April 27, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017
[Japan Standards] (Consolidated)

Company name: MAX Co., Ltd.
Stock listing: Tokyo Stock Exchange
Securities code: 6454
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Date of annual shareholder meeting June 29, 2017
Date of filing of financial statements June 29, 2017
Date of commencement of dividend payment June 30, 2017
The supplementary explanation document for the accounts is created. Yes
The briefing for the accounts is held. (for investment analysts and fund managers) Yes

(Millions of yen rounded down)

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (Total)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 2017	66,967	0.7	6,323	7.5	6,455	11.4	4,726	34.6
FY ended March 2016	66,510	2.4	5,883	11.2	5,792	(2.5)	3,512	9.0

(Note) Comprehensive income
FY ended March 31, 2017: 4,881 million yen (707.1%)
FY ended March 31, 2016: 604 million yen (-89.0%)

	Net Income per Share	Net Income per Share after Dilution	ROE	ROA	Operating Margin
	Yen	Yen	%	%	%
FY ended March 2017	95.93	―	7.2	7.1	9.4
FY ended March 2016	71.27	―	5.4	6.5	8.8

(Note) Equity in (earnings) losses of affiliates
FY ended March 31, 2017: ― million yen
FY ended March 31, 2016: ― million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2017	93,000	67,210	72.2	1,362.05
FY ended March 31, 2016	88,828	64,263	72.2	1,301.81

(Reference) Shareholders' equity
FY ended March 31, 2017: 67,110 million yen
FY ended March 31, 2016: 64,150 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financial Activities	Cash and Cash Equivalents at End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended March 31, 2017	8,512	(1,816)	(2,152)	21,965
FY ended March 31, 2016	5,471	(570)	(2,068)	17,783

2. Dividends

	Dividends per Share					Total Dividends	Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended March 2016	—	—	—	39.00	39.00	1,921	54.7	3.0
FY ended March 2017	—	—	—	42.00	42.00	2,069	43.8	3.2
FY ending March 2018 (Forecast)	—	—	—	42.00	42.00		44.5	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half (Total)	33,900	4.7	3,070	0.1	3,140	13.5	2,200	1.3	44.65
Full year	70,500	5.3	6,500	2.8	6,650	3.0	4,650	(1.6)	94.37

* Notes

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

New: — (Company name:) Excluded: — (Company name:)

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

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

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)
   As of March 31, 2017: 49,500,626 shares
   As of March 31, 2016: 49,500,626 shares
2) Number of treasury stock at term-end
   As of March 31, 2017: 228,862 shares
   As of March 31, 2016: 222,798 shares
3) Number of average stock during term
   Twelve months ended March 31, 2017: 49,274,497 shares
   Twelve months ended March 31, 2016: 49,282,397 shares

(Reference) Non-consolidated Operating Results

Non-consolidated Operating Results for the Fiscal Year Ended March 31, 2017
(April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 2017	60,251	1.0	4,961	0.2	5,306	0.6	4,033	19.9
FY ended March 2016	59,668	1.9	4,949	7.4	5,274	(1.2)	3,363	10.9

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY ended March 2017	81.86	—
FY ended March 2016	68.25	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2017	88,695	67,871	76.5	1,377.49
FY ended March 31, 2016	84,282	65,324	77.5	1,325.64

(Reference) Shareholders' equity:
FY ended March 31, 2017: 67,871 million yen
FY ended March 31, 2016: 65,324 million yen

***This summary of financial results is not subject to auditing procedures.**

***Explanation and other special notes regarding the appropriate use of the earnings forecast**

Statements on the future of our business in these materials, including the earnings forecast, are based on information available at this moment and certain preconditions which we judge as rational and appropriate. Therefore, actual results and other achievements may differ substantially from the above forecasts for various reasons. For the preconditions of our earnings forecast and matters to be noticed when using the forecast, please refer to page 7 of the appendix, "1. Summary of Operating Results, (2) Future Prospects."

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[Qualitative Information and Financial Statements]

1. Summary of Operating Results

(1) Summary of Operating Results for the Current Term

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

(Millions of yen, %)

	FY 2017 (Ended March 2017)	FY 2016 (Ended March 2016)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	66,967	66,510	+457	+0.7
Operating Income	6,323	5,883	+439	+7.5
Ordinary Income	6,455	5,792	+663	+11.4
Net Income Attributable to Shareholders of Parental Company	4,726	3,512	+1,214	+34.6
Net Income per Share (yen)	95.93 yen	71.27 yen	+24.66 yen	－
Operating Margin	9.4	8.8	+0.6 points	
ROE	7.2	5.4	+1.8 points	

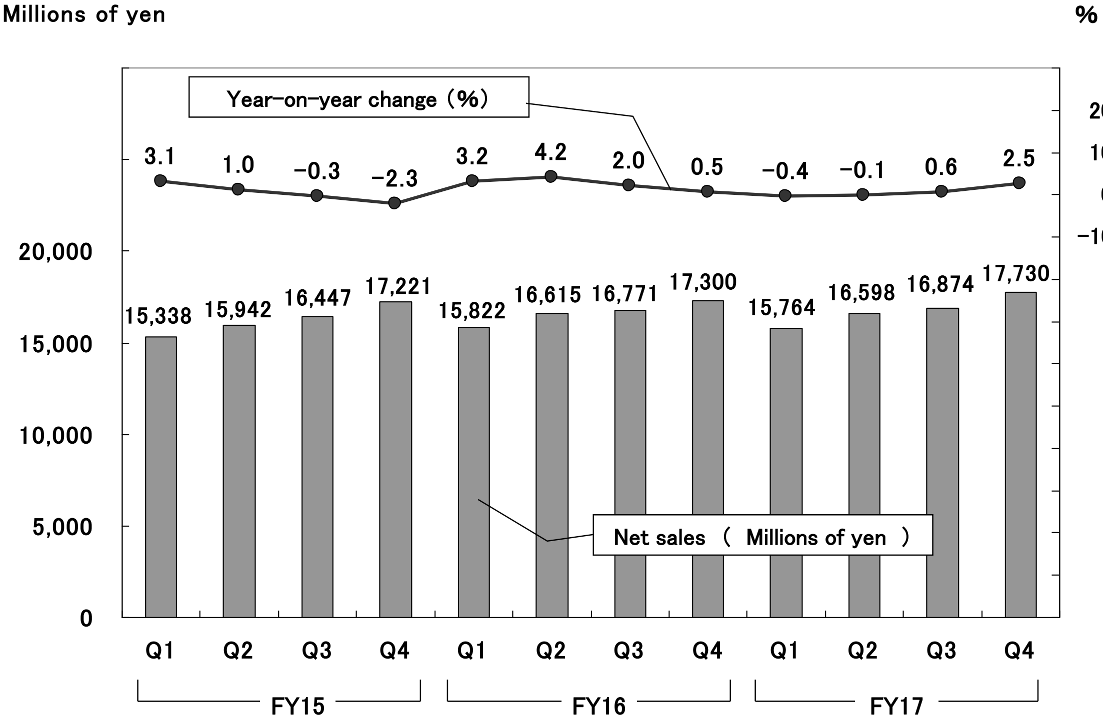
During the consolidated cumulative period under review (fiscal year ended March 31, 2017), the economy of Japan showed signs of gradual recovery, as can be seen in the consumer spending, which has begun to bottom out, driven by improvements of employment and income conditions. The number of new housing construction starts in Japan, which affects the Company's business, remained stable for both detached houses and rental housing thanks to the government support measures for house acquisition and a decline in interest rates for housing loans made possible with the negative interest policy of the Bank of Japan. Overseas, the U.S. economy maintained its growth with improvements of the employment environment, which is spurring an increase in personal consumption and a recovery of capital investment, while in Europe also, the economy is gradually recovering backed up by quantitative financial deregulation. On the other hand, the economy of China and some of the newly emerging countries has shown a slowdown, while the plan of the UK to leave the EU and the unclear future policies of the new American government leave the situation surrounding Max Group still uncertain.

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

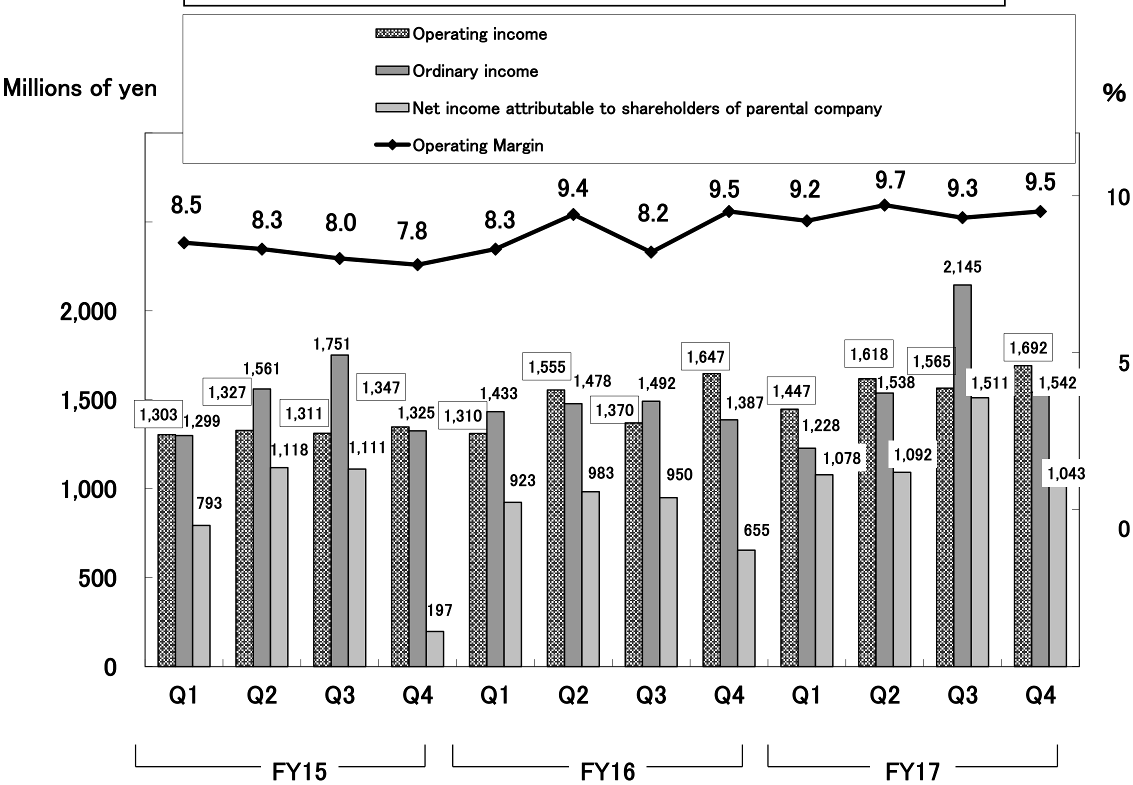
In the Office Equipment segment, sales of "BEPOP" label-making machines showed an increase both in Japan and overseas, but due to the strong yen rates as compared with the previous year, the overall segment revenue decreased. In the Industrial Equipment segment, in Japan, against the background of a steady increase in the number of new housing construction starts, there was an increase of sales of tools for wood structures as well as an increase in sales of bathroom heaters, ventilators and dehumidifiers by the residential environment business, and the overall segment revenue increased. In the HCR Equipment segment, we strove to actively engage in proposal activities focusing on large-scale rental routes, but wheelchair sales fell nonetheless resulting in a decrease of the overall segment revenue.

As a result, net sales increased 0.7% from the previous fiscal year to ¥66,967 million. Operating income increased 7.5% from the previous fiscal year to ¥6,323 million. As foreign exchange losses from assets denominated in foreign currency, etc. decreased from the previous fiscal year, ordinary income increased 11.4% from the previous fiscal year to ¥6,455 million. Net income attributable to shareholders of parental company also increased 34.6% from the previous fiscal year to ¥4,726 million.

Quarterly Net Sales Trend and Changes Year-on-Year



Quarterly Earnings Trend



2) Results by business sector

Office Equipment Segment

(Millions of yen, %)

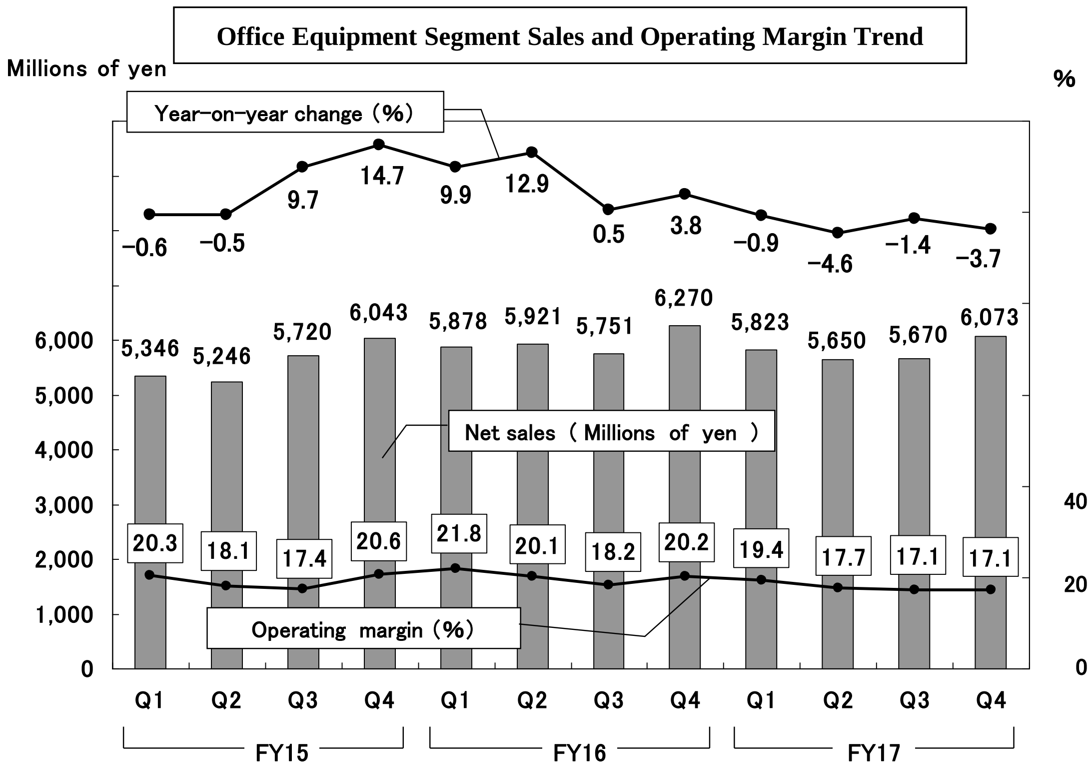
	FY 2017 (Ended March 2017)	FY 2016 (Ended March 2016)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	23,182	23,822	(639)	(2.7)
Operating Income	4,133	4,780	(647)	(13.5)
Operating Margin	17.8	20.1	(2.3) points	

Business results for the Office Equipment segment were as follows: Net sales of ¥23,182 million (a decrease of 2.7% from the previous term), operating income of ¥4,133 million (a decrease of 13.5% from the previous term), and operating margin of 17.8%.

In domestic office operations, we recorded a continued increase in sales mainly to plants of "BEPOP" label-making machines that were released as a new product in the previous period. On the other hand, due to a decrease in stationery-related sales, overall segment revenue decreased.

In overseas office operations, we posted an increase in stapler sales as a result of measures conducted to strengthen our sales channels in South Asia. Sales of "BEPOP" label-making machines expanded in the European market due to our success in expanding our sales channels centering on the Lighthouse (UK) Ltd., our subsidiary in the United Kingdom. Still, as a result of the strong yen rates as compared with the previous year, the overall net sales were at the same level as the previous fiscal year.

In auto-stapler operations, although machinery sales increased against the background of favorable conditions of the photocopier market, due to the strong yen rates as compared with the previous year, there was a decrease in revenue.



Industrial Equipment Segment

(Millions of yen, %)

	FY 2017 (Ended March 2017)	FY 2016 (Ended March 2016)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	40,528	39,359	+1,169	+3.0
Operating Income	2,207	1,503	+703	+46.8
Operating Margin	5.4	3.8	+1.6 points	

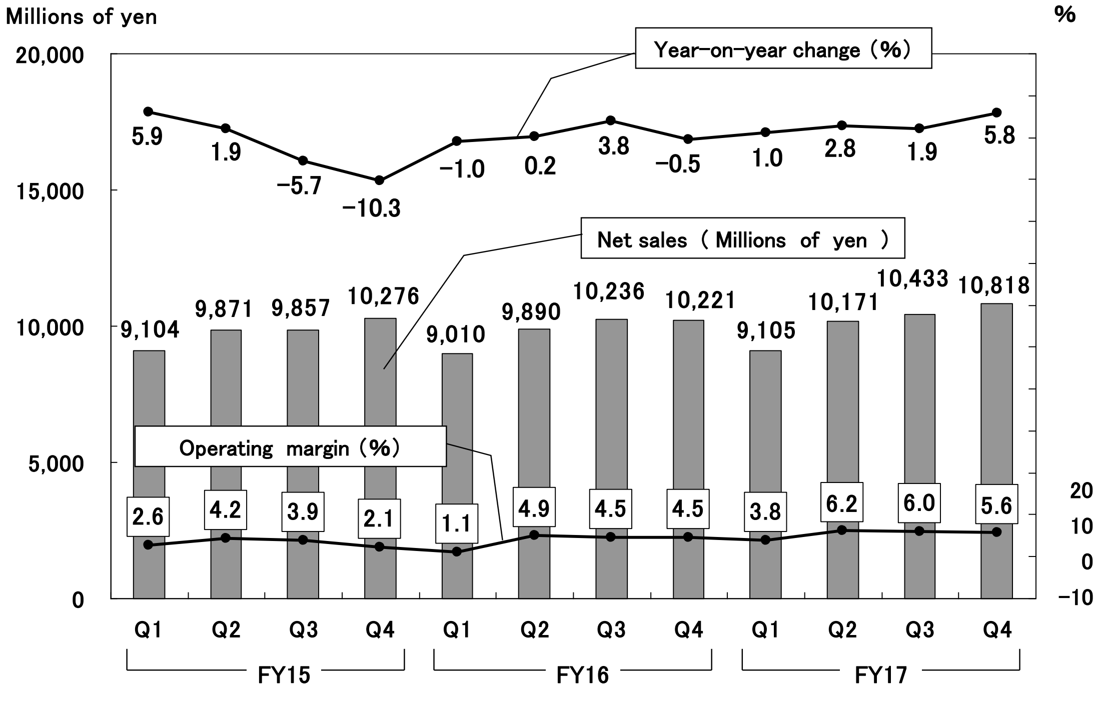
Business results for the Industrial Equipment segment were as follows: Net sales of ¥40,528 million (an increase of 3.0% from the previous term), operating income of ¥2,207 million (an increase of 46.8% from the previous term), and operating margin of 5.4%.

In the domestic industrial equipment product operations, due to a recovery in the floor area of newly built reinforced concrete structures, sales of tools for concrete structures were about the same they were in the previous year. Also, as thanks to the steady increase in the number of new housing construction starts, sales of tools for wood structures centering on the newly released battery-power tools increased, we managed to score a higher revenue overall compared with the previous term.

In the overseas industrial equipment product operations, with the establishment of a new sales network in Europe and the U.S. as well as strengthening of ties in the existing routes, the quantity of tools for wood structures as well as tools for concrete structures sold increased. Still, as a result of the strong yen rates as compared with the previous year, the overall net sales were at the same level as the previous fiscal year.

In the residential environment operations, although sales of disposer systems decreased, as we managed to expand the sales of bathroom heaters, ventilators and dehumidifiers, which are the mainstay of the business, targeting detached houses and rental housing markets, there was an overall increase of the revenue.

Industrial Equipment Segment Sales and Operating Margin Trend



HCR Equipment Segment

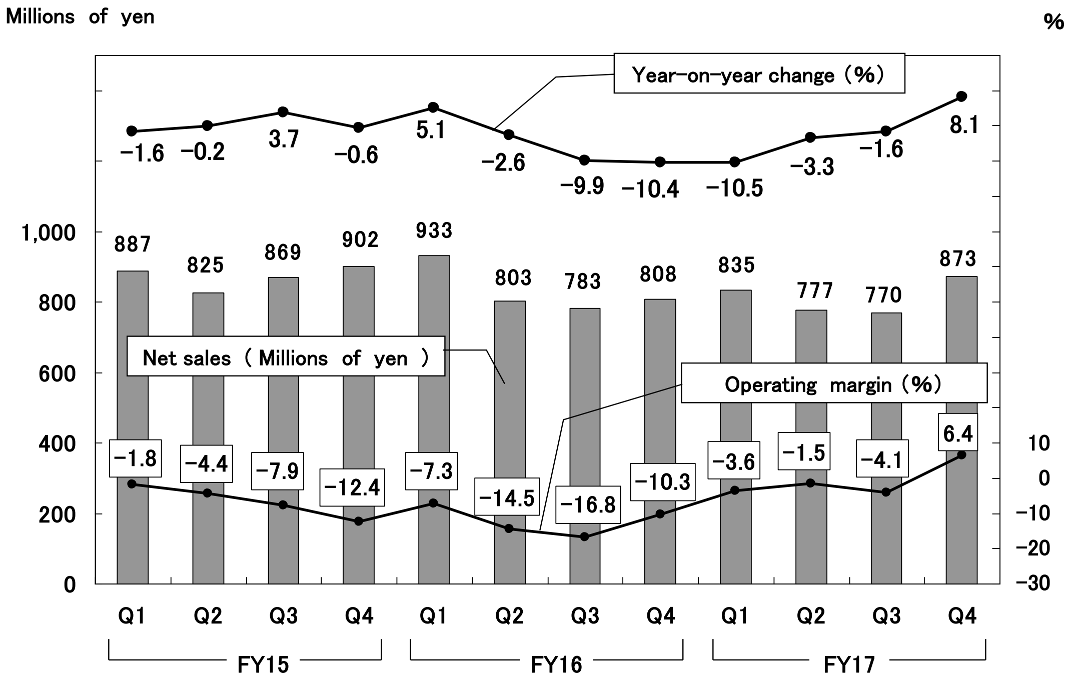
(Millions of yen, %)

	FY 2017 (Ended March 2017)	FY 2016 (Ended March 2016)	Year-on-year Change	
			Increase (decrease)	Rate of increase (decrease)
Net Sales	3,257	3,329	(72)	(2.2)
Operating Income	(17)	(400)	+383	—
Operating Margin	(0.5)	(12.0)	+11.5 points	

Business results for the HCR Equipment segment were as follows: Net sales of ¥3,257 million (a decrease of 2.2% from the previous term) and operating income of -¥17 million.

Although the Company concentrated on proposal activities for adoption of new products in large-scale rental routes, the number of wheelchairs sold decreased, resulting in an overall decrease of the revenue. On the other hand, the operating loss was reduced due to cost reduction that was made possible by a revision of the production system and productivity growth made possible by installation of new facilities as well as a decrease of costs resulting from strong yen rates as compared with the previous term.

HCR Equipment Segment Sales and Operating Margin Trend



(2) Future Prospects

The Japanese economy is expected to continue to show a recovery backed by steady personal consumption resulting from improvements in employment and income conditions as well as an increase in investment in public utilities. On the other hand, although the number of new housing construction starts has been increasing in this term as in addition to the decline in interest rates for housing loans, there was also an increase in the number of new rental housing construction starts as a measure to save on inheritance tax, uncertainty still prevails as to whether any surge in demand of new housing starts is to be expected, especially in the area of construction of rental housing, because there are concerns regarding possibilities of increase in the vacancy rate in the rental housing market.

Overseas also, although the United States and European economies are expected to continue their steady growth, the situation surrounding Max Group defies prediction due to uncertainties in the overseas economies and possible changes of the financial and capital markets.

For the text term, Max Group intends to expand its business through establishment of new sales channels both in Japan and overseas for the (1) tools for concrete structures and (2) "BEPOP" label-making machines business, as well as solving problems of the sites the products are used at, so the Company expects an increase in both revenue and income.

The Group’s projections for the coming term are as follows: net sales of ¥70,500 million (an increase of 5.3% over this past term), operating income of ¥6,500 million (an increase of 2.8% over this past term), ordinary income of ¥6,650 million (an increase of 3.0% over this past term), and net income attributable to shareholders of parental company of ¥4,650 million (a decrease of 1.6% over this past term).

(3) Summary of Financial Position for the Current Term

1) Analysis of the Consolidated Balance Sheets

(Millions of yen, %)

	FY 2017 (As of March 31, 2017)	FY 2016 (As of March 31, 2016)	Comparison with position at end of previous consolidated fiscal year	
			Increase (decrease)	Rate of increase (decrease)
Total Assets	93,000	88,828	+4,172	+4.7
Net Assets	67,210	64,263	+2,947	+4.6
Equity Ratio	72.2	72.2	－	

Assets increased ¥4,172 million in comparison with the position at end of the previous consolidated fiscal year, to ¥93,000 million. Current assets increased ¥5,222 million due to factors such as a rise of ¥4,182 million in cash and deposits. Non-current assets decreased ¥1,050 million due to factors such as a drop of ¥638 million in investment securities.

Liabilities increased ¥1,224 million in comparison with the position at end of the previous consolidated fiscal year, to ¥25,789 million. Current liabilities increased ¥1,073 million due to factors such as a rise of ¥549 million in income taxes payable, and of ¥283 million in provision for bonuses. Non-current liabilities increased ¥151 million due to factors such an increase of ¥273 million in net defined benefit liability.

Net assets increased ¥2,947 million in comparison with the position at end of the previous consolidated fiscal year, to ¥67,210 million. Shareholders' equity increased ¥2,782 million. Key factors were cash dividends paid of ¥1,921 million, offset by a net income of ¥4,726 million.

Accumulated other comprehensive income increased ¥178 million as resulted from a rise of ¥445 million in valuation difference on available-for securities.

2) Analysis of Consolidated Cash Flows

Summary of Consolidated Cash Flows

(Millions of yen)

Category	FY 2016	FY 2017	Increase (decrease)
Cash and cash equivalents at beginning of the year	15,343	17,783	2,439
Funds provided by (used in) operating activities	5,471	8,512	3,040
Funds provided by (used in) investment activities	(570)	(1,816)	(1,245)
Funds provided by (used in) financing activities	(2,068)	(2,152)	(83)
Effect of exchange rate change on cash and cash equivalents	(392)	(361)	31
Net increase (decrease) in cash and cash equivalents	2,439	4,182	1,743
Cash and cash equivalents at end of the year	17,783	21,965	4,182

Analysis of Consolidated Cash Flows

The balance of cash and cash equivalents ("funds") during the consolidated cumulative fiscal year under review was ¥21,965 million due to an increase of ¥4,182 million in cash and cash equivalents.

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

Cash flows from operating activities

Funds provided by operating activities in the consolidated fiscal year under review amounted to ¥8,512 million. The key increase came from net income before income taxes of ¥6,349 million. The key decreases came from an increase of ¥537 million in notes and accounts receivable-trade, and income taxes (paid) refund of ¥1,329 million.

Cash flows from investment activities

Funds used in investment activities in the consolidated fiscal year under review were ¥1,816 million. The key decreases came from purchase of short-term and long-term investment securities of ¥3,049 million, and purchase of property, plant and equipment of ¥2,000 million. The key increase came from proceeds of ¥3,200 million from sales and redemption of short-term and long-term investment securities.

Cash flows from financing activities

Funds used in financing activities in the consolidated fiscal year under review were ¥2,152 million. The key decrease was cash dividends paid of ¥1,922 million.

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

	FY 2014	FY 2015	FY 2016	FY 2017
Equity Ratio (%)	73.2	73.8	72.2	72.2
Market Value-Based Equity Ratio (%)	66.8	78.7	64.1	78.4
Cash Flow to Interest Bearing Debt Ratio	0.5	0.4	0.5	0.3
Interest Coverage Ratio (times)	121.0	167.9	135.2	185.6

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

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

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

1) Basic Policy Relating to Distribution of Profits

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

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

2) Dividends for Current Term

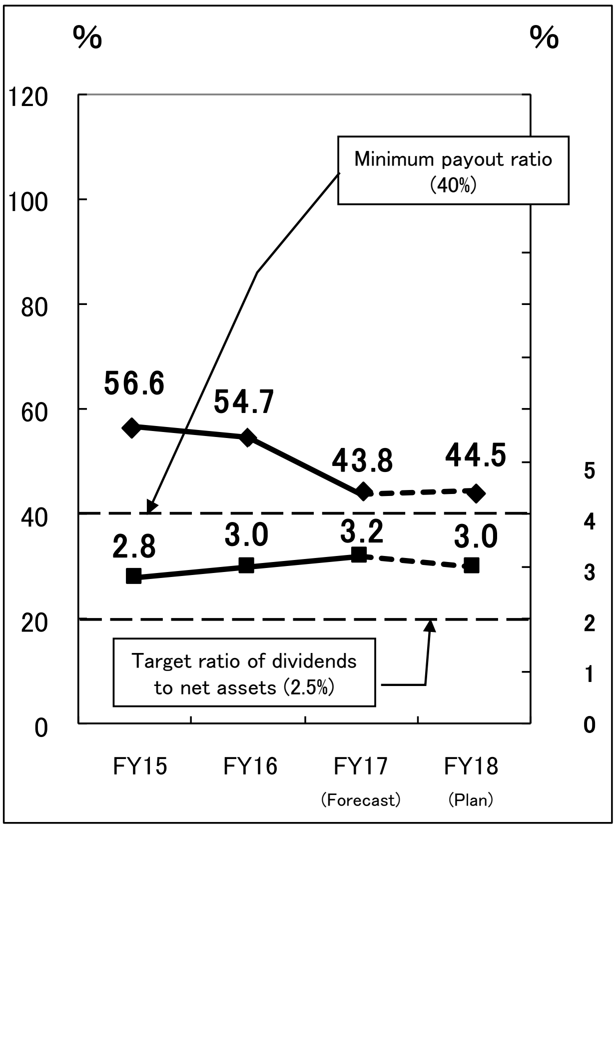
During this term, to achieve the management policy, that is, establishing growth businesses and increasing earning capacity, we have made strong efforts to expand the tools for concrete structures operations both in Japan and overseas, promoted automation of manufacture by investing in reorganization of production facilities, implemented group-wide measures to cut costs, such as manpower saving and switching to in-company manufacture of parts. As a result, our businesses have made good progress.

In light of these circumstances, the Company plans to raise the dividend by 3 yen from the previous term to a "¥42 per share annual dividend" paid for the current term in acknowledgment of the support that our shareholders have always shown.

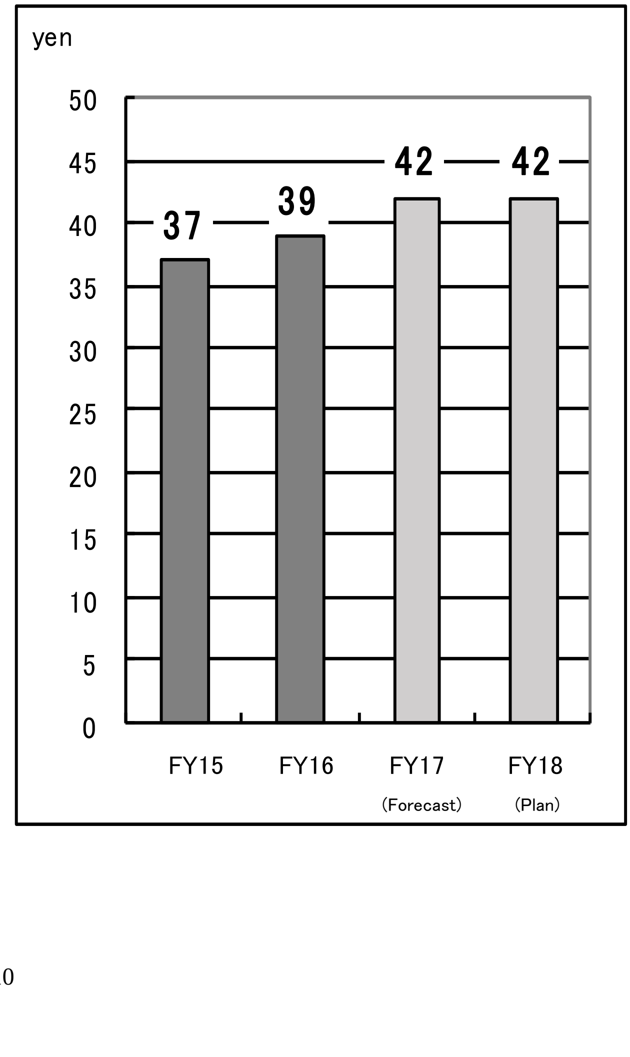
3) Outlook for Dividends for Coming Term

Although the Company's performance may be impacted by various factors such as the prospects for new housing construction starts in Japan and the economic environment and exchange rate fluctuations overseas, taking into account the Company's business outlook for the next term, its medium- to long-term financial position among other factors, we plan to make the same annual dividend payment of ¥42 per share as was made in the current fiscal year.

Payout ratio and dividends to net assets ratio



Dividends per share



(5) Business Risks

1) Trend in the Domestic New Housing Starts

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

2) Trends in the Foreign Exchange Rates

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

3) Fluctuations in the Prices of Raw Materials

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

4) Matters Concerning Product Quality

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

5) Information Leakage, Damage or Destruction of Information System

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

6) Limits to Intellectual Property Protection

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

7) Pension Benefit Obligations

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

8) Country Risk

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

9) Natural Disaster

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

2. State of the Group

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

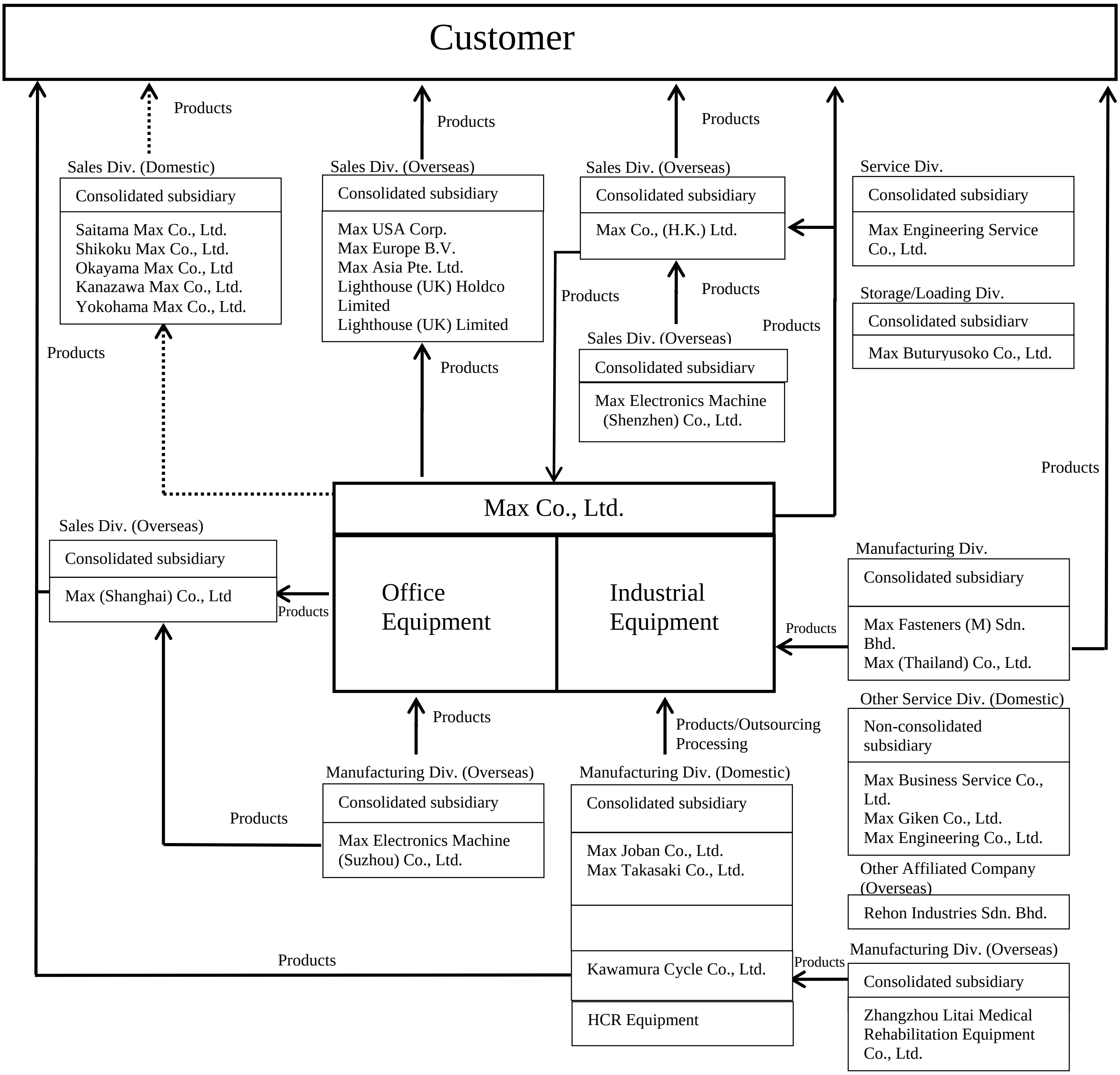
Further, the Group is also engaged in logistics relating to the businesses and other services.

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

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

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

Our Business Chart



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

3. Management Policies

(1) Basic Management Policies

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

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

1) Focus on Transparent Management

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

2) Promote Fully Participatory Management

Employees will actively participate in management through performance of their tasks and within their own respective roles will expand business results.

3) Focus on Management to Distribute the Results of Operations to Stakeholders

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

(2) Target Management Indicators

During the term ending March 31, 2018, business activities will be conducted by the following management indicators: Net sales of ¥70,500 million, operating income of ¥6,500 million, ordinary income of ¥6,650 million, net income attributable to shareholders of parental company of ¥4,650 million, and operating margin of 9.2%.

Next Term Management Plan

(Millions of yen, %)

	Current Term Results		Next Term Plan	
	FY 2017		FY 2018	
	Actual Results	Rate of increase (decrease)	Planned Results	Rate of increase (decrease)
Net Sales	66,967	0.7	70,500	5.3
Operating Income	6,323	7.5	6,500	2.8
Ordinary Income	6,455	11.4	6,650	3.0
Net Income Attributable to Shareholders of Parental Company	4,726	34.6	4,650	(1.6)
Net Income per Share (yen)	95.9 yen		94.3 yen	
Operating Margin	9.4		9.2	
ROE	7.2		6.7	

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

1) Enhancement of Enterprise Value

Office Equipment Segment

In domestic office operations, we shall strive to increase our share in the stapler market and develop the new market of staplers using paper-made staples in our founding business – “documents binding” – starting with staplers. Moreover, in our labeling machines operations that encompass "BEPOP" label-making machines and label printers, we shall focus on proposal activities tailor-made to match the on-site needs of each market and cultivate new demand to expand the operations further.

In overseas office operations, we shall strengthen sales routes/channels of the stapler operations in the newly emerging Asian countries to expand our share in the market of each country. Moreover, in our label-making machines operations, we are going to employ in the North American and Asian markets the marketing methods that have been successfully used by the Lighthouse (UK) Ltd. in the European market, thus expanding the scale of our "BEPOP" operations.

In the auto-stapler operations, we will promote cooperation with the photocopier manufacturers, who are our end clients, through design-in activities and, by engaging in development of new products and cultivation of new markets, strive to achieve further growth of the business.

Industrial Equipment Segment

In the domestic industrial equipment product operations, to deal with the factors of external environment such as fluctuation of the number of new housing construction starts, we shall strive to accurately understand the market trends through area marketing and try to expand the enterprise by offering products tailor-made to match each small segment of the market. Also, we will strive to strengthen our foundations in the area of tools for wood structures by releasing new products and engaging in sales promotion activities. In the area of tools for concrete structures, we will strive to fortify our relationships with clients and strive to acquire large orders. In the agricultural market, we will strive to boost the sales of new products in the Tapener series of tying machines for horticultural needs, to achieve business growth.

In the overseas industrial equipment product operations, we will expand the lineup of tools for wooden structures in Europe and the U.S. and establish new sales channels to expand the enterprise. We also intend to strengthen our business foundations through raising the recognizability of our products.

In the residential environment operations, we will strive to maintain the current scale of the business in such markets we already have a presence in as the markets of detached houses and rental housing, at the same time developing the renovation markets based on the electric bathroom heaters, ventilators and dehumidifiers, an area, in which we already occupy the top share, aiming to improve profitability and expand our business.

HCR Equipment Segment

The mainstay of the segment is the wheelchair business of the group company Kawamura Cycle Co., Ltd. In its Production/Development Section, we will engage in efforts to strengthen the revenue base of the segment by tapping into the potential of our technology to utilize modular design and performing VA activities (production control, cost control, quality control). In the marketing department, we will strive to boost the sales of new wheelchairs released in the previous term to expand sales.

Max Group shall continue offering products manufactured based on a good understanding of the on-site needs that guarantee high levels of customer satisfaction, winning straight victories on a global scale by expanding further the Max brand that we have fostered so far by proposals and sales of staplers, nailers, and bathroom heaters, ventilators and dehumidifiers.

2) Responding to “Environment Preservation”

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

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

3) Responding to “Protection of Personal Information”

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

4) Responding to “Major Natural Disasters”

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

4. Basic Approach to Selection of Accounting Standards

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

5. Consolidated Financial Statement and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	17,783	21,965
Notes and accounts receivable-trade	14,356	14,748
Marketable securities	3,224	4,212
Merchandise and finished goods	5,141	5,160
Work in process	878	845
Raw materials	1,480	1,183
Deferred tax assets	923	922
Other	918	879
Allowance for doubtful accounts	(13)	(1)
Total current assets	44,693	49,916
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,213	6,008
Machinery, equipment and vehicles, net	2,290	2,610
Land	7,095	6,972
Leased assets, net	465	441
Construction in progress	431	479
Other, net	802	830
Total property, plant and equipment	17,298	17,342
Intangible assets		
Goodwill	505	269
Other	212	226
Total intangible assets	717	496
Investments and other assets		
Investment securities	21,672	21,034
Long-term loans receivable	384	288
Deferred tax assets	3,214	3,071
Other	855	857
Allowance for doubtful accounts	(9)	(5)
Total investments and other assets	26,118	25,245
Total non-current assets	44,134	43,084
Total assets	88,828	93,000

(Millions of yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
LIABILITIES		
Current liabilities		
Accounts payable-trade	4,073	3,864
Short-term loans payable	1,850	1,950
Lease obligations	175	170
Accounts payable	1,568	1,756
Income taxes payable	822	1,372
Accrued consumption taxes	73	246
Deferred tax liabilities	25	22
Provision for bonuses	1,435	1,719
Provision for directors' bonuses	43	53
Other	1,450	1,436
Total current liabilities	11,519	12,592
Non-current liabilities		
Long-term loans payable	150	50
Lease obligations	289	270
Deferred tax liabilities for land revaluation	462	462
Provision for product warranties	47	44
Net defined benefit liability	11,788	12,061
Asset retirement obligations	28	18
Negative goodwill	22	15
Other	256	273
Total non-current liabilities	13,045	13,197
Total liabilities	24,565	25,789
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus	10,518	10,518
Retained earnings	43,654	46,444
Treasury stock	(263)	(271)
Total shareholders' equity	66,277	69,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,190	1,635
Revaluation reserve for land	(343)	(328)
Foreign currency translation adjustment	285	(306)
Remeasurements of defined benefit plans	(3,258)	(2,949)
Total of other comprehensive income	(2,126)	(1,948)
Non-controlling interests	112	100
Total net assets	64,263	67,210
Total liabilities and net assets	88,828	93,000

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Net sales	66,510	66,967
Cost of sales	41,083	40,385
Gross profit	25,426	26,582
Selling, general and administrative expenses	19,543	20,259
Operating income	5,883	6,323
Non-operating income		
Interest income	93	83
Dividend income	125	124
Rent income	16	16
Amortization of negative goodwill	7	7
Gain on donation of non-current assets	–	48
Other	97	86
Total non-operating income	341	367
Non-operating expenses		
Interest expenses	40	45
Taxes and dues	7	7
Foreign exchange losses	342	126
Other	41	55
Total non-operating expenses	432	234
Ordinary income	5,792	6,455
Extraordinary income		
Reversal of foreign currency translation adjustment	9	–
Gain on sales of non-current assets	41	17
Gain on sales of investment securities	91	–
Total extraordinary income	142	17
Extraordinary loss		
Loss on sales of non-current assets	0	–
Loss on abandonment of non-current assets	21	20
Impairment loss	154	103
Product quality warranty expenses	49	–
Total extraordinary loss	225	123
Net income before income taxes	5,710	6,349
Income taxes-current	1,799	2,004
Income taxes for prior periods	–	(250)
Income taxes-deferred	386	(135)
Total income taxes	2,185	1,618
Net income	3,524	4,731
Net income attributable to non-controlling interests	11	4
Net income attributable to shareholders of parental company	3,512	4,726

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Net income	3,524	4,731
Other comprehensive income		
Valuation difference on available-for-sale securities	(388)	445
Revaluation reserve for land	36	–
Foreign currency translation adjustment	(786)	(604)
Adjustments relating to retirement benefits	(1,781)	309
Total other comprehensive income	(2,919)	150
Comprehensive income	604	4,881
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	607	4,890
Comprehensive income attributable to non-controlling interest	(2)	(8)

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at beginning of the year	12,367	10,517	42,798	(250)	65,434
Changes of items during the period					
Dividends of surplus			(1,823)		(1,823)
Net income attributable to shareholders of parental company			3,512		3,512
Purchase of treasury shares				(16)	(16)
Disposal of treasury shares		0		3	3
Reversal of difference in revaluation of land			(833)		(833)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	855	(12)	843
Balance at end of the year	12,367	10,518	43,654	(263)	66,277

(Millions of yen)

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

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

(Millions of yen)

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

(Millions of yen)

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at beginning of the year	1,190	(343)	285	(3,258)	(2,126)	112	64,263
Changes of items during the period							
Dividends of surplus							(1,921)
Net Income attributable to shareholders of parental company							4,726
Purchase of treasury shares							(8)
Disposal of treasury shares							0
Reversal of difference in revaluation of land							(14)
Net changes of items other than shareholders' equity	445	14	(592)	309	178	(12)	165
Total changes of items during the period	445	14	(592)	309	178	(12)	2,947
Balance at end of the year	1,635	(328)	(306)	(2,949)	(1,948)	100	67,210

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Net income before income taxes	5,710	6,349
Depreciation	1,980	2,036
Amortization of negative goodwill	(7)	(7)
Impairment loss	154	103
Increase (decrease) in allowance for doubtful accounts	(13)	(14)
Amortization of goodwill	174	140
Increase (decrease) in provision for bonuses	30	298
Increase (decrease) in provision for directors' bonuses	0	9
Increase (decrease) in provision for product warranties	(17)	(3)
Increase (decrease) in provision for directors' retirement benefits	(154)	–
Increase (decrease) in net defined benefit liability	245	713
Interest and dividend income	(219)	(207)
Interest expenses	40	45
Product quality warranty expenses	49	–
Foreign exchange losses (gains)	39	3
Reversal of foreign currency translation adjustment	(9)	–
Loss on abandonment of non-current assets	21	20
Loss (gain) on sales of non-current assets	(41)	(17)
Loss (gain) on sales of short-term and long-term investment securities	(91)	–
Decrease (increase) in notes and accounts receivable-trade	(559)	(537)
Decrease (increase) in inventories	265	222
Increase (decrease) in notes and accounts payable-trade	456	(64)
Increase (decrease) in accrued consumption taxes	(221)	168
Decrease (increase) in other assets	95	83
Increase (decrease) in other liabilities	(480)	241
Subtotal	7,446	9,584
Interest and dividend income received	314	303
Interest expenses paid	(40)	(45)
Income taxes (paid) refund	(2,249)	1,329
Cash flows from operating activities	5,471	8,512

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from investment activities		
Purchase of short-term and long-term investment securities	(3,072)	(3,049)
Proceeds from sales and redemption of short-term and long term investment securities	4,193	3,200
Purchase of property, plant and equipment	(1,989)	(2,000)
Proceeds from sales of property, plant and equipment	222	21
Purchase of intangible assets	(43)	(88)
Payments of loans receivable	(6)	(3)
Collection of loans receivable	125	112
Payments for asset retirement obligations	–	(10)
Cash flows from investment activities	(570)	(1,816)
Cash flows from financing activities		
Proceeds from sales of treasury shares	3	0
Purchase of treasury shares	(16)	(8)
Cash dividends paid	(1,823)	(1,922)
Cash dividends paid to non-controlling shareholders	(1)	(4)
Repayments of lease obligations	(231)	(217)
Cash flows from financing activities	(2,068)	(2,152)
Effect of exchange rate change on cash and cash equivalents	(392)	(361)
Net increase (decrease) in cash and cash equivalents	2,439	4,182
Balance of cash and cash equivalents, beginning of the period	15,343	17,783
Balance of cash and cash equivalents, end of the period	17,783	21,965

(5) Notes Relating to the Assumption of Going Concern

None.

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

1) Matters Relating to the Scope of Consolidation

(a) Number of consolidated subsidiaries: 22

Names of principal consolidated subsidiaries

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

(b) Number of non-consolidated subsidiaries: 3

Names of non-consolidated subsidiaries

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

The reason for exclusion from consolidation

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

2) Matters Relating to the Application of the Equity Method

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

There are no corresponding non-consolidated subsidiaries and associates.

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

Max Business Service Co., Ltd.

The reason for the non-application of the equity method

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

3) Matters Relating to the Business Years of Consolidated Subsidiaries

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

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

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

4) Matters Relating to the Accounting Standards

(a) Valuation bases and methods of important assets

(i) Marketable Securities

Other marketable securities

(A) Those with market prices

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

(B) Those without market prices

Cost method using the moving average method.

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

(ii) Inventories

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

(b) Method of Depreciation of Material Depreciable Assets

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

In principle, the declining balance method is used. However, for buildings acquired after April 1, 1998 (excluding equipment attached to buildings) and equipment attached to buildings and structures acquired after April 1, 2016 the company and the domestic consolidated subsidiaries use the straight line depreciation.

Their useful lives are as follows.

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

(ii) Intangible Assets

The Company and the domestic consolidated subsidiaries use the straight line method. With respect to software for own use, the straight line method based on projected usable period (5 years), for software intended for sales to the market, the amortization amount based on projected sales volume and equal distribution amount based on the residual effective period (3 years or less) are compared and whichever is the larger is recognized.

(iii) Leased Assets

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

(c) Criteria for the Recording of Material Provisions

(i) Allowance for Doubtful Accounts

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

(ii) Provisions for Bonuses

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

(iii) Provisions for Directors Bonuses

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

(iv) Provision for Product Warranties

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

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

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

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

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

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

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

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

Accounting Treatment of Consumption Tax and other Taxes

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

(7) Change in Accounting Principles

Implementation of Practical Solutions on Accounting for Changes in the Method of Depreciation Related to Revisions to the FY2016 Tax Law

In accordance with revisions to the Corporate Tax Law, we have adopted the “Practical Solutions on Accounting for Changes in the Method of Depreciation Related to Revisions to the FY2016 Tax Law” (Practical Issues Task Force No. 32 issued on June 17, 2016), effective from the consolidated fiscal year under review. Accordingly, we modified the method of depreciation of facilities attached to buildings and of structures acquired on or after April 1, 2016, from the declining balance method to the straight line method.
There was only minor impact on income and loss for the consolidated fiscal year under review.

(Additional Information)

Implementation of Guidance on Realizability of Deferred Tax Assets

We have adopted the “Implementation Guidance on Realizability of Deferred Tax Assets” (Corporate Accounting Standards No. 26 of March 28, 2016), effective from the consolidated fiscal year under review.

(8) Notes Relating to the Consolidated Financial Statements

(Consolidated Balance Sheet Related)

1) Details of accumulated depreciation

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Property, plant and equipment	47,472	46,572
Investments and other assets	316	331

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

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Investment securities	100	100

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

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

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Land	(2,349)	(2,480)
Land for lease	4	4

4) Notes receivable discount and export bill discount

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Notes receivable discount	571	474
Export bills discount	10	18

(Consolidated Statement of Income Related)

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

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Salaries	5,742	5,744
Packing and delivery expenses	1,938	1,993
Promotion expenses	1,309	1,345
Depreciation	653	611
Provision for bonuses	888	1,073
Provision for directors' bonuses	43	53
Provision for directors' retirement benefits	9	—
Provision for product warranties	(17)	(3)
Retirement benefit expenses	1,149	1,546
Provision of allowance for doubtful accounts	8	—

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

(Millions of yen)

FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
2,515	2,979

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

(Millions of yen)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Buildings and structures	24	0
Machinery, equipment and vehicles	1	1
Tools, furniture and fixtures	0	—
Land	14	15
Total	41	17

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

(Millions of yen)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Tools, furniture and fixtures	0	—
Total	0	—

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

(Millions of yen)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Buildings and structures	2	7
Machinery, equipment and vehicles	12	10
Demolition expense	2	0
Tools, furniture and fixtures	2	2
Total	21	20

(Consolidated Statement of Comprehensive Income Related)

Reclassification Adjustments and Tax Effect Relating to Other Comprehensive Income

(Millions of yen)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Valuation difference on available-for-sale securities		
Amount accrued in this period	(366)	594
Reclassification adjustment	(91)	—
Before tax effect adjustment	(458)	594
Tax effect	70	(148)
Valuation difference on available-for-sale securities	(388)	445
Revaluation reserve for land		
Amount accrued in this period	—	—
Reclassification adjustment	—	—
Before tax effect adjustment	—	—
Tax effect	36	—
Revaluation reserve for land	36	—
Foreign currency translation adjustment		
Amount accrued in this period	(777)	(604)
Reclassification adjustment	(9)	—
Before tax effect adjustment	(786)	(604)
Tax effect	—	—
Foreign currency translation adjustment	(786)	(604)
Adjustments relating to retirement benefits		
Amount accrued in this period	(3,223)	(932)
Reclassification adjustment	760	1,373
Before tax effect adjustment	(2,463)	440
Tax effect	682	(131)
Adjustments relating to retirement benefits	(1,781)	309
Total other comprehensive income	(2,919)	150

(Consolidated Statement of Changes to Shareholders Equity Related)

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

1) Matters Relating to Outstanding Shares

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

2) Matters Relating to Treasury Shares

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

(Summary of Causes of Change)

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

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

3) Matters Relating to Dividends

(a) Amount of dividends paid

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

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

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

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

1) Matters Relating to Outstanding Shares

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

2) Matters Relating to Treasury Shares

Type of Share	Beginning of the Year	Increase	Decrease	End of the Year
Common shares (thousands of shares)	222	6	0	228

(Summary of Causes of Change)

The breakdown of the increase in the number of shares is as follows.
Increase due to purchase of shares less than one unit 6,000 shares

The breakdown of the decrease in the number of shares is as follows.
Decrease due to request for purchase of shares less than one unit 505 shares
(Share amounts less than 1,000 shares are listed as 0 shares in the table above.)

3) Matters Relating to Dividends

(a) Amount of dividends paid

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

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

Resolution	Type of Share	Dividend resource	Aggregate Dividend (¥ million)	Dividend per Share (¥)	Date of Record	Effective Date
June 29, 2017 Regular General Meeting of the Shareholders	Common shares	Retained earnings	2,069	42	March 31, 2017	June 30, 2017

(Consolidated Statement of Cash Flows Related)

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

(Millions of yen)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Cash and deposits	17,783	21,965
Cash and cash equivalents	17,783	21,965

(Segment Information)

1) Summary of Reported Segments

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

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

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

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

From the consolidated third quarter of the current fiscal year, the Company has made a change in the reported segments due to changes of corporate structure, so that the Labeling Business, which has been a part of the Industrial Equipment segment so far, from now on will be reported as a part of the Office Equipment segment.

For segment information for the previous consolidated fiscal year, the information prepared based on the reported segments for the current consolidated fiscal year is disclosed.

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

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

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

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

(Millions of yen)

	Reported segment			Total
	Office Equipment	Industrial Equipment	HCR Equipment	
Net Sales				
Net sales to outside customers	23,822	39,359	3,329	66,510
Inter-segments sales or transfers	—	—	—	—
Total	23,822	39,359	3,329	66,510
Segment profit (loss)	4,780	1,503	(400)	5,883
Segment assets	19,800	28,326	2,647	50,773
Other items				
Depreciation	643	1,253	78	1,976
Amortization of goodwill	174	—	—	174
Amortization of negative goodwill	—	7	—	7
Impairment loss	35	118	—	154
Increase in property, plant and equipment and intangible assets	815	1,014	36	1,866

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

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

(Millions of yen)

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

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

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

(Millions of Yen)

Assets	FY 2016	FY 2017
Reported segment total	50,773	50,581
Group-wide assets (Note)	38,054	42,419
Total assets in the consolidated balance sheets	88,828	93,000

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

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

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

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

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

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

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

Recoverable value has been calculated according to the net disposal value. In the current consolidated accounting year, the assets subject to loss on impairment of ¥103 million are idle assets, and assets such as land and buildings to be sold. The net disposal value has been calculated based on the reasonably adjusted amount of real estate appraisal value or appraised value of non-current assets for property tax.

(Per Share Information)

(Yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	1,301.81	1,362.05
Net income per share	71.27	95.93

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

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

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Net income attributable to shareholders of parental company (¥ million)	3,512	4,726
Amount not relating to common shares (¥ million)	—	—
Net income attributable to shareholders of parental company relating to common shares (¥ million)	3,512	4,726
Average number of common shares outstanding during the term (shares)	49,282,397	49,274,497

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

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
Total of net assets (¥ million)	64,263	67,210
Amount to be deducted from the total of net assets (¥ million)	112	100
(Of which non-controlling interests (¥ million))	(112)	(100)
Closing net assets relating to common shares (¥ million)	64,150	67,100
Number of common shares as of end of term used in the calculation of net assets per share (shares)	49,277,828	49,271,764

(Significant Subsequent Events)

None.

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	13,182	17,201
Notes receivable-trade	1,311	1,591
Notes and accounts receivable-trade	13,310	13,372
Marketable securities	3,224	4,212
Merchandise and finished goods	3,804	3,843
Work in process	694	621
Raw materials	816	672
Prepaid expenses	213	231
Deferred tax assets	569	606
Short-term loans receivable	291	279
Accounts receivable-other	208	176
Other	196	135
Allowance for doubtful accounts	(0)	(0)
Total current assets	37,822	42,943
Non-current assets		
Property, plant and equipment		
Buildings	4,274	4,154
Structures	198	212
Machinery and equipment	1,154	1,558
Vehicles	10	9
Tools, furniture and fixtures	394	395
Land	6,114	6,047
Leased assets	403	386
Construction in progress	404	433
Total property, plant and equipment	12,954	13,198
Intangible assets	128	166
Investments and other assets		
Investment securities	21,556	20,914
Shares of subsidiaries and associates	8,664	8,664
Long-term loans receivable	796	484
Deferred tax assets	1,601	1,600
Real estate for rent, net	252	245
Lease and guarantee deposits	77	75
Other	431	407
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	33,375	32,386
Total current assets	46,459	45,751
Total assets	84,282	88,695

(Millions of yen)

	FY 2016 (As of March 31, 2016)	FY 2017 (As of March 31, 2017)
LIABILITIES		
Current liabilities		
Accounts payable-trade	3,881	3,726
Short-term loans payable	1,850	2,198
Lease obligations	166	159
Accounts payable	1,430	1,432
Income taxes payable	712	1,234
Deposits received	1,213	1,274
Current portion of guarantee deposits received	776	751
Provision for bonuses	1,059	1,296
Provision for directors' bonuses	43	53
Other	280	512
Total current liabilities	11,414	12,639
Non-current liabilities		
Long-term loans payable	150	50
Lease obligations	236	227
Deferred tax liabilities for land revaluation	462	462
Provision for retirement benefits	6,473	7,209
Provision for product warranties	47	44
Asset retirement obligations	10	–
Other	162	191
Total non-current liabilities	7,543	8,184
Total liabilities	18,957	20,824
NET ASSETS		
Shareholders' equity		
Capital stock	12,367	12,367
Capital surplus		
Legal capital surplus	10,517	10,517
Other capital surplus	0	0
Total capital surplus	10,518	10,518
Retained earnings		
Legal retained earnings	3,091	3,091
Other retained earnings		
Reserve for reduction entry of land	132	132
Reserve for reduction entry of depreciable assets	57	54
General reserve	33,770	33,770
Retained earnings brought forward	4,812	6,911
Total retained earnings	41,863	43,960
Treasury stock	(263)	(271)
Total shareholders' equity	64,486	66,574
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,182	1,625
Revaluation reserve for land	(343)	(328)
Total valuation and translation adjustments	838	1,296
Total net assets	65,324	67,871
Total liabilities and net assets	84,282	88,695

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY 2016 (From April 1, 2015 to March 31, 2016)	FY 2017 (From April 1, 2016 to March 31, 2017)
Net sales	59,668	60,251
Cost of sales	39,326	39,053
Gross profit	20,342	21,198
Selling, general and administrative expenses	15,392	16,237
Operating income	4,949	4,961
Non-operating income		
Interest and dividend income	687	580
Rent income	17	16
Gain on donation of non-current assets	–	48
Other	45	47
Total non-operating income	750	693
Non-operating expenses		
Interest expenses	43	49
Foreign exchange losses	330	246
Other	52	52
Total non-operating expenses	426	347
Ordinary income	5,274	5,306
Extraordinary income		
Gain on sales of non-current assets	39	15
Gain on sales of investment securities	91	–
Total extraordinary income	131	15
Extraordinary loss		
Loss on abandonment of non-current assets	9	12
Loss on valuation of shares of subsidiaries and associates	163	–
Impairment loss	128	60
Product quality warranty expenses	49	–
Total extraordinary loss	350	73
Income before income taxes	5,054	5,248
Income taxes-current	1,369	1,648
Income taxes for prior periods	–	(250)
Income taxes-deferred	321	(183)
Total income taxes	1,691	1,215
Net income	3,363	4,033

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

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

(Millions of yen)

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

(Millions of yen)

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

(Millions of yen)

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

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

(Millions of yen)

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

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings					
		Other Retained Earnings				
	Legal Retained Earnings	Reserve for Reduction Entry of Land	Reserve for Reduction Entry of Depreciable Assets	General Reserve	Retained Earnings Brought Forward	Total Retained Earnings
Balance at beginning of the year	3,091	132	57	33,770	4,812	41,863
Changes of items during the period						
Dividends of surplus					(1,921)	(1,921)
Current net income					4,033	4,033
Purchase of treasury shares						
Disposal of treasury shares						
Provision of reserve for reduction entry of land						—
Provision of reserve for reduction entry of depreciable assets						—
Reversal of reserve for reduction entry of depreciable assets			(2)		2	—
Reversal of difference in revaluation of land					(14)	(14)
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	(2)	—	2,099	2,096
Balance at end of the year	3,091	132	54	33,770	6,911	43,960

(Millions of yen)

	Shareholders' Equity		**Valuation and Translation Adjustments**			Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	
Balance at beginning of the year	(263)	64,486	1,182	(343)	838	65,324
Changes of items during the period						
Dividends of surplus		(1,921)				(1,921)
Current net income		4,0333				4,033
Purchase of treasury shares	(8)	(8)				(8)
Disposal of treasury shares	0	0				0
Provision of reserve for reduction entry of land		–				–
Provision of reserve for reduction entry of depreciable assets		–				–
Reversal of reserve for reduction entry of depreciable assets		–				–
Reversal of difference in revaluation of land		(14)				(14)
Net changes of items other than shareholders' equity			443	14	458	458
Total changes of items during the period	(8)	2,088	443	14	458	2,546
Balance at end of the year	(271)	66,574	1,625	(328)	1,296	67,871