# KYOKUTO KOWA CORPORATION

*Financial Statements*
*for the Year Ended March 31, 2018,*
*and Independent Auditor's Report*

Deloitte.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KYOKUTO KOWA CORPORATION:

We have audited the accompanying balance sheet of KYOKUTO KOWA CORPORATION as of March 31, 2018, and the related statements of income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KYOKUTO KOWA CORPORATION as of March 31, 2018, and the results of its operations for the year then ended in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan.

### Emphasis of Matter

As explained in Note 1 to the financial statements, the information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations.
Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Our opinion is not modified in respect of this matter.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 16, 2018

KYOKUTO KOWA CORPORATION
Balance Sheet
March 31, 2018

| ASSETS | Millions of Yen 2018 | Thousands of U.S. Dollars (Note 1) 2018 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 7) | ¥ 714 | $ 6,721 |
| Receivables (Note 7): | | |
| Trade notes (Note 3.c) | 166 | 1,563 |
| Electronically recorded monetary claims | 190 | 1,788 |
| Trade accounts | 2,449 | 23,052 |
| Parent company and affiliated companies (Note 8) | 102 | 960 |
| Other | 95 | 894 |
| Inventories (Notes 3.a and 3.d) | 2,717 | 25,574 |
| Deferred tax assets (Note 6) | 61 | 574 |
| Prepaid expenses and other current assets | 7 | 66 |
| Total current assets | 6,501 | 61,192 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land (Note 3.b) | 926 | 8,716 |
| Buildings and structures (Note 3.b) | 2,029 | 19,099 |
| Machinery and equipment (Note 3.b) | 2,208 | 20,783 |
| Tools, furniture and fixtures | 989 | 9,309 |
| Construction in progress | 260 | 2,447 |
| Total | 6,412 | 60,354 |
| Accumulated depreciation | (4,490) | (42,263) |
| Net property, plant and equipment | 1,922 | 18,091 |
| INVESTMENTS AND OTHER ASSETS: | | |
| Investment securities (Note 7) | 86 | 809 |
| Deferred tax assets (Note 6) | 1 | 9 |
| Other assets (Note 8) | 222 | 2,090 |
| Allowance for doubtful accounts | (40) | (376) |
| Total investments and other assets | 269 | 2,532 |
| TOTAL | ¥ 8,692 | $ 81,815 |

| LIABILITIES AND EQUITY | Millions of Yen 2018 | Thousands of U.S. Dollars (Note 1) 2018 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Current portion of long-term loans (Note 7) | ¥ 6 | $ 56 |
| Payables (Note 7): | | |
| Trade notes | 451 | 4,245 |
| Electronically recorded obligations | 1,521 | 14,317 |
| Trade accounts | 1,101 | 10,363 |
| Parent company and affiliated companies (Note 8) | 198 | 1,864 |
| Other | 75 | 706 |
| Income taxes payable (Note 7) | 32 | 301 |
| Advances received on uncompleted construction contracts (Note 7) | 2,290 | 21,555 |
| Allowance for losses on construction contracts (Note 3.d) | 24 | 226 |
| Provision for warranties for completed construction | 128 | 1,205 |
| Other current liabilities | 289 | 2,720 |
| Total current liabilities | 6,115 | 57,558 |
| LONG-TERM LIABILITIES: | | |
| Other | 53 | 499 |
| Total long-term liabilities | 53 | 499 |
| Total liabilities | 6,168 | 58,057 |
| CONTINGENT LIABILITIES (Note 3.c) | | |
| EQUITY (Notes 4, 5, and 9): | | |
| Common stock—authorized, 30,000,000 shares; issued, 8,620,000 shares in 2018 | 100 | 941 |
| Capital surplus: | | |
| Additional paid-in capital | 195 | 1,836 |
| Other capital surplus | 812 | 7,643 |
| Retained earnings: | | |
| Legal reserve | 118 | 1,111 |
| Unappropriated | 1,296 | 12,199 |
| Unrealized gain on available-for-sale securities | 3 | 28 |
| Total equity | 2,524 | 23,758 |
| TOTAL | ¥ 8,692 | $ 81,815 |

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Statement of Income
Year Ended March 31, 2018

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| | 2018 | 2018 |
| NET SALES (Note 8) | ¥ 16,255 | $ 153,003 |
| COST OF SALES (Note 8) | 13,949 | 131,297 |
| Gross profit | 2,306 | 21,706 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8) | 1,517 | 14,279 |
| Operating income | 789 | 7,427 |
| OTHER INCOME (EXPENSES) (Note 8): | | |
| Interest and dividend income | 2 | 19 |
| Royalty income | 5 | 47 |
| Interest expense | ( 13) | ( 123) |
| Financing expenses | ( 20) | ( 189) |
| Other—net | (1) | (9) |
| Other income (expenses)—net | ( 27) | (255) |
| INCOME BEFORE INCOME TAXES | 762 | 7,172 |
| INCOME TAXES (Note 6): | | |
| Current | 207 | 1,948 |
| Deferred | 65 | 612 |
| Total income taxes | 272 | 2,560 |
| NET INCOME | ¥ 490 | $ 4,612 |

| | Yen | U.S. Dollars |
|---|---|---|
| PER SHARE OF COMMON STOCK (Notes 4 and 9): | | |
| Basic net income | ¥ 56.82 | $ 0.53 |
| Cash dividends applicable to the year | 20.00 | 0.19 |

See notes to financial statements.

KYOKUTO KOWA CORPORATION

**Statement of Changes in Equity**

**Year Ended March 31, 2018**

| | Thousands | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Outstanding Number of Shares of Common Stock | Common Stock | Capital Surplus: Additional Paid-in Capital | Capital Surplus: Other Capital Surplus | Retained Earnings: Legal Reserve | Retained Earnings: Unappropri -ated | Unrealized Gain on Available-for-Sale Securities | Total Equity |
| BALANCE, MARCH 31, 2017 | 8,620 | ¥ 100 | ¥ 195 | ¥ 812 | ¥ 118 | ¥ 979 | ¥ 3 | ¥ 2,207 |
| Net income | | | | | | 490 | | 490 |
| Cash dividends, ¥20 per share | | | | | | (173) | | (173) |
| Net change in the year | | | | | | | (0) | (0) |
| BALANCE, MARCH 31, 2018 | 8,620 | ¥ 100 | ¥ 195 | ¥ 812 | ¥ 118 | ¥ 1,296 | ¥ 3 | ¥ 2,524 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus: Additional Paid-in Capital | Capital Surplus: Other Capital Surplus | Retained Earnings: Legal Reserve | Retained Earnings: Unappropri -ated | Unrealized Gain on Available-for-Sale Securities | Total Equity |
| BALANCE, MARCH 31, 2017 | $ 941 | $ 1,836 | $ 7,643 | $ 1,111 | $ 9,215 | $ 28 | $ 20,774 |
| Net income | | | | | 4,612 | | 4,612 |
| Cash dividends, $0.19 per share | | | | | (1,628) | | (1,628) |
| Net change in the year | | | | | | (0 ) | (0) |
| BALANCE, MARCH 31, 2018 | $ 941 | $ 1,836 | $ 7,643 | $ 1,111 | $ 12,199 | $ 28 | $ 23,758 |

See notes to financial statements.

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by KYOKUTO KOWA CORPORATION (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to $1, the approximate rate of exchange at March 30, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a.* ***Inventories***—Construction projects in progress, finished products, and work in process are stated at cost as determined by the specific identification method. Raw materials and supplies are stated at cost as determined by the moving-average method. The write-downs of inventories due to decreased profitability are reflected in the valuation of raw materials and supplies and the accompanying loss is recognized as cost of goods sold, in principle.

*b.* ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings, excluding building fixtures, acquired on or after April 1, 1998, and building fixtures and structures acquired on or after April 1, 2016. The range of useful lives is principally from 12 to 38 years for buildings and structures and from three to nine years for machinery and equipment and tools, furniture and fixtures.

*c.* ***Long-Lived Assets***—The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

*d.* ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities. They are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by an impairment charge to income.

e. *Allowance for Doubtful Accounts*—The allowance for doubtful accounts is provided for at an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to the remaining receivables.

f. *Allowance for Losses on Construction Contracts*—To cover losses which have a high probability of occurring in the future upon work completion, an allowance for estimated losses is provided based on the amount of orders received and the estimated cost.

g. *Provision for Warranties for Completed Construction* —Provision for warranties for completed construction is provided for anticipated future costs within the warranty period arising from warranties on completed construction.

h. *Construction Contracts*— In December 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

The revenues recognized by the percentage-of-completion method for the year ended March 31, 2018, were ¥12,090 million ($113,799 thousand).

i. *Income Tax*—The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company's parent company files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. The Company is included in the consolidated corporate tax system.

j. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying statement of income are dividends applicable to the fiscal year, including dividends accrued and paid after the end of the year.

k. *New Accounting Pronouncements*—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, " Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30,
" Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

## 3. NOTES TO BALANCE SHEET

### *a. Inventories*

Inventories at March 31, 2018, consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Construction projects in progress | ¥ 2,111 | $ 19,870 |
| Finished products | 494 | 4,650 |
| Work in process | 42 | 395 |
| Raw materials and supplies | 70 | 659 |
| Total | ¥ 2,717 | $ 25,574 |

### *b. Pledged assets*

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Assets pledged as collateral: | | |
| Land | ¥ 853 | $ 8,029 |
| Buildings and structures | 508 | 4,781 |
| Machinery and equipment | 96 | 904 |
| Total | ¥ 1,457 | $ 13,714 |

The following assets, which are included above, are pledged as factory foundation collateral:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Land | ¥ 853 | $ 8,029 |
| Buildings and structures | 424 | 3,991 |
| Machinery and equipment | 96 | 904 |
| Total | ¥ 1,373 | $ 12,924 |

The Company pledged the above assets as collateral to secure the following parent company's bank loans.

Secured liabilities:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Loans from banks of parent company | ¥ 2,405 | $ 22,637 |

### *c. Contingent liabilities*

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Guarantees to loans from banks of parent company | ¥ 2,950 | $ 27,767 |
| Trade notes endorsed | 163 | 1,534 |
| Total | ¥ 3,113 | $ 29,301 |

### d. Estimated loss on uncompleted construction contracts

An estimated loss on uncompleted construction contracts was recognized and included as part of inventories but was not offset against the amount on the balance sheet. It has been recorded as an allowance for losses on construction contracts in the amount of ¥24 million ($226 thousand) as of March 31, 2018.

## 4. NOTES TO STATEMENT OF CHANGES IN EQUITY

### a. Type and number of outstanding shares

For the year ended March 31, 2018

| Type of shares | Number of Shares: Balance at Beginning of Year | Increase in Shares During the Year | Decrease in Shares During the Year | Balance at End of Year |
|---|---|---|---|---|
| Issued stock: | | | | |
| Common stock | 8,620,000 | — | — | 8,620,000 |

### b. Dividends

(1) Dividends paid to shareholders
For the year ended March 31, 2018

| Resolution Approved by | Type of Shares | Amount: Millions of Yen | Amount: Thousands of U.S. Dollars | Amount per Share: Yen | Amount per Share: U.S. Dollars | Record Date | Effective Date |
|---|---|---|---|---|---|---|---|
| Annual General Meeting of Shareholders (June 22, 2017) | Common stock | ¥86 | $809 | ¥10 | $0.09 | March 31, 2017 | June 23, 2017 |
| Board of Directors (October 20, 2017) | Common stock | ¥86 | $809 | ¥10 | $0.09 | September 30, 2017 | November 30, 2017 |

(2) Dividends with a record date during the fiscal year but an effective date subsequent to the fiscal year
For the year ended March 31, 2018

| Resolution Approved by | Type of Shares | Amount: Millions of Yen | Amount: Thousands of U.S. Dollars | Amount per Share: Yen | Amount per Share: U.S. Dollars | Record Date | Effective Date |
|---|---|---|---|---|---|---|---|
| Annual General Meeting of Shareholders (June 21, 2018) | Common stock | ¥86 | $809 | ¥10 | $0.09 | March 31, 2018 | June 22, 2018 |

## 5. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

*a. Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of shareholders.

For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

*b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

## 6. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2018, are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Deferred tax assets: | | |
| Allowance for losses on construction contracts | ¥ 8 | $ 75 |
| Provision for warranties for completed construction | 44 | 414 |
| Other | 67 | 631 |
| Subtotal | 119 | 1,120 |
| Valuation allowance | (56) | (527) |
| Total | 63 | 593 |
| Deferred tax liabilities: | | |
| Unrealized gain on available-for-sale securities | (1) | (10) |
| Total | (1) | (10) |
| Net deferred tax assets | ¥ 62 | $ 583 |

## 7. FINANCIAL INSTRUMENTS

### *a. Overview*

(1) Policy for financial instruments
The Company raises funds by borrowing from the parent company and banks. Also, the Company restricts temporary excess fund management to highly secure assets such as time deposits.

(2) Types of financial instruments related risks and risk management
Receivables, such as trade note receivables, electronically recorded monetary claims, and trade account receivables, are exposed to the credit risk of customers. In order to mitigate the risk when orders are received, the Company conducts strict screening and determines project plans on the basis of internal guidelines. As investment securities are exposed to market risk, the Company monitors market prices of these securities.
Long-term loans are used for operations or capital investment.
The Company does not engage in derivative transactions.

### *b. Fair value of financial instruments*

The following table shows the carrying values and fair values of financial instruments as of March 31, 2018, and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included.

| | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| At March 31, 2018 | Carrying Value | Fair Value | Difference | Carrying Value | Fair Value | Difference |
| Assets | | | | | | |
| Cash and cash equivalents | ¥ 714 | ¥ 714 | | $ 6,721 | $ 6,721 | |
| Receivables | 3,002 | 3,002 | | 28,257 | 28,257 | |
| Investment securities | 13 | 13 | | 122 | 122 | |
| Liabilities | | | | | | |
| Payables | 3,346 | 3,346 | | 31,495 | 31,495 | |
| Income taxes payable | 32 | 32 | | 301 | 301 | |
| Advances received on uncompleted construction contracts | 2,290 | 2,290 | | 21,555 | 21,555 | |
| Long-term loans | 6 | 6 | ¥ 0 | 56 | 56 | $ 0 |

Note: The current portion of long-term loans is included in long-term loans.

Assets
*Cash and cash equivalents and Receivables*
Since cash and cash equivalents and receivables are settled in a short period of time, the carrying value approximates fair value.

*Investment securities*
The fair value of stocks is determined based on quoted market prices.

Liabilities
*Payables, Income taxes payable, and Advances received on uncompleted construction contracts*
Since these accounts are settled in a short period of time, the carrying value approximates fair value.

*Long-term loans*
The fair value is based on the present value of the total principal and interest discounted by an interest rate to be applied if similar new loans are entered into.

*c. Carrying amount of financial instruments whose fair value cannot be reliably determined*

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Non-listed stocks | ¥ 73 | $ 687 |

It is extremely difficult to determine the fair values for these securities since they have no quoted market prices available. Thus, they are not included in "Investment securities" above.

## 8. RELATED PARTY DISCLOSURES

*a. Parent company*

Transactions of the Company with the parent company for the year ended March 31, 2018, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Fee for consulting and administrative services | ¥ 127 | $ 1,195 |
| Rental fees for land and office buildings | 122 | 1,148 |
| Commission fees | 4 | 38 |
| Interest income | 0 | 0 |
| Interest expense | 13 | 122 |
| Guarantees of the Company's liabilities | 6 | 56 |
| Guarantees to parent company's liabilities | 2,950 | 27,767 |
| Pledged assets for parent company's liabilities | 1,457 | 13,714 |

The balances due to or from the parent company at March 31, 2018, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Receivables | ¥ 58 | $ 546 |
| Other assets | 59 | 555 |
| Payables | 126 | 1,186 |

Business terms:

1. Fee for consulting and administrative services are determined through negotiations with the parent company based on the amounts suggested by the parent company.
2. Rental fees for land and office buildings are determined through negotiations with the parent company on an arm's-length basis.
3. The parent company uses a Cash Management System (CMS) for its subsidiaries to control the cash surplus and spend money efficiently at the group level. The interest

rates on loans within the CMS are generally decided based on the current market interest rates available.

Because the loans within the group are made as needed, the amounts of the transactions are omitted in the table above.

### *b. Affiliated companies*

Transactions of the Company with affiliated companies for the year ended March 31, 2018, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Net sales | ¥ 27 | $ 254 |
| Cost of sales | 491 | 4,622 |
| Selling, general and administrative expenses | 12 | 113 |

The balances due from / to affiliated companies at March 31, 2018, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Receivables | ¥ 44 | $ 414 |
| Payables | 72 | 678 |

## 9. PER SHARE INFORMATION

| | Yen | U.S. Dollars |
|---|---|---|
| | 2018 | 2018 |
| Per share amounts: | | |
| Net assets | ¥ 292.84 | $ 2.76 |
| Basic net income | 56.82 | 0.53 |

Diluted net income per share is not presented since there are no dilutive shares of common stock issuable upon conversion of the convertible debt.