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**ANNUAL REPORT 2017**

Year ended March 20, 2017

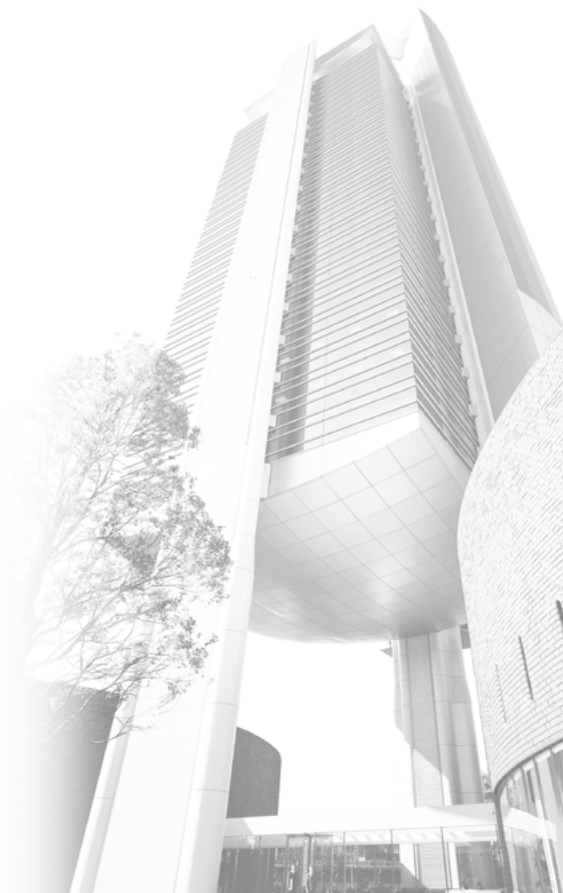
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## C O R P O R A T E   P R O F I L E

KEYENCE CORPORATION has steadily grown since 1974 to become a leading company in factory automation. It accomplished this by delivering the quality sensors that automation needs. Today, KEYENCE serves 200,000 customers in some 100 countries around the world, where its name stands for innovation and excellence.

Sensors, found in millions of applications, provide the positioning information essential for factory automation. There could be no automation of assembly lines without sensors. KEYENCE has consistently aided the automation revolution by developing superior sensor solutions.



KEYENCE CORPORATION AND SUBSIDIARIES  
**FINANCIAL HIGHLIGHTS**

YEAR ENDED MARCH 20, 2017

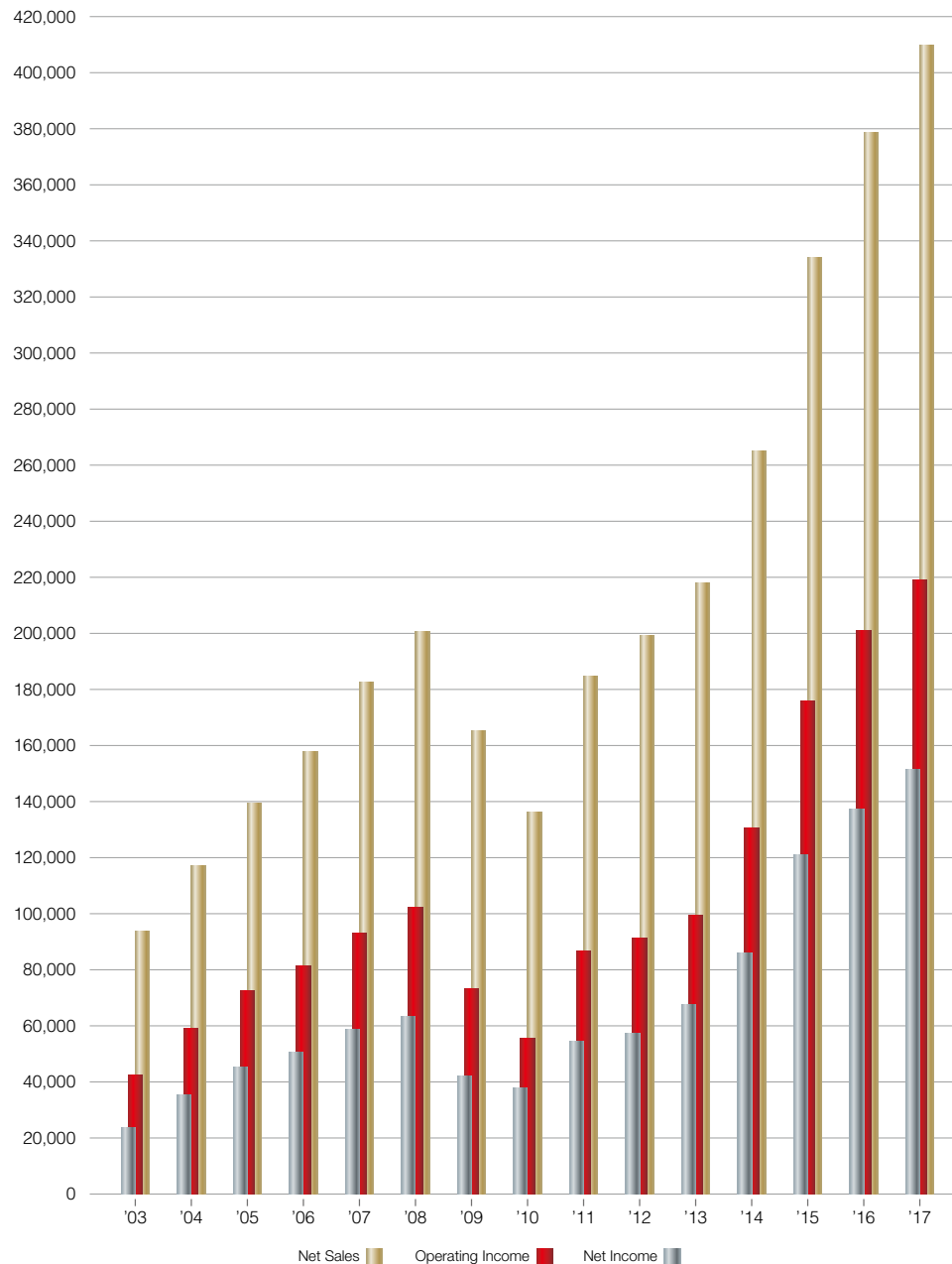
	2017*3	Millions of Yen 2016*3	Thousands of U.S. Dollars*1 2017*3
Net Sales	¥412,699	¥379,282	\$3,652,211
Operating Income	218,910	201,309	1,937,262
Net Income	153,156	137,166	1,355,368
Amounts Per Common Share*2 (in Yen and U.S. Dollars)			
Net Income	1,262.89	1,131.01	11.18
Cash dividends applicable to the year	100.00	100.00	0.88
Total Assets	1,250,591	1,102,018	11,067,183

\*1. All dollar figures herein refer to U.S. dollars. Dollar amounts are translated from Japanese yen, for convenience only, at ¥113 = US\$1, the approximate exchange rate on March 20, 2017.

\*2. The Company implemented a stock split of 2 shares for each share of common stock outstanding on January 21, 2017. The computations of net income per common share and cash dividends per common share are based on the weighted-average number of common shares outstanding, retroactively adjusted to give effect to the stock split.

\*3. Refer to Note 1 in the notes to consolidated financial statements.

Yen in millions



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## TO OUR SHAREHOLDERS

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### **Business results**

Supported by steady employment rate improvement in the United States and the continued moderate economic recovery in Europe, the world economy grew steadily during this consolidated fiscal year. Moderate recovery also continued in emerging countries such as those of Asia, signaled by signs of improvement in various regions. In Japan, corporate earnings maintained their upward trend accompanied by moderate increases in capital investment.

Under these economic conditions, the KEYENCE Group worked to enhance planning and development and strengthen sales capabilities to sustain mid-to-long term growth.

We have also developed new products including an Image Dimension Measurement System and an Intuitive Vision System. In sales, we have made efforts to increase staff and expand our overseas sales offices. As a result of these activities, in this consolidated fiscal year we recorded sales of JPY 412,699 million, operating income of JPY 218,910 million, income before taxes of JPY 221,380 million, and net income of JPY 153,156 million.

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## TO OUR SHAREHOLDERS

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### Performance by region

#### 1) Japan

Japan continued on a gradual growth track in terms of capital investment as corporate earnings continued to improve. Under these conditions, we worked to release new products and enhance our sales capabilities, resulting in sales of JPY 206,324 million.

#### 2) Overseas

Moderate growth continued in regions other than Japan, most notably in developed economies. Under these economic conditions, we worked to enhance our sales capabilities by expanding the number of our sales offices and increasing staff numbers, resulting in sales of JPY 206,375 million.

Looking to the global economy, the gradual overall recovery is expected to continue despite the risks surrounding the UK withdrawal from the EU, uncertainty over policy trends in the U.S.A., and doubts about economic trends in emerging economies.

The KEYENCE Group, in an effort to boost sales internationally, will continue to focus on product development and expanded sales capabilities.

In light of the trend toward intensifying global competition, the manufacturing sector must continue to address the need for increased production efficiency, automation, enhanced quality, and more robust research and development initiatives.

It is in these areas that we have significant potential to expand our operations as a group. To realize this potential, we will focus on applying the powers that we have cultivated over the years to achieve growth.



Akinori Yamamoto  
President  
June 2017

## NEW PRODUCT HIGHLIGHTS



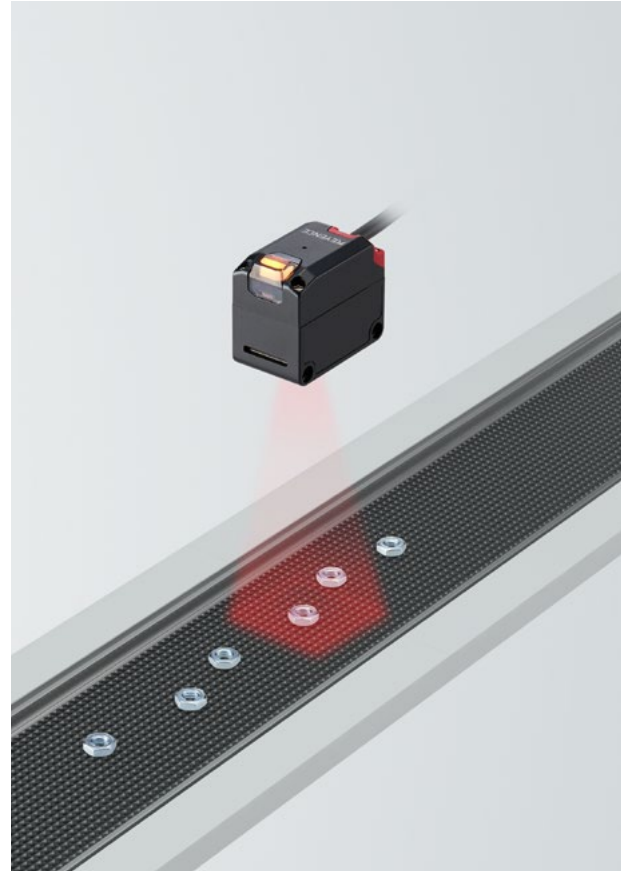
### Digital Microscope

KEYENCE's digital microscope gives users the capability to view, capture, and measure, all with a single device.

The devices conventionally used for magnified observation are typically plagued with issues related to focus adjustments and the need for specific lighting configurations. KEYENCE's advanced technology, however, holds the promise for automation without such concerns.

KEYENCE digital microscopes provide all users with clear, magnified observation at the press of a button.

Such efficient usability has led to even wider ranging observation needs for research and development and at analysis sites.



### Pattern Matching Sensor

Optical sensors are an indispensable component of automation and efficiency in production lines, especially for detecting for the presence of targets. KEYENCE is meeting this need by introducing photoelectric sensors incorporating a completely new detection system.

By monitoring an area, these sensors provide stable detection even when the target position and orientation varies. In addition, KEYENCE's photoelectric sensors use imaging to make judgments, thus providing detection under conditions that are challenging for conventional products. These sensors are being widely adopted on production lines to improve both quality and efficiency.

## NEW PRODUCT HIGHLIGHTS



### Intuitive Vision System

KEYENCE is committed to the continued development of vision systems that are widely used for inspection processes on production lines.

Our goal is not merely to provide stable, high-speed image processing with high accuracy, but also improving inspection algorithms and auto-teach functions in order to provide all users with simple, yet advanced, inspection capabilities.

Designed to support 13 languages, KEYENCE's Intuitive Vision System has become the global standard solution for a variety of problems typically encountered on production lines worldwide. As a result, our users are enjoying improved production efficiency.



### Image Dimension Measurement System

Conventional dimensional measurements are subject to various issues, including measurement result variations depending on the user, time-consuming positioning of targets, and a limited number of capable operators. KEYENCE's Image Dimension Measurement System solves these problems through great strides in the evolution of basic performance.

Measurement is not only possible in just a few seconds with KEYENCE's "place-and-press" measurement but also in areas where lighting cannot reach, earning the system wide acclaim for its ability to perform higher quality inspections with greater efficiency.

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

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## To the Board of Directors of KEYENCE CORPORATION:

We have audited the accompanying consolidated balance sheet of KEYENCE CORPORATION (the "Company") and its consolidated subsidiaries as of March 20, 2017 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEYENCE CORPORATION and its consolidated subsidiaries as of March 20, 2017 and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Preparing the Consolidated Financial Statements

As explained in Note 1 to the consolidated financial statements, during the year ended March 20, 2017, the Company changed its consolidated accounting periods by adopting fiscal periods for the three-month period ended June 20, 2016 and for the nine-month period ended March 20, 2017. However, for the purposes of the consolidated financial statements, the Company presented financial information for the twelve-month period from March 21, 2016 to March 20, 2017 as a single fiscal year. The financial information for the twelve-month period ended March 20, 2017 is presented solely to enable a comparison with the financial information for the twelve-month period ended March 20, 2016 and may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

## Emphasis of Matter

The Company prepared the consolidated financial statements for the fiscal period ended June 20, 2016 and the fiscal period ended March 20, 2017, in accordance with accounting principles generally accepted in Japan based on the Financial Instruments and Exchange Act. We issued the audit reports for these consolidated financial statements on September 9, 2016 and June 9, 2017, respectively.

## 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 consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 9, 2017

Member of  
Deloitte Touche Tohmatsu Limited



KEYENCE CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEET**

YEAR ENDED MARCH 20, 2017

	2017	2016	2017
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 9)	¥372,615	¥115,913	\$3,297,482
Time deposits (Note 9)	44,340	82,466	392,397
Marketable securities (Notes 4 and 9)	260,247	412,905	2,303,073
Notes and accounts receivable (Note 9)	127,922	112,741	1,132,053
Allowance for doubtful receivables	(309)	(253)	(2,738)
Inventories (Note 5)	24,343	23,359	215,432
Deferred tax assets (Note 8)	8,451	8,507	74,791
Other	4,418	2,274	39,102
<b>Total current assets</b>	<b>842,030</b>	<b>757,914</b>	<b>7,451,595</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	6,638	6,689	58,748
Buildings and structures	19,966	18,996	176,697
Furniture and fixtures	27,282	25,561	241,434
Other	2,432	2,216	21,526
<b>Total property, plant and equipment</b>	<b>56,319</b>	<b>53,463</b>	<b>498,406</b>
<b>Accumulated depreciation</b>	<b>(37,978)</b>	<b>(36,065)</b>	<b>(336,092)</b>
<b>Net property, plant and equipment</b>	<b>18,341</b>	<b>17,398</b>	<b>162,314</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investments in associated companies (Note 9)	14,545	12,963	128,725
Investment securities (Notes 4 and 9)	369,636	309,276	3,271,123
Deferred tax assets (Note 8)	394	146	3,491
Other	5,642	4,320	49,933
<b>Total investments and other assets</b>	<b>390,219</b>	<b>326,705</b>	<b>3,453,273</b>
<b>TOTAL</b>	<b>¥1,250,591</b>	<b>¥1,102,018</b>	<b>\$11,067,183</b>
<b>LIABILITIES AND EQUITY:</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable (Note 9)	¥7,322	¥6,940	\$64,796
Income taxes payable (Note 9)	26,301	24,755	232,756
Accrued bonuses	8,382	7,239	74,179
Other	18,073	15,059	159,944
<b>Total current liabilities</b>	<b>60,079</b>	<b>53,996</b>	<b>531,676</b>
<b>LONG-TERM LIABILITIES:</b>			
Other	5,959	4,979	52,739
<b>Total long-term liabilities</b>	<b>5,959</b>	<b>4,979</b>	<b>52,739</b>
<b>EQUITY (Note 7):</b>			
Common stock, authorized, 300,000,000 shares; issued, 121,603,842 shares in 2017 and 121,603,842 shares in 2016*	30,637	30,637	271,128
Capital surplus	30,533	30,532	270,206
Retained earnings	1,120,874	979,845	9,919,243
Treasury stock at cost, 338,375 shares in 2017 and 327,324 shares in 2016*	(3,608)	(3,144)	(31,935)
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	2,679	2,085	23,711
Foreign currency translation adjustments	3,422	3,092	30,285
Defined retirement benefit plan	14	(5)	126
<b>Total equity</b>	<b>1,184,552</b>	<b>1,043,043</b>	<b>10,482,767</b>
<b>TOTAL</b>	<b>¥1,250,591</b>	<b>¥1,102,018</b>	<b>\$11,067,183</b>

\* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED MARCH 20, 2017

	2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
<b>NET SALES</b>	<b>¥412,699</b>	<b>¥379,282</b>	<b>\$3,652,211</b>
<b>COSTS AND EXPENSES:</b>			
Cost of sales	79,350	72,645	702,216
Selling, general and administrative	103,036	94,586	911,831
Research and development	11,401	10,741	100,901
<b>Total costs and expenses</b>	<b>193,789</b>	<b>177,973</b>	<b>1,714,949</b>
<b>OPERATING INCOME</b>	<b>218,910</b>	<b>201,309</b>	<b>1,937,262</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	837	970	7,411
Foreign exchange gain (loss)	(320)	(3,169)	(2,836)
Equity in earnings of associated companies	1,729	1,651	15,308
Gain (Loss) from funds in trust		3,589	
Gain (Loss) on sales of investment securities		1,918	
<b>Other - net</b>	<b>223</b>	<b>(749)</b>	<b>1,974</b>
<b>Other income (expenses) - net</b>	<b>2,470</b>	<b>4,211</b>	<b>21,859</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>221,380</b>	<b>205,521</b>	<b>1,959,121</b>
<b>INCOME TAXES (Note 8):</b>			
Current	67,704	65,681	599,158
Deferred	519	2,673	4,595
<b>Total income taxes</b>	<b>68,224</b>	<b>68,355</b>	<b>603,753</b>
<b>NET INCOME</b>	<b>153,156</b>	<b>137,166</b>	<b>1,355,368</b>
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>¥153,156</b>	<b>¥137,166</b>	<b>\$1,355,368</b>

## PER SHARE OF COMMON STOCK (Notes 11 and 13)

	2017	Yen 2016	U.S. Dollars (Note 1) 2017
Basic net income*	¥1,262.89	¥1,131.01	\$11.18
Cash dividends applicable to the year*	100.00	100.00	0.88

\* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

YEAR ENDED MARCH 20, 2017

	<b>2017</b>	Millions of Yen <b>2016</b>	Thousands of U.S. Dollars (Note 1) <b>2017</b>
<b>NET INCOME</b>	<b>¥153,156</b>	¥137,166	<b>\$1,355,368</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Note 10):</b>			
Unrealized gain (loss) on available-for-sale securities	594	(3,558)	5,258
Foreign currency translation adjustments	326	(4,846)	2,892
Share of other comprehensive income (loss) in associates	22	80	195
<b>Total other comprehensive income (loss)</b>	<b>943</b>	(8,325)	<b>8,346</b>
<b>COMPREHENSIVE INCOME</b>	<b>¥154,099</b>	¥128,840	<b>\$1,363,714</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥154,099	¥128,840	\$1,363,714

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 20, 2017

	Millions of Yen								
	Outstanding number of shares of common stock *	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income Defined retirement benefit plan	Total Equity
<b>BALANCE, MARCH 21, 2015</b>	<b>121,278,956</b>	<b>¥30,637</b>	<b>¥30,531</b>	<b>¥851,775</b>	<b>(¥3,066)</b>	<b>¥5,642</b>	<b>¥7,869</b>	<b>(¥14)</b>	<b>¥923,375</b>
Net income attributable to owners of the parent				137,166					137,166
Cash dividends, ¥100.00 per share (Note 11)				(9,095)					(9,095)
Repurchase of treasury stock	(2,476)				(78)				(78)
Disposal of treasury stock	38		0		0				1
Net change in the year						(3,557)	(4,776)	8	(8,325)
<b>BALANCE, MARCH 20, 2016</b>	<b>121,276,518</b>	<b>¥30,637</b>	<b>¥30,532</b>	<b>¥979,845</b>	<b>(¥3,144)</b>	<b>¥2,085</b>	<b>¥3,092</b>	<b>(¥5)</b>	<b>¥1,043,043</b>
Net income attributable to owners of the parent				153,156					153,156
Cash dividends, ¥100.00 per share (Note 11)				(12,127)					(12,127)
Purchase of treasury stock	(11,085)				(464)				(464)
Disposal of treasury stock	34		1		0				1
Net change in the year						594	329	19	943
<b>BALANCE, MARCH 20, 2017</b>	<b>121,265,467</b>	<b>¥30,637</b>	<b>¥30,533</b>	<b>¥1,120,874</b>	<b>(¥3,608)</b>	<b>¥2,679</b>	<b>¥3,422</b>	<b>¥14</b>	<b>¥1,184,552</b>

	Thousands of U.S. Dollars (Note 1)								
	Outstanding number of shares of common stock *	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income Defined retirement benefit plan	Total Equity
<b>BALANCE, MARCH 20, 2016</b>	<b>121,276,518</b>	<b>\$271,128</b>	<b>\$270,196</b>	<b>\$8,671,199</b>	<b>(\$27,831)</b>	<b>\$18,453</b>	<b>\$27,368</b>	<b>(\$45)</b>	<b>\$9,230,470</b>
Net income attributable to owners of the parent				1,355,368					1,355,368
Cash dividends, \$0.88 per share (Note 11)				(107,324)					(107,324)
Purchase of treasury stock	(11,085)				(4,106)				(4,106)
Disposal of treasury stock	34		10		2				13
Net change in the year						5,257	2,916	171	8,346
<b>BALANCE, MARCH 20, 2017</b>	<b>121,265,467</b>	<b>\$271,128</b>	<b>\$270,206</b>	<b>\$9,919,243</b>	<b>(\$31,935)</b>	<b>\$23,711</b>	<b>\$30,285</b>	<b>\$126</b>	<b>\$10,482,767</b>

\* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 20, 2017

	2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥221,380	¥205,521	\$1,959,121
Adjustments for:			
Income taxes paid	(67,056)	(81,210)	(593,417)
Depreciation and amortization	3,491	3,774	30,902
Equity in earnings of associated companies	(1,729)	(1,651)	(15,308)
Changes in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable	(15,699)	(17,330)	(138,937)
Decrease (Increase) in inventories	(1,035)	(2,839)	(9,168)
Decrease (Increase) in interest and dividend receivable	473	741	4,188
Increase (Decrease) in notes and accounts payable	(12)	388	(114)
Increase (Decrease) in accrued bonuses	1,155	920	10,222
Other - net	1,900	(1,829)	16,817
Total adjustments	(78,514)	(99,037)	(694,815)
<b>Net cash provided by operating activities</b>	<b>142,866</b>	<b>106,483</b>	<b>1,264,305</b>
<b>INVESTING ACTIVITIES:</b>			
Net decrease (increase) in time deposits	38,184	(11,410)	337,916
Capital expenditures	(4,345)	(3,361)	(38,452)
Net decrease (increase) in marketable and investment securities and other	92,747	(19,213)	820,778
Net decrease (increase) in funds in trust		25,719	
Other - net	(1,339)	(893)	(11,857)
<b>Net cash provided by (used in) investing activities</b>	<b>125,247</b>	<b>(9,160)</b>	<b>1,108,384</b>
<b>FINANCING ACTIVITIES:</b>			
Cash dividends paid	(12,127)	(9,095)	(107,324)
Net decrease (increase) in treasury stock	(462)	(77)	(4,093)
<b>Net cash used in financing activities</b>	<b>(12,590)</b>	<b>(9,173)</b>	<b>(111,417)</b>
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>1,178</b>	<b>(1,918)</b>	<b>10,430</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>256,702</b>	<b>86,231</b>	<b>2,271,702</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>115,913</b>	<b>29,681</b>	<b>1,025,779</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥372,615</b>	<b>¥115,913</b>	<b>\$3,297,482</b>

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

**1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017. Amounts less than one million yen and one thousand U.S. dollars are rounded down, except for per share data. Therefore, total or subtotal amounts may not correspond with the aggregation of such account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which KEYENCE CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at the rate of ¥113 to \$1, the approximate rate of exchange at March 20, 2017. 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.

The Company changed its consolidated accounting periods, and the fiscal periods were as follows: for the three-month period ended June 20, 2015, for the nine-month period ended March 20, 2016, for the three-month period ended June 20, 2016, and for the nine-month period ended March 20, 2017.

However, the Company prepared the consolidated financial statements for the twelve-month periods from March 21, 2015 to March 20, 2016 and from March 21, 2016 to March 20, 2017 so that readers of the consolidated financial statements can understand figures on an annual basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Consolidation** — The consolidated financial statements include the accounts of the Company and its 28 significant subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.
- b. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.
- c. Inventories** — Inventories of the Company and its domestic subsidiaries are principally stated at the lower of cost, determined by the average cost method or net selling value. Inventories of foreign subsidiaries are principally stated at the lower of cost, determined by the average cost method or market value.
- d. Marketable and Investment Securities** — All of the Group's securities are classified as available-for-sale securities and 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 a charge to income.
- e. Allowance for Doubtful Receivables** — The Company and its domestic subsidiaries have provided an allowance for doubtful receivables stated in an amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding. Foreign subsidiaries have provided an allowance for doubtful receivables at the estimated amount of probable bad debts.
- f. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is principally computed by the declining-balance method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the assets.
- g. Long-Lived Assets** — The Group 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 is 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.
- h. Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward foreign exchange contracts.
- i. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet date, except for equity, which is translated at the historical rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

**j. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated 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.

**k. Research and Development Costs** — Research and development costs are charged to income as incurred.

**l. Per Share Information** — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The Company did not have securities or contingent stock agreements that could potentially dilute net income per common share in the year ended March 20, 2017.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

**m. Unification of Accounting Policies Applied to Foreign Subsidiaries and Associated Companies for the Consolidated Financial Statements** — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

**n. Accounting Changes and Error Corrections** — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

1) Changes in Accounting Policies

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

2) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

### 3. ACCOUNTING CHANGE

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The effect of this change was immaterial.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

## 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 20, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars		Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017		2017	2016	2017
<b>Current:</b>				<b>Non-current:</b>			
Government and corporate bonds	¥95,247	¥100,215	\$842,896	Equity securities	¥4,261	¥3,114	\$37,715
Negotiable certificates of deposit	165,000	312,690	1,460,176	Government and corporate bonds	50,375	146,161	445,796
<b>Total</b>	<b>¥260,247</b>	<b>¥412,905</b>	<b>\$2,303,073</b>	Negotiable certificates of deposit	315,000	160,000	2,787,610
				<b>Total</b>	<b>¥369,636</b>	<b>¥309,276</b>	<b>\$3,271,123</b>

The carrying amounts and aggregate fair values of marketable and investment securities at March 20, 2017 and 2016 were as follows:

	Millions of Yen					Thousands of U.S. Dollars			
	2017					2017			
Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair value	Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair value
<b>Available-for-sale:</b>					<b>Available-for-sale:</b>				
Equity securities	¥771	¥3,491	¥0	¥4,261	Equity securities	\$6,824	\$30,893	\$2	\$37,715
Government and corporate bonds	145,261	360		145,622	Government and corporate bonds	1,285,503	3,189		1,288,692
Negotiable certificates of deposit	480,000			480,000	Negotiable certificates of deposit	4,247,787			4,247,787
Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair value	Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair value
<b>Available-for-sale:</b>					<b>Available-for-sale:</b>				
Equity securities	¥774	¥2,374	¥33	¥3,114	Equity securities	\$6,824	\$30,893	\$2	\$37,715
Government and corporate bonds	245,646	730		246,377	Government and corporate bonds	1,285,503	3,189		1,288,692
Negotiable certificates of deposit	472,690			472,690	Negotiable certificates of deposit	4,247,787			4,247,787

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 20, 2017 and 2016 were as follows:

	Millions of Yen				Thousands of U.S. Dollars		
	2017				2017		
Securities classified as:	Proceeds	Realized Gains	Realized Losses	Securities classified as:	Proceeds	Realized Gains	Realized Losses
<b>Available-for-sale:</b>				<b>Available-for-sale:</b>			
Other	¥10	¥5		Other	\$93.00	\$52.00	
Securities classified as:	Proceeds	Realized Gains	Realized Losses	Securities classified as:	Proceeds	Realized Gains	Realized Losses
<b>Available-for-sale:</b>				<b>Available-for-sale:</b>			
Other	¥17,672	¥1,918		Other	\$93.00	\$52.00	

## 5. INVENTORIES

Inventories at March 20, 2017 and 2016 consisted of following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Finished products	¥12,189	¥11,974	\$107,868
Work in process	4,816	4,173	42,621
Raw materials	7,338	7,210	64,942
<b>Total</b>	<b>¥24,343</b>	<b>¥23,359</b>	<b>\$215,432</b>

## 6. EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have the prepayment retirement benefits and defined contribution pension plans. The net periodic benefit costs for the years ended March 20, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Contribution to defined contribution pension plans and prepayment retirement benefits	¥1,294	¥1,193	\$11,457



## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

**7. 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 shareholders' meeting. 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) having a term of service for the directors prescribed as one year rather than two years of normal term per its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitations and additional requirements.

Semiannual 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 under certain conditions upon the resolution of the shareholders.

**c. Treasury Stock and Treasury Stock Acquisition Rights** — The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

**8. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.7% and 33.0% for the years ended March 20, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 20, 2017 and 2016 are as follows:

	2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
<b>Deferred tax assets:</b>			
Accrued bonuses	¥2,139	¥1,969	\$18,935
Inventories	4,433	4,085	39,232
Accrued enterprise tax	783	1,407	6,933
Other	1,862	1,722	16,479
<b>Deferred tax assets</b>	<b>9,218</b>	<b>9,185</b>	<b>81,581</b>
<b>Deferred tax liabilities:</b>			
Undistributed earnings	(3,850)	(3,281)	(34,071)
Investment securities	(1,126)	(952)	(9,965)
Other	(197)	(190)	(1,746)
<b>Deferred tax liabilities</b>	<b>(5,173)</b>	<b>(4,424)</b>	<b>(45,784)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥4,045</b>	<b>¥4,760</b>	<b>\$35,797</b>

1) There is no significant difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 20, 2017 and 2016.

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after June 21, 2016 from approximately 33.0% to 30.7%, for the fiscal year beginning on or after March 21, 2018 from approximately 32.2% to 30.7%, and for the fiscal year beginning on or after March 21, 2019 from approximately 32.2% to 30.5%.

The effect of these changes was immaterial.

2) The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 20, 2017.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

## 9. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. **Group policy for financial instruments** — The Group invests in financial instruments and in low-risk financial assets, including bonds.

b. **Nature of financial instruments, extent of risks arising from financial instruments and risk management for financial instruments** — Notes and accounts receivables are exposed to customer credit risk. In order to reduce risk, the Group monitors financial status and transaction history, and detects the default risk of customers at an early stage. Since marketable securities and investment securities are mainly composed of high credit-rated bonds, the credit risk associated with the investments is not considered to be significant. However, since they are exposed to the risk of market price fluctuations, the Group monitors the market value and reviews the validity of the continued possession on a regular basis. Notes and accounts payable and income taxes payable are all due within less than one year.

c. **Fair values of financial instruments** — Fair values of financial instruments are based on quoted prices in active markets. If the quoted prices are not available, other rational valuation techniques are used instead.

I. Fair value of financial instruments	Millions of Yen			Thousands of U.S.Dollars		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
			<b>2017</b>			<b>2017</b>
<b>Assets:</b>						
Cash and cash equivalents and time deposits	¥416,956	¥416,956		\$3,689,880	\$3,689,880	
Notes and accounts receivable	127,922	127,922		1,132,053	1,132,053	
Marketable securities, investment securities and investment in associated company	644,419	665,680	¥21,260	5,702,828	5,890,975	\$188,146
<b>Assets</b>	<b>¥1,189,298</b>	<b>¥1,210,558</b>	<b>¥21,260</b>	<b>\$10,524,762</b>	<b>\$10,712,909</b>	<b>\$188,146</b>
<b>Liabilities:</b>						
Notes and accounts payable	¥7,322	¥7,322		\$64,796	\$64,796	
Income taxes payable	26,301	26,301		232,756	232,756	
<b>Liabilities</b>	<b>¥33,623</b>	<b>¥33,623</b>		<b>\$297,552</b>	<b>\$297,552</b>	

	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
			<b>2016</b>
<b>Assets:</b>			
Cash and cash equivalents and time deposits	¥198,379	¥198,379	
Notes and accounts receivable	112,741	112,741	
Marketable securities, investment securities and investment in associated company	735,136	747,502	¥12,366
<b>Assets</b>	<b>¥1,046,257</b>	<b>¥1,058,624</b>	<b>¥12,366</b>
<b>Liabilities:</b>			
Notes and accounts payable	¥6,940	¥6,940	
Income taxes payable	24,755	24,755	
<b>Liabilities</b>	<b>¥31,696</b>	<b>¥31,696</b>	

- i. Cash and cash equivalents, time deposits, notes and accounts receivable, notes and accounts payable, and income taxes payable — The carrying values of cash and cash equivalents, notes and accounts receivable, notes and accounts payable, and income taxes payable are used as the fair values because of their short maturities.
- ii. Marketable securities, investment securities and investment in associated company — The fair values of marketable securities, investment securities and investment in associated company are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of negotiable certificates of deposit are deemed to be the acquisition price because the current price approximates the acquisition price. The information on the fair value for marketable securities, investment securities, and negotiable certificates of deposit is included in Note 4.

II. Carrying amount of financial instruments whose fair value cannot be reliably determined	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥10	¥8	\$93

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

## d. Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen		Thousands of U.S.Dollars	
	2017		2017	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Cash and cash equivalents and time deposits	¥416,956		\$3,689,880	
Notes and accounts receivables	127,922		1,132,053	
Marketable securities and investment securities-available-for-sale securities with contractual maturities	95,247	¥50,375	842,896	\$445,796
Negotiable certificates of deposit	165,000	315,000	1,460,176	2,787,610
<b>TOTAL</b>	<b>¥805,125</b>	<b>¥365,375</b>	<b>\$7,125,007</b>	<b>\$3,233,407</b>

	Millions of Yen	
	2016	
	Due in one year or less	Due after one year through five years
Cash and cash equivalents and time deposits	¥198,379	
Notes and accounts receivables	112,741	
Marketable securities and investment securities-available-for-sale securities with contractual maturities	100,000	¥145,000
Negotiable certificates of deposit	312,690	160,000
<b>TOTAL</b>	<b>¥723,811</b>	<b>¥305,000</b>

## 10. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 20, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S.Dollars	
	2017	2016	2017	2016
<b>Unrealized gain (loss) on available-for-sale securities</b>				
Gains arising during the year	¥786	(¥165)	\$6,957	
Reclassification adjustments to profit or loss	(5)	(5,507)	(52)	
Amount before income tax effect	780	(5,672)	6,904	
Income tax effect	(186)	2,114	(1,646)	
<b>Total</b>	<b>¥594</b>	<b>(¥3,558)</b>	<b>\$5,258</b>	
<b>Foreign currency translation adjustments</b>				
Adjustments arising during the year	¥326	(¥4,846)	\$2,892	
<b>Share of other comprehensive income (loss) in associates</b>				
Gains arising during the year	¥22	¥80	\$195	
<b>Total other comprehensive income (loss)</b>	<b>¥943</b>	<b>(¥8,325)</b>	<b>\$8,346</b>	

## 11. AMOUNT PER COMMON SHARE

On January 21, 2017, the Company effected a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on December 5, 2016. All prior year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 20, 2017. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share and cash dividends per share. The average number of common shares used in the computations was 121,274,274 and 121,277,645 shares for 2017 and 2016, respectively. Cash dividends per common share represent amounts applicable to the respective periods including dividends to be paid after the end of the period.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2017

**12. SEGMENT INFORMATION**

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**I. Reportable Segments**

Information about reportable segments is not disclosed because the Company has one operating segment.

**II. Related Information**

- **Information by product and service**

As the sales of one product group account for more than 90% of the Group's total consolidated sales, the disclosure for the years ended March 20, 2017 and 2016, has been omitted.

- **Information by geographical area**

Revenue	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Japan</b>	<b>¥206,324</b>	<b>¥189,053</b>	<b>\$1,825,880</b>
<b>Overseas</b>			
USA	61,515	58,234	544,388
China	44,661	42,190	395,238
Other	100,197	89,805	886,704
<b>Total</b>	<b>206,375</b>	<b>190,229</b>	<b>1,826,330</b>
<b>TOTAL</b>	<b>¥412,699</b>	<b>¥379,282</b>	<b>\$3,652,211</b>

Property, plant and equipment	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Japan</b>	<b>¥13,985</b>	<b>¥14,077</b>	<b>\$123,767</b>
<b>Overseas</b>	<b>4,355</b>	<b>3,321</b>	<b>38,547</b>
<b>TOTAL</b>	<b>¥18,341</b>	<b>¥17,398</b>	<b>\$162,314</b>

- **Information on principal customers**

There is no customer, whose sales exceed 10% of the total consolidated sales for the years ended March 20, 2017 and 2016.

**13. SUBSEQUENT EVENT**

At the Shareholder's General Meeting held on June 9, 2017, the shareholders approved payment of ¥75.00 (\$0.66) per share or total of ¥9,094 million (\$80,485 thousand) to shareholders of record on March 20, 2017.

## BOARD OF DIRECTORS/AUDIT AND SUPERVISORY BOARD/CORPORATE DATA/DIRECTORY

### BOARD OF DIRECTORS

As of June 9, 2017

<b>Takemitsu Takizaki</b> Honorary Chairman and Director	<b>Tsuyoshi Kimura</b> Director	<b>Akiji Yamaguchi</b> Director	<b>Masato Fujimoto</b> Outside Director
<b>Akinori Yamamoto</b> President and Representative Director	<b>Keiichi Kimura</b> Director	<b>Akira Kanzawa</b> Director	<b>Yoichi Tanabe</b> Outside Director
	<b>Tomohide Ideno</b> Director		

### AUDIT & SUPERVISORY BOARD

As of June 9, 2017

<b>Hiroaki Kitayama</b> Outside Auditor	<b>Koichi Ogawa</b> Outside Auditor	<b>Hidehiko Takeda</b> Outside Auditor
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### CORPORATE DATA

As of March 20, 2017

<b>Established:</b>	March 1972
<b>Incorporated:</b>	May 1974
<b>Capital:</b>	30,637 million yen
<b>Number of Employees:</b>	5,673 (consolidated)
<b>Common Stock:</b>	300,000,000 shares Authorized 121,603,842 shares Issued
<b>Number of Shareholders:</b>	9,930
<b>Stock Listing:</b>	Tokyo Stock Exchange, Inc.
<b>Share Registrar:</b>	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, JAPAN

### DIRECTORY

As of March 20, 2017

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