

# Summary of Consolidated Financial Results

## For The Second Quarter Ended September 30, 2016

### [Japanese GAAP]

October 27, 2016

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 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 2760)  
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(Amounts are rounded down to the nearest million yen.)

#### 1. Consolidated Financial Highlights for the Second Quarter Ended September 30, 2016 (April 1, 2016 to September 30, 2016)

##### (1) Consolidated Operating Results (cumulative)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The Second Quarter ended September 30, 2016	60,241	5.4	(128)	–	315	(51.2)	233	(44.0)
The Second Quarter ended September 30, 2015	57,143	5.9	788	37.5	647	46.4	416	44.8

(Note) Comprehensive income: The Second Quarter ended September 30, 2016 7 million yen [(98.2)%]  
 The Second Quarter ended September 30, 2015 409 million yen [186.3%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
The Second Quarter ended September 30, 2016	23.23	–
The Second Quarter ended September 30, 2015	41.73	–

##### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	64,321	21,908	34.1
As of March 31, 2016	64,284	22,174	34.5

(Reference) Equity: As of September 30, 2016 21,906 million yen As of March 31, 2016 22,171 million yen

## 2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	–	30.00	–	30.00	60.00
Fiscal year ending March 31, 2017	–	30.00			
Fiscal year ending March 31, 2017 (Forecast)			–	30.00	60.00

(Note) Revision of dividends forecast: None

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2017	125,200	6.3	1,300	(20.2)	900	(2.7)	89.81

(Note) Revision of financial forecasts: Yes

#### \*Notes

- (1) Changes of significant subsidiaries during the period : None
- (2) Changes in accounting policies, accounting estimates, and restatements
  - 1) Changes due to revision of accounting standards : Yes
  - 2) Changes in accounting standards other than 1) : None
  - 3) Changes in accounting estimates : None
  - 4) Restatements : None

(Note) For details, please refer to “Issues on Summary Information (Notes)” on page 3 of the Appendix.

- (3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of the period (including treasury stock):

September 30, 2016	10,445,500 shares
March 31, 2016	10,445,500 shares

- 2) Number of shares of treasury stock at the end of the period:

September 30, 2016	396,619 shares
March 31, 2016	423,819 shares

- 3) Average number of shares outstanding during the period:

The Second Quarter ended September 30, 2016	10,038,681 shares
The Second Quarter ended September 30, 2015	9,986,161 shares

(Note) The Company has adopted the Directors’ Compensation BIP (Board Incentive Plan) Trust and the Employee Shareholding Association ESOP (Employee Stock Ownership Plan) Trust, and has included the number of the Company’s shares held by both Trusts accordingly in the number of shares of treasury stock.

#### \* Notification of the status of the quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this report, review procedures for the quarterly consolidated financial statements have not been completed.

#### \* Explanation of the appropriate use of finance forecasts and other special notes

The financial forecasts and other estimates herein are based on currently available information and certain assumptions deemed reasonable at time of report issuance. The Company does not guarantee the achievement of these forecasts. Actual operating results may differ significantly from these forecasts due to various factors. For information concerning financial forecasts, please refer to “Explanation of Financial Estimates Information such as Consolidated Financial Forecasts” on page 3 of the Appendix.

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## 1. Qualitative Information on Financial Results for the Period

### (1) Explanation of Operating Results

During the period, the Japanese economy continued to experience sluggish conditions of private consumption and exports, despite signs of recovery in production trends. The market outlook remains cautious due to the impact of the yen appreciation and weak overseas economies.

Consolidated financial results for the period were net sales of 60,241 million yen (a year-on-year increase of 5.4%). The Company recorded operating loss of 128 million yen (operating income of 788 million yen in the same period of the previous fiscal year) due to the decline in gross profit resulting from changes in the sales mix in the Electronic Components Business and the sharp fluctuations in foreign exchange rates. The Company recorded ordinary income of 315 million yen (a year-on-year decrease of 51.2%) thanks to factors including foreign exchange gains, and net income attributable to owners of parent of 233 million yen (a year-on-year decrease of 44.0%).

Operating results report for each business segment is as follows.

#### (Electronic Components Business)

Demand for semiconductors was strong overall. In particular, demand for high performance smartphones and data center equipments was strong. Additionally, the number of semiconductors installed per automobile increased.

Under such circumstances, net sales in this segment during the period were 52,852 million yen (a year-on-year increase of 8.5%) thanks to robust sales of semiconductors for storage and automotive equipment, as well as strong sales of software for POS system, etc. On the other hand, ordinary income in this segment was 126 million yen (a year-on-year decrease of 66.2%) due to factors including changes in the sales mix.

#### (Computer Networks Business)

Despite a focus on technologies for efficient network operation, etc., in order to respond to increasing data volume, large-scale IT investments for banks and government agencies, which had been strong in the previous period, were weak during the period.

Under such circumstances, net sales in this segment during the period were 7,389 million yen (a year-on-year decrease of 12.5%) and ordinary income in this segment was 188 million yen (a year-on-year decrease of 30.6%), due to factors including a reactionary decline in equipment sales to government agencies compared to the same period of the previous fiscal year.

### (2) Explanation of Financial Position

Total assets as of the end of the second quarter of the current fiscal year amounted to 64,321 million yen, an increase of 36 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in notes and accounts receivable - trade, despite a decrease in cash and deposits. Total liabilities amounted to 42,413 million yen, an increase of 302 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in short-term loans payable. In addition, total net assets were 21,908 million yen, a

decrease of 265 million yen compared to the end of the previous fiscal year. As a result, equity ratio declined by 0.4 percentage points from the end of the previous fiscal year to 34.1%.

(3) Explanation of Financial Estimates Information such as Consolidated Financial Forecasts

Based on sales through the second quarter, and in light of the business trends from the third quarter onward, the Company revised the exchange rate assumed at the beginning of the current fiscal year (109 yen to the US dollar) to 100 yen to the US dollar. Accordingly, the Company has decided to revise the consolidated financial forecasts for the fiscal year ending March 31, 2017 as follows.

	Net sales	Ordinary income	Net income attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (announced on April 26, 2016) (A)	123,000	1,700	1,130	112.76
Current forecasts (B)	125,200	1,300	900	89.81
Change (B-A)	2,200	(400)	(230)	–
Change (%)	1.8	(23.5)	(20.4)	–
(Reference) Consolidated financial results for the fiscal year ended March 31, 2016	117,831	1,628	925	92.55

2. Issues on Summary Information (Notes)

(1) Changes of Significant Subsidiaries during the Period

None.

(2) Changes in Accounting Policies, Accounting Estimates, and Restatements

(Changes in Accounting Policies)

In conjunction with the revision of the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force [PITF] No. 32, June 17, 2016), effective in the first quarter of the current fiscal year, and accordingly has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change has no impact on the consolidated financial statements for the period.

(3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from the first quarter of the current fiscal year.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Sep. 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	2,637	2,103
Notes and accounts receivable - trade	28,902	30,404
Electronically recorded monetary claims - operating	627	771
Merchandise and finished goods	21,527	21,066
Other	5,644	5,148
<b>Total current assets</b>	<b>59,340</b>	<b>59,494</b>
Non-current assets		
Property, plant and equipment	870	852
Intangible assets	772	603
Investments and other assets		
Net defined benefit asset	177	198
Other	3,135	3,184
Allowance for doubtful accounts	(11)	(12)
<b>Total investments and other assets</b>	<b>3,301</b>	<b>3,370</b>
<b>Total non-current assets</b>	<b>4,944</b>	<b>4,826</b>
<b>Total assets</b>	<b>64,284</b>	<b>64,321</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	8,694	8,479
Short-term loans payable	10,680	12,456
Current portion of long-term loans payable	2,096	96
Provision for bonuses	712	444
Other	6,005	6,981
<b>Total current liabilities</b>	<b>28,189</b>	<b>28,458</b>
Non-current liabilities		
Long-term loans payable	6,288	6,240
Net defined benefit liability	7,080	7,131
Other	552	583
<b>Total non-current liabilities</b>	<b>13,921</b>	<b>13,954</b>
<b>Total liabilities</b>	<b>42,110</b>	<b>42,413</b>

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Sep. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,495	2,495
Capital surplus	5,645	5,645
Retained earnings	14,917	14,837
Treasury stock	(628)	(587)
Total shareholders' equity	22,430	22,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(11)
Deferred gains or losses on hedges	77	26
Foreign currency translation adjustment	215	7
Remeasurements of defined benefit plans	(542)	(508)
Total accumulated other comprehensive income	(258)	(484)
Non-controlling interests	2	2
Total net assets	22,174	21,908
Total liabilities and net assets	64,284	64,321

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Sep. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Sep. 30, 2016)
Net sales	57,143	60,241
Cost of sales	49,537	53,855
Gross profit	7,605	6,386
Selling, general and administrative expenses		
Salaries and allowances	2,884	2,822
Provision for bonuses	651	433
Retirement benefit expenses	259	409
Other	3,020	2,850
Total selling, general and administrative expenses	6,816	6,515
Operating income (loss)	788	(128)
Non-operating income		
Insurance income	22	14
Dividend income of insurance	37	37
Foreign exchange gains	–	448
Other	13	20
Total non-operating income	74	521
Non-operating expenses		
Interest expenses	34	46
Foreign exchange losses	144	–
Other	36	30
Total non-operating expenses	215	76
Ordinary income	647	315
Extraordinary income		
Gain on sales of golf memberships	–	0
Gain on sales of investments in capital of subsidiaries and associates	8	–
Total extraordinary income	8	0
Extraordinary losses		
Loss on retirement of non-current assets	3	3
Loss on sales of investment securities	9	–
Other	1	–
Total extraordinary losses	14	3
Net income before income taxes	641	312
Income taxes	224	79
Net income	416	233
Net income attributable to owners of parent	416	233



Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Sep. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Sep. 30, 2016)
Net income	416	233
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(2)
Deferred gains or losses on hedges	84	(50)
Foreign currency translation adjustment	(6)	(193)
Remeasurements of defined benefit plans, net of tax	(70)	34
Share of other comprehensive income of associates accounted for using equity method	(9)	(13)
Total other comprehensive income	(7)	(225)
Comprehensive income	409	7
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	409	7
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated Statements of Cash Flow

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Sep. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Sep. 30, 2016)
<b>Cash flows from operating activities</b>		
Net income before income taxes	641	312
Depreciation	241	237
Amortization of goodwill	51	51
Increase (decrease) in provision for bonuses	(73)	(264)
Increase (decrease) in net defined benefit liability	15	78
Interest expenses	34	46
Loss (gain) on sales of investment securities	9	-
Loss (gain) on sales of investments in capital of subsidiaries and associates	(8)	-
Decrease (increase) in notes and accounts receivable - trade	2,107	(2,468)
Decrease (increase) in inventories	2,587	(152)
Increase (decrease) in notes and accounts payable - trade	(2,028)	(29)
Increase (decrease) in accounts payable - other	(732)	(101)
Increase (decrease) in advances received	1,053	874
Increase (decrease) in deposits received	0	211
Decrease (increase) in consumption taxes refund receivable	2,694	276
Decrease (increase) in accounts receivable - other	251	65
Decrease (increase) in advances paid	(160)	287
Decrease (increase) in prepaid expenses	(354)	(280)
Other, net	(302)	345
Subtotal	6,027	(508)
Interest and dividend income received	0	5
Interest expenses paid	(36)	(45)
Income taxes paid	(571)	(84)
Income taxes refund	-	93
Net cash provided by (used in) operating activities	5,421	(540)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(39)	(72)
Purchase of intangible assets	(74)	(25)
Purchase of investment securities	-	(30)
Proceeds from sales of investment securities	43	-
Purchase of shares of subsidiaries and associates	-	(83)
Proceeds from sales of investments in capital of subsidiaries and associates	20	-
Other, net	7	13
Net cash provided by (used in) investing activities	(42)	(198)

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Sep. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Sep. 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,033)	2,550
Repayments of long-term loans payable	(48)	(2,048)
Proceeds from disposal of treasury shares	39	41
Cash dividends paid	(299)	(300)
Other, net	2	(0)
Net cash provided by (used in) financing activities	(6,339)	242
Effect of exchange rate change on cash and cash equivalents	0	(37)
Net increase (decrease) in cash and cash equivalents	(959)	(534)
Cash and cash equivalents at beginning of period	2,302	2,637
Cash and cash equivalents at end of period	1,342	2,103

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes on Significant Changes in Shareholders' Equity)

None.

(Segment Information)

I. For the Period ended September 30, 2015 (From Apr. 1, 2015 to Sep. 30, 2015)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	48,698	8,444	57,143	–	57,143
Inter-segment	–	–	–	–	–
Total	48,698	8,444	57,143	–	57,143
Segment income	375	272	647	–	647

(Note) Total amount of segment income coincides with the ordinary income in the consolidated statements of income.

II. For the Period ended September 30, 2016 (From Apr. 1, 2016 to Sep. 30, 2016)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	52,852	7,389	60,241	–	60,241
Inter-segment	–	–	–	–	–
Total	52,852	7,389	60,241	–	60,241
Segment income	126	188	315	–	315

(Note) Total amount of segment income coincides with the ordinary income in the consolidated statements of income.

#### 4. Supplementary Information

##### (1) Status of Purchases, Orders and Sales

###### 1) Purchases

Purchases by segment for the period ended September 30, 2016 are as follows:

Segment	Purchase amount (Millions of yen)	Year-on-year change (%)
Electronic Components Business	48,316	18.4
Computer Networks Business	5,085	(16.9)
Total	53,402	13.8

(Note) Above figures are stated net of consumption taxes, etc.

###### 2) Orders

Orders by segment for the period ended September 30, 2016 are as follows:

Segment	Orders received (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Electronic Components Business	55,589	16.5	18,068	33.7
Computer Networks Business	7,557	(17.3)	7,380	(3.8)
Total	63,146	11.1	25,448	20.1

(Note) Above figures are stated net of consumption taxes, etc.

###### 3) Sales

Sales by segment for the period ended September 30, 2016 are as follows:

Segment	Sales (Millions of yen)	Year-on-year change (%)
Electronic Components Business	52,852	8.5
Computer Networks Business	7,389	(12.5)
Total	60,241	5.4

(Note) Above figures are stated net of consumption taxes, etc.