¥790,748
2) Intersegment net sales and transfer	26,458	3,753	—	3,763	33,974	17,220	51,194
Total sales	159,475	167,452	147,501	274,697	749,125	92,817	841,942
Segment income	18,499	22,298	28,802	5,330	74,929	6,488	81,417
Segment assets	185,915	134,113	144,990	133,580	598,598	92,145	690,743
Other items:							
Depreciation	14,320	4,981	11,524	1,980	32,805	2,413	35,218
Amortization of goodwill	1,429	—	364	25	1,818	113	1,931
Investments in associates accounted for using the equity method	4,432	21,131	1,157	2,027	28,747	10,583	39,330
Increase in tangible and intangible fixed assets	12,575	2,505	13,793	2,930	31,803	4,910	36,713

	Millions of yen						
	2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	Total
Sales:							
1) External customers	¥136,760	¥134,422	¥147,537	¥259,584	¥678,303	¥62,989	¥741,292
2) Intersegment net sales and transfer	24,211	3,596	—	4,102	31,909	18,325	50,234
Total sales	160,971	138,018	147,537	263,686	710,212	81,314	791,526
Segment income	13,847	18,481	27,557	6,704	66,589	5,375	71,964
Segment assets	311,967	140,822	147,351	133,914	734,054	92,395	826,449
Other items:							
Depreciation	14,228	4,067	12,180	2,122	32,597	2,632	35,229
Amortization of goodwill	2,081	—	49	25	2,155	107	2,262
Investments in associates accounted for using the equity method	6,895	17,197	2,029	1,522	27,643	10,900	38,543
Increase in tangible and intangible fixed assets	21,642	3,588	11,677	2,427	39,334	4,274	43,608

	Thousands of U.S. dollars						
	2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	Total
Sales:							
1) External customers	\$1,219,003	\$1,198,164	\$1,315,064	\$2,313,789	\$6,046,020	\$561,449	\$6,607,469
2) Intersegment net sales and transfer	215,804	32,053	—	36,563	284,420	163,339	447,759
Total sales	1,434,807	1,230,217	1,315,064	2,350,352	6,330,440	724,788	7,055,228
Segment income	123,426	164,729	245,628	59,756	593,539	47,909	641,448
Segment assets	2,780,702	1,255,210	1,313,406	1,193,636	6,542,954	823,558	7,366,512
Other items:							
Depreciation	126,821	36,251	108,566	18,914	290,552	23,460	314,012
Amortization of goodwill	18,548	—	437	223	19,208	954	20,162
Investments in associates accounted for using the equity method	61,458	153,285	18,085	13,567	246,395	97,156	343,551
Increase in tangible and intangible fixed assets	192,905	31,981	104,082	21,634	350,602	38,096	388,698

Notes

1. "Others" includes the Company's IT business and does not qualify as a reportable operating segment.

2. "Depreciation" and "Increase in tangible and intangible fixed assets" include long-term prepaid expenses and their amortization.

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Reconciliations of published figures and aggregates of reportable operating segments for the years ended March 31, 2016 and 2017 are as shown below:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Adjustment for net sales			
Reportable operating segments	¥749,125	¥710,212	\$6,330,440
Others	92,817	81,314	724,788
Elimination of intersegment transactions	(51,194)	(50,234)	(447,759)
Net sales	¥790,748	¥741,292	\$6,607,469

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Adjustment for operating income			
Reportable operating segments	¥ 74,929	¥ 66,589	\$ 593,539
Others	6,489	5,375	47,909
Elimination of intersegment transactions	(257)	189	1,684
Corporate expenses*	(14,031)	(15,641)	(139,415)
Operating income	¥ 67,130	¥ 56,512	\$503,717

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to basic research and head office administration.

Reconciliations of published figures and aggregates of reportable operating segments as of March 31, 2016 and 2017 are as shown below:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Adjustment for assets			
Reportable operating segments	¥598,598	¥734,054	\$6,542,954
Others	92,145	92,395	823,558
Corporate assets†	175,854	191,642	1,708,191
Adjustment	(43,168)	(54,038)	(481,664)
Total assets	¥823,429	¥964,053	\$8,593,039

† Corporate assets are assets that cannot be allocated to individual reportable operating segments and are primarily related to investments of the parent company in "Cash and time deposits" and "Investment securities," etc.

	Millions of yen			
	2016			
	Reportable operating segments	Others	Adjustment	Total
Other items				
Depreciation	¥32,805	¥ 2,413	¥1,745	¥36,963
Amortization of goodwill	1,818	113	—	1,931
Investments in associates accounted for using the equity method	28,747	10,583	—	39,330
Increase in tangible and intangible fixed assets	31,803	4,910	1,628	38,341

	Millions of yen			
	2017			
	Reportable operating segments	Others	Adjustment	Total
Other items				
Depreciation	¥32,597	¥2,632	¥1,840	¥37,069
Amortization of goodwill	2,155	107	—	2,262
Investments in associates accounted for using the equity method	27,643	10,900	—	38,543
Increase in tangible and intangible fixed assets	39,334	4,274	2,616	46,224

	Thousands of U.S. dollars			
	2017			
	Reportable operating segments	Others	Adjustment	Total
Other items				
Depreciation	\$290,552	\$23,460	\$16,401	\$330,413
Amortization of goodwill	19,208	954	—	20,162
Investments in associates accounted for using the equity method	246,395	97,156	—	343,551
Increase in tangible and intangible fixed assets	350,602	38,096	23,317	412,015

(4) Information by geographical segment

1. Net sales by region for the years ended March 31, 2016 and 2017 are as shown below:

Millions of yen					
2016					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥473,320	¥116,833	¥76,362	¥56,645	¥67,588	¥790,748

Millions of yen					
2017					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥453,734	¥93,789	¥65,985	¥65,718	¥62,066	¥741,292

Thousands of U.S. dollars					
2017					
Japan	China	Asia	Americas	Europe and others	Consolidated total
\$4,044,336	\$835,984	\$588,154	\$585,774	\$553,221	\$6,607,469

2. Tangible fixed assets by region as of March 31, 2016 and 2017 are as shown below:

Millions of yen							
2016							
Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S.)	Consolidated total
¥124,030	¥18,370	¥31,663	¥20,602	¥3,289	¥5,303	¥10	¥203,267

Millions of yen							
2017							
Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S.)	Consolidated total
¥130,907	¥17,020	¥26,889	¥23,914	¥32,817	¥4,624	¥5,119	¥241,290

Thousands of U.S. dollars							
2017							
Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S.)	Consolidated total
\$1,166,833	\$151,707	\$239,674	\$213,156	\$292,513	\$42,216	\$45,627	\$2,150,726

(5) Information by major customer

Information for the year ended March 31, 2017 is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of operations.

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Notes to Consolidated Financial Statements

(6) Impairment loss and goodwill by reportable operating segment

Impairment loss by reportable operating segment for the years ended March 31, 2016 and 2017 are as shown below:

Millions of yen							
2016							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	¥500	¥5,070	¥1,312	¥—	¥471	¥212	¥7,565

Millions of yen							
2017							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	¥597	¥198	¥—	¥41	¥45	¥497	¥1,378

Thousands of U.S. dollars							
2017							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	\$5,322	\$1,765	\$—	\$365	\$401	\$4,430	\$12,283

Goodwill by reportable operating segment as of March 31, 2016 and 2017 is as shown below:

Millions of yen							
2016							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥1,429	¥—	¥364	¥25	¥112	¥—	¥1,931
Balance as of March 31, 2016	6,697	—	98	76	426	—	7,297

Millions of yen							
2017							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 2,081	¥—	¥49	¥25	¥107	¥—	¥ 2,262
Balance as of March 31, 2017	32,320	—	49	50	319	—	32,738

Thousands of U.S. dollars							
2017							
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	\$ 18,548	\$—	\$437	\$223	\$ 954	\$—	\$ 20,162
Balance as of March 31, 2017	288,083	—	437	446	2,843	—	291,809

Note 17 Contingent liabilities

At March 31, 2016 and 2017, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
(a) As endorser of notes discounted or endorsed	¥ 1	¥ 1	\$ 9
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥5,030	¥2,107	\$18,781
Others	2,356	2,193	19,547
	¥7,386	¥4,300	\$38,328
(c) As guarantor of accounts receivable negotiated to third parties	¥2,180	¥1,924	\$17,149

Note 18 Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

Recorded asset retirement obligations are expenses such as costs for removal of asbestos from buildings owned by the Company when they are demolished and costs for restoration under the lease agreements of real estate in connection with land.

(2) Calculation method of asset retirement obligations

The Companies estimate that the period of use is mainly from 1 to 10 years, and calculate the obligations using discount rates between 0.3% and 1.3%.

(3) Changes in the total amount of asset retirement obligations

In the year ended March 31, 2017, the estimated amount of obligation was changed as a more precise estimation, based on the Soil Contamination Countermeasures Act, for soil cleanup became possible.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Beginning balance	¥ 6,861	¥ 3,678	\$ 32,784
Reconciliation associated with passage of time	79	6	53
Reconciliation associated with changes in accounting estimates	(2,397)	764	6,810
Decrease due to the fulfillment of asset retirement obligations	(312)	(1,469)	(13,094)
Other	(553)	(9)	(80)
Ending balance	¥ 3,678	¥ 2,970	\$ 26,473

Note 19 Business combinations

Business combination through acquisition

(1) Outline of the business combination

1) Name of acquired company and description of business

Name of acquired company

Continental Structural Plastics Holdings Corporation

Description of business

Design, molding and processing of automotive composite materials and components

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- 2) Main reason for undertaking the business combination
The Company has determined that as a result of this acquisition, it will benefit from Continental Structural Plastics Holdings Corporation's established sales channels in the North American automotive market, which will enable the combined business to provide a broader range of solutions that meet automakers' demands for weight reduction and durability, utilizing the Company's thermoplastic composite technologies. The Company will be able to focus on establishing a platform for business development in automotive composite products, aiming to provide a wider range of solutions for automakers.
- 3) Date of business combination
January 3, 2017
- 4) Legal form of the business combination
Share purchase for cash consideration
- 5) Name of company after the combination
No change in the name of the company
- 6) Percentage of voting rights acquired
Percentage of voting rights before the acquisition 0%
Percentage of voting rights after the acquisition 100%
- 7) Basis for determining the company to be acquired
Acquired 100% of the voting rights through the purchase of shares for cash consideration
- (2) Period of financial results of the acquired company included in the consolidated financial statements
From January 3, 2017 to March 31, 2017
- (3) Acquisition cost for the acquired company and breakdown of the type of consideration
Consideration for the acquisition Cash ¥85,079 million (\$758,347 thousand)
Acquisition cost ¥85,079 million (\$758,347 thousand)
- (4) Description and amount of major acquisition-related costs
Advisory expenses ¥ 757 million (\$6,747 thousand)
- (5) Amount of goodwill incurred, reasons for incurring goodwill, amortization method and amortization period
1) Goodwill incurred ¥29,805 million (\$265,665 thousand)
2) Reasons for incurring goodwill
The acquisition cost of the acquired company exceeded the net allocated amount of the assets succeeded to and liabilities taken over from the acquired company, and the difference has been recorded as goodwill.
3) Amortization method and amortization period
Straight-line amortization over 10 years
- (6) Assets succeeded and liabilities taken over as of the date of the business combination
Current assets ¥20,653 million (\$184,089 thousand)
Fixed assets ¥65,794 million (\$586,452 thousand)
Total assets ¥86,447 million (\$770,541 thousand)
Current liabilities ¥10,556 million (\$94,090 thousand)
Noncurrent liabilities ¥20,618 million (\$183,778 thousand)
Total liabilities ¥31,174 million (\$277,868 thousand)

- (7) Breakdown of amounts allocated to intangible assets other than goodwill and weighted-average amortization period overall by major type of asset

1) Amount allocated to intangible assets other than goodwill			
Customer-related assets	¥15,335 million	(\$136,688 thousand)	
Technology-related assets	¥12,504 million	(\$111,454 thousand)	
Trademarks	¥ 826 million	(\$7,363 thousand)	

- 2) Weighted-average amortization period overall

Customer-related assets	11 years
Technology-related assets	10 years
Trademarks	5 years
Total	11 years

- (8) Estimated amount and calculation methods of the impact of the business combination on the consolidated statements of income for the fiscal year under review, assuming that the business combination had been completed at the beginning of the fiscal year
No estimate has been made as it is impractical to calculate an estimated amount.

Note 20 Subsequent events

Sale of holdings in subsidiaries

On April 27, 2017, the Company signed an agreement to sell its entire holdings in wholly owned entities Braden Partners L.P. (California, U.S.; BP) and Associated Healthcare Systems, Inc. (New York, U.S.; AHS), both providers of home healthcare devices and services held by consolidated subsidiary Teijin Holdings USA, Inc. and other entities, to PPS HME LLC, an affiliate of the investment management firm Quadrant Management, Inc. of the U.S. Consequently, consolidated subsidiaries BP and AHS will be excluded from the scope of consolidation from the fiscal year ending March 31, 2018.

The approximated amounts of profit and loss with respect to the aforementioned subsidiaries were recorded on the consolidated statements of income for the year ended March 31, 2017 as follows:

	Millions of yen		Thousands of U.S. dollars	
	BP	AHS	BP	AHS
Net sales	¥ 5,987	¥ 376	\$ 53,365	\$ 3,351
Operating loss	(4,420)	(952)	(39,397)	(8,486)
Ordinary loss	(5,214)	(965)	(46,475)	(8,601)
Net loss	(5,202)	(870)	(46,368)	(7,755)

Year-end dividends

At the Board of Directors' meeting held on May 9, 2017, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2017 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
	Cash dividends: ¥30.00 (\$0.27) per share	¥5,902