JVCKENWOOD

Financial Section

JVCKENWOOD **Report** 2017

JVCKENWOOD Corporation

JVCKENWOOD Report Financial Section

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Financial Review

Overview of the Fiscal Year Ended March 2017

Looking at the global economy during the fiscal year ended March 31, 2017, the U.S. economy saw moderate growth in corporate earnings and personal consumption on the back of an upturn in employment. Meanwhile, there was a sense of uncertainty about the feasibility of various policies rolled out by the new administration since its inauguration. In Europe, there was temporary turmoil in the financial markets caused by factors including the UK's exit from the European Union, but the economy was on an expansionary trend, driven by an increase in personal consumption due to the effects of the easy monetary policy implemented by the European Central Bank. Meantime, growing tensions surrounding North Korea and Syria cast shadows over the international situation, which fueled uncertainty over the global economy. In Japan, consumer confidence fell into a lull due to the yen's rapid appreciation in the first half of the fiscal year ended March 31, 2017, which led to sluggish consumption. But the yen turned around and started to depreciate from the third quarter. As a result, Japan's economy showed a modest recovery.

Under these circumstances, net sales of the JVCKENWOOD Group for the fiscal year ended March 31, 2017 increased from the previous fiscal year, despite the effects of foreign exchange fluctuations, due to higher sales in the Automotive Sector and the Media Service Sector. Profits and losses of the Group as a whole were affected by factors that were within our period-start projection, such as foreign exchange fluctuations and higher retirement benefit expenses. However, profit increased in the Automotive Sector and the Media Service sector. As a result, operating income increased from the previous fiscal year. In addition, ordinary income surged from the previous fiscal year, due to the growth in operating income and an improvement in non-operating income/loss. On the other hand, net income attributable to owners of parent fell to a net loss, due primarily to an extraordinary loss recorded for the fiscal year ended March 31, 2017.

Profit-and-loss exchange rates used when preparing the financial statements for the fiscal year ended March 31, 2017 are as follows.

		1Q	2Q	3Q	4Q
Profit-and-loss exchange rates	U.S. $	¥108	¥102	¥109	¥114
	Euro	¥122	¥114	¥118	¥121
FY2015 (Reference)	U.S. $	¥121	¥122	¥121	¥115
	Euro	¥134	¥136	¥133	¥127

Sales and Income

▶ Consolidated Operating Results

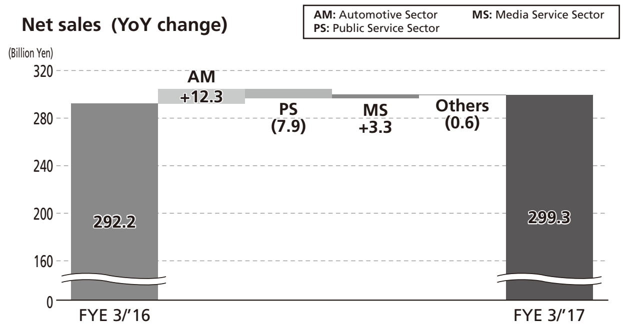
✻Net Sales

Net sales for the fiscal year ended March 31, 2017 increased about 7,100 million yen, or 2.4%, year-on-year to 299,278 million yen, despite the effects of exchange rate fluctuations.

Sales in the Automotive Sector increased from the previous fiscal year, reflecting higher sales in the OEM Business resulting from increased sales of dealer-installed option products, among other factors. Meanwhile, sales in the Public Service Sector decreased from the previous fiscal year due primarily to lower sales in the Communication Systems Business and the Professional Systems Business, which is operated mainly by JVCKENWOOD Public & Industrial Systems Corporation ("JKPI"), compared with a year ago. Meantime, sales in the Media Service Sector increased due to higher sales in the Entertainment Business, reflecting strong sales of content.

Excluding the effects of foreign exchange fluctuations, net sales for the fiscal year ended March 31, 2017 grew about 9% year-on-year.

Net sales (YoY change)

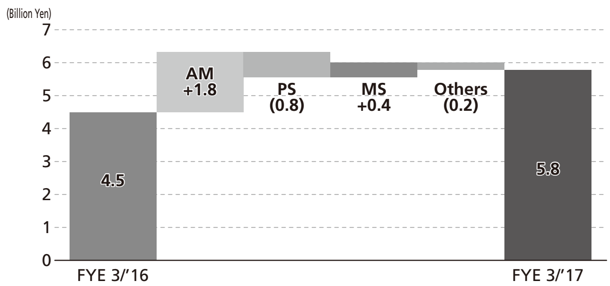


✻Operating Income

Operating income for the fiscal year ended March 31, 2017 increased about 1,300 million yen, or 28.6%, year-on-year to 5,782 million yen.

Operating income in the Automotive Sector grew sharply. This is because the Consumer Business enjoyed strong sales of Saisoku-Navi, an SSD-type of AV car navigation system, and dashcams in the domestic market, as well as healthy sales of audio and multimedia products in overseas markets. In addition, the OEM Business saw growth in sales of dealer-installed option products. In the Public Service Sector, profits decreased from the previous fiscal year, reflecting the lower profit recorded in the Professional Systems Business, despite an increase in profit in the Communication Systems Business. The Media Service Sector as a whole achieved a profit increase, due to a sharp profit increase in the Entertainment Business.

Operating income (YoY change)



✻Ordinary Income

Ordinary income for the fiscal year ended March 31, 2017 improved about 2,300 million yen, or 180.0%, year-on-year to 3,617 million yen because non-operating income/loss improved, due mainly to higher net financial income, coupled with the increase in operating income.

✻Net Income Attributable to Owners of Parent

Net income attributable to owners of parent for the fiscal year ended March 31, 2017 declined about 10,100 million yen from the previous fiscal year to a net loss of 6,727 million yen, despite the increase in ordinary income, reflecting the recording of extraordinary loss for the fiscal year ended March 31, 2017.

Ordinary income improved due mainly to the increase in operating income. However, a net loss attributable to owners of parent was recorded due mainly to the effect of recording an extraordinary loss.

(Billion yen)

	FYE3/'16	FYE3/'17	YoY Change
Operating income	4.49	5.78	+1.29
Non-operating income and expenses	(3.20)	(2.17)	+1.04
Ordinary income	1.29	3.62	+2.33
Extraordinary income (loss)	2.86	(6.36)	(9.22)
Income taxes, etc.	(0.75)	(3.99)	(3.24)
Net income attributable to owners of the parent	3.40	(6.73)	(10.13)

▶ Net Sales and Earnings by Business Segment

✻Automotive Sector

Net sales in the Automotive Sector for the fiscal year ended March 31, 2017 increased about 12,300 million yen, or 8.9%, year-on-year to 150,864 million yen. Operating income grew about 1,800 million yen, or 457.4%, year-on-year to 2,230 million yen.

(Net Sales)

In the Consumer Business, sales of Saisoku-Navi series car navigation systems and dashcams were strong in the domestic market. However, sales in overseas markets were negatively affected by foreign exchange fluctuations. As a result, net sales in the Consumer Business declined from a year ago.

In the OEM Business, net sales increased from the previous fiscal year, due mainly to a sharp increase in sales of dealer-installed option products.

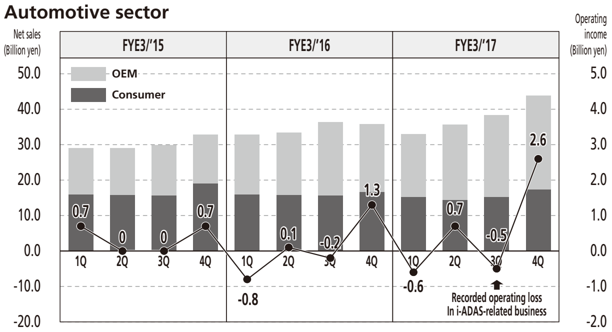
(Operating Income)

In the Consumer Business, operating income for the fiscal year ended March 31, 2017 increased from a year ago, due mainly to improved product mix as a result of strong sales of Saisoku-Navi series car navigation systems and dashcams in the domestic market, despite the negative impact of foreign exchange fluctuations in overseas markets.

In the OEM Business, an operating loss was recorded in i-ADAS*-related business. However, the operating loss for the fiscal year ended March 31, 2017 decreased significantly from a year ago, reflecting the sharp increase in sales of dealer-installed option products.

*Standing for innovative Advanced Driver Assistance System, i-ADAS is a registered trademark of JVCKENWOOD.

Automotive sector



✻Public Services Sector

Net sales in the Public Service Sector for the fiscal year ended March 31, 2017 declined about 7,900 million yen, or 9.8%, year-on-year to 72,993 million yen, and operating income fell about 800 million yen, or 40.5%, year-on-year to 1,127 million yen.

(Net Sales)

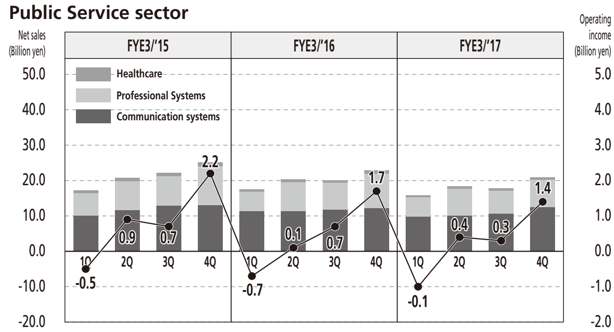
Net sales in the Communication Systems Business decreased from the previous fiscal year, due to the effects of foreign exchange fluctuations, despite strong sales of professional radio systems. Net sales in the Professional Systems Business, operated mainly by JKPI, declined from a year ago, reflecting a drop in demand in some markets.

(Operating Income)

In the Communication Systems Business, operating income increased from the previous fiscal year, despite a decrease in sales, due largely to reductions in the fixed costs of U.S. communication systems subsidiaries.

In the Professional Systems Business, operating income decreased from the previous fiscal year, due primarily to the effects of the aforementioned drop in sales.

Public Service sector



✻Media Services Sector

Net sales in the Media Service Sector for the fiscal year ended March 31, 2017 grew about 3,300 million yen, or 4.9%, year-on-year to 70,547 million yen, and operating income increased about 400 million yen, or 24.4%, year-on-year to 2,271 million yen.

(Net Sales)

In the Media Business, net sales decreased from the previous fiscal year, affected by lower sales of professional video cameras, reflecting the impact of exchange rate fluctuations, and a decline in sales of consumer video cameras in the Japanese market because a series of earthquakes that hit Kumamoto on and after April 14, 2016 disrupted the supply of parts.

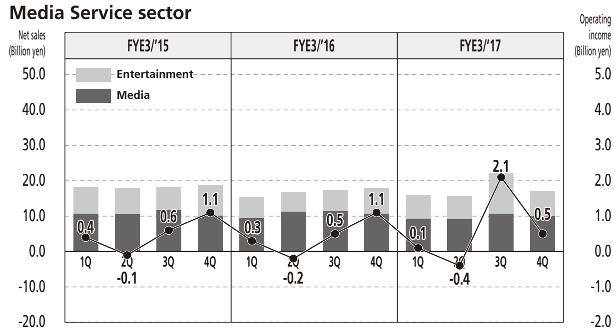
In the Entertainment Business, net sales increased from the previous year in the business as a whole, due to strong content sales, despite the effects of a decrease in sales resulting from the relocation of the subsidiary JVCKENWOOD Creative Media Corporation, a contract production service provider for package media such as CD, DVD, and Blu-ray products.

(Operating Income)

In the Media Business, operating income decreased, due mainly to the effects of the above-mentioned drop in sales.

In the Entertainment Business, operating income grew sharply, due largely to strong content sales.

Media Service sector



Net Sales, Operating Income and Losses by Business Segment

Net sales and operating income by business segment are as follows.

The total amount of operating income by business segment is consistent with operating income shown on the consolidated statements of income.

Net sales by business segment include inter-segment sales or transfer.

Fiscal year ended March 2017 (April 1, 2016 to March 31, 2017) (Millions of yen)

Segment		FYE3/'17	FYE3/'16	YoY comparison
Automotive Sector	Net sales	150,864	138,540	+12,324
	Operating income	2,230	400	+1,830
Public Services Sector	Net sales	72,993	80,899	(7,906)
	Operating income	1,127	1,895	(768)
Media Services Sector	Net sales	70,547	67,233	+3,314
	Operating income	2,271	1,825	+446
Others	Net sales	4,929	5,542	(613)
	Operating income	154	374	(220)
Inter-segment elimination	Net sales	(55)	(19)	(36)
Total	Net sales	299,278	292,195	+7,083
	Operating income	5,782	4,494	+1,288
	Ordinary Income	3,617	1,291	+2,326
	Net Income attributable to owners of parent	(6,727)	3,400	(10,127)

Analysis of assets, liabilities and net assets

*Assets

Total assets increased about 6,000 million yen from the end of the previous fiscal year to 262,297 million yen. This was because of increases in current assets, such as notes and accounts receivable-trade and merchandise and finished goods, as well as in net defined benefit asset.

*Liabilities

Total liabilities increased by approximately 2,000 million yen from the end of the previous fiscal year to 200,783 million yen. This was due to an increase in long-term loans payable, although short-term loans payable and the current portion of long-term loans payable decreased as a result of the refinancing of bank borrowings.

Interest-bearing debts increased about 1,100 million yen from the end of the previous fiscal year to 70,264 million yen. Net debts (amount obtained by subtracting cash and deposits from interest-bearing debts) increased approximately 2,000 million yen from the end of the previous fiscal year to 28,457 million yen.

*Net assets

During the fiscal year ended March 31, 2017, retained earnings declined approximately 7,400 million yen from the end of the previous fiscal year to 17,722 million yen, due mainly to the recording of a net loss attributable to owners of parent. Accordingly, total shareholders' equity decreased approximately 7,400 million yen from the end of the previous fiscal year to 73,259 million yen.

Total net assets increased about 3,900 million yen from the end of the previous fiscal year to 61,514 million yen. This was mainly due to the decline in the debit balance of other comprehensive income such as remeasurements of defined benefit plans, although total shareholders' equity declined. The capital adequacy ratio rose 1.0 percentage point from the end of the previous fiscal year to 21.4%, due to same reasons as those for the increase in total net assets.

▶ Cash flow analysis

*Cash flows from operating activities

Net cash provided by operating activities for the fiscal year ended March 31, 2017 was 15,369 million yen, which is an increase of about 3,100 million yen from the previous fiscal year. This was mainly due to the recording of an impairment loss and an increase in depreciation, as well as a decrease in interest paid, despite recording a net loss before income taxes.

*Cash flows from investing activities

Net cash used in investing activities for the fiscal year ended March 31, 2017 was 14,390 million yen, which is an increase of about 6,000 million yen from the previous fiscal year. This mainly reflected a decrease in proceeds from sales of property, plant and equipment and an increase in cash outflow for the acquisition of property, plant and equipment.

*Cash flows from financing activities

Net cash used in financing activities for the fiscal year ended March 31, 2017 was 1,084 million yen, which is a decrease of about 13,900 million yen from the previous fiscal year. This was mainly attributable to the absence of outflows of cash used for redemptions of bonds and the acquisition of additional shares of Shinwa International Holdings Limited implemented in the previous fiscal year.

Cash and cash equivalents at the end of the fiscal year ended March 31, 2017 declined about 900 million yen from the end of the previous fiscal year to 40,681 million yen.

Basic Policies for the Payment of Dividends

JVCKENWOOD's most important management priorities include stable distribution of profits and ensuring the necessary management resources for future growth. The amount of dividend of surplus and other amounts appropriated are determined by giving comprehensive consideration to the Group's profitability and financial conditions.

For the fiscal year ended March 2017, JVCKENWOOD declared to distribute an annual dividend (year-end) of 5 yen per share based on its profit performance and above-mentioned dividend policy, as announced in the "Accounting Report for the Fiscal Year Ended March 2017" on April 27, 2017.

Subsequent Events

There are no applicable matters.

Consolidated Balance Sheet

JVC KENWOOD Corporation and its Consolidated Subsidiaries

As of March 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016 (As Restated)	Thousands of U.S. Dollars (Note 1) 2017
Current Assets:			
Cash and cash equivalents (Notes 6 and 15)	¥ 40,681	¥ 41,552	$ 362,608
Time deposits (Note 15)	962	974	8,575
Notes and accounts receivable (Notes 6 and 15) :			
Trade	56,678	55,390	505,197
Unconsolidated subsidiaries and associated companies	123	147	1,096
Other	3,266	4,581	29,110
Allowance for doubtful receivables	(1,305)	(1,449)	(11,632)
Inventories (Note 6)			
Finished goods	26,417	25,420	235,467
Work in process	4,794	4,574	42,731
Raw materials and supplies	10,680	10,095	95,196
Deferred tax assets (Note 19)	3,610	3,111	32,178
Other current assets (Note 6)	6,652	6,022	59,292
Total current assets	152,558	150,417	1,359,818
Property, Plant and Equipment (Notes 6, 9, and 14) :			
Land (Note 4)	22,187	22,875	197,762
Buildings and structures	54,543	59,281	486,166
Machinery and equipment	41,830	45,778	372,850
Furniture and fixtures	65,073	67,109	580,025
Construction in progress	1,222	2,996	10,892
Total	184,855	198,039	1,647,695
Accumulated depreciation	(134,427)	(146,532)	(1,198,208)
Net property, plant, and equipment	50,428	51,507	449,487
Investments and Other Assets:			
Investment securities (Notes 6, 15, and 16)	7,766	5,410	69,222
Investments in and advances to unconsolidated subsidiaries and associated companies	478	683	4,261
Goodwill	3,869	8,087	34,486
Software	12,057	12,105	107,469
Asset for retirement benefits (Note 18)	24,742	14,955	220,537
Deferred tax assets (Note 19)	5,268	5,917	46,956
Other (Note 6)	5,131	7,253	45,735
Total investments and other assets	59,311	54,410	528,666
TOTAL ASSETS	¥ 262,297	¥ 256,334	$ 2,337,971

See notes to consolidated financial statements.

Consolidated Balance Sheet (continued)

JVC KENWOOD Corporation and its Consolidated Subsidiaries

As of March 31, 2017

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016 (As Restated)	Thousands of U.S. Dollars (Note 1) 2017
Current Liabilities:			
Notes and accounts payable (Note 15) :			
Trade	¥ 31,208	¥ 32,620	$ 278,171
Unconsolidated subsidiaries and associated companies	99	62	882
Other	10,475	10,253	93,368
Short-term bank loans (Notes 6 and 15)	6,208	10,661	55,335
Current portion of long-term debt (Notes 6 and 15)	9,252	12,499	82,467
Accrued expenses	18,752	18,334	167,145
Income taxes payable (Note 15)	1,901	2,372	16,944
Warranty reserves	1,369	1,251	12,203
Sales return reserves	1,381	722	12,309
Reserves for loss on order received	1,852		16,508
Other current liabilities (Notes 16 and 19)	9,381	11,014	83,618
Total current liabilities	91,878	99,788	818,950
Long-term Liabilities:			
Long-term debt (Notes 6 and 15)	55,730	46,903	496,747
Deferred tax liabilities (Notes 4 and 19)	12,927	9,571	115,224
Liability for retirement benefits (Note 18)	37,686	39,789	335,912
Other	2,562	2,718	22,836
Total long-term liabilities	108,905	98,981	970,719
Commitments and Contingent Liabilities (Notes 5, 14, and 17)			
Equity (Notes 11 and 12)			
Common stock, authorized – 400,000,000 shares			
Issued – 139,000,201 shares in 2017 and 2016	10,000	10,000	89,135
Capital surplus	45,573	45,573	406,213
Retained earnings	17,722	25,129	157,964
Less: Treasury stock, at cost:	(37)	(37)	(330)
Common stock 51,800 shares in 2017			
Common stock 50,000 shares in 2016			
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	1,008	445	8,985
Deferred gain (loss) on derivatives under hedge accounting	445	(1,076)	3,966
Land revaluation surplus (Note 4)	3,443	3,459	30,689
Foreign currency translation adjustments	(15,321)	(13,821)	(136,563)
Defined retirement benefit plans	(6,794)	(17,349)	(60,558)
Total	56,039	52,323	499,501
Noncontrolling interests	5,475	5,242	48,801
Total equity	61,514	57,565	548,302
TOTAL LIABILITIES AND EQUITY	¥ 262,297	¥ 256,334	$ 2,337,971

See notes to consolidated financial statements.

Consolidated Statement of Operations

JVC KENWOOD Corporation and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016 (As Restated)	2017
Net Sales	¥ 299,278	¥ 292,195	$ 2,667,599
Cost of Sales (Note 8)	218,506	210,758	1,947,642
Gross profit	80,772	81,437	719,957
Selling, General, and Administrative Expenses (Notes 7 and 8)	74,990	76,943	668,420
Operating income	5,782	4,494	51,537
Other Income (Expenses) :			
Interest and dividend income	333	395	2,968
Interest expense	(933)	(1,545)	(8,316)
Foreign exchange loss	(758)	(515)	(6,756)
Borrowing costs	(182)	(930)	(1,622)
Loss on valuation of investment securities	(327)		(2,915)
Rent income	61	132	544
Gain on sales of property, plant, and equipment, net (Note 9)	197	5,446	1,756
Gain on sales of investment securities, net	50	1	446
Gain on sales of shares in subsidiaries and associated companies, net	561	405	5,000
Loss on disposal of property, plant, and equipment (Note 9)	(1,541)	(44)	(13,736)
Loss on impairment of long-lived assets (Note 9)	(6,314)	(2,867)	(56,280)
Gain on liquidation of subsidiaries and associated companies	69	1,154	615
Gain on transfer of business	3,617		32,240
Business structure improvement expenses	(526)	(542)	(4,688)
Employment structure improvement expenses (Note 18)	(1,019)	(595)	(9,083)
Loss on liquidation of subsidiaries and associated companies	(633)		(5,642)
Provision for loss on order received	(712)		(6,346)
Other, net	(467)	(841)	(4,163)
Other Expenses, Net	(8,524)	(346)	(75,978)
(Loss) income before Income Taxes	(2,742)	4,148	(24,441)
Income Taxes (Note 19) :			
Current	2,592	2,942	23,103
Deferred	660	(2,873)	5,883
Total income taxes	3,252	69	28,986
Net (loss) income	(5,994)	4,079	(53,427)
Net income attributable to noncontrolling interests	733	679	6,534
Net (loss) income attributable to owners of the parent	¥ (6,727)	¥ 3,400	$ (59,961)

	Yen		U.S. Dollars (Note 1)
	2017	2016	2017
Per Share of Common Stock (Notes 2 (u) and 22) :			
Basic net (loss) income	¥ (48.42)	¥ 24.51	$ (0.43)
Cash dividends applicable to the year	5.00	5.00	0.04

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

JVC KENWOOD Corporation and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016 (As Restated)	**2017**
Net (Loss) Income	¥ (5,994)	¥ 4,079	$ (53,427)
Other Comprehensive Income (Note 10) :			
Unrealized gain (loss) on available-for-sale securities	559	(130)	4,983
Land revaluation surplus	(16)	83	(143)
Deferred gain (loss) on derivatives under hedge accounting	1,521	(1,076)	13,557
Foreign currency translation adjustments	(1,577)	(7,858)	(14,057)
Defined retirement benefit plans	10,555	(14,348)	94,081
Total other comprehensive income (loss)	11,042	(23,329)	98,421
Comprehensive income (loss)	¥ 5,048	¥ (19,250)	$ 44,994
Total Comprehensive Income (Loss) Attributable to:			
Owners of the parent	¥ 4,395	¥ (19,503)	$ 39,174
Noncontrolling interests	653	253	5,820

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

JVC KENWOOD Corporation and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Thousands	Millions of Yen			
	Number of Shares of Common Stock Outstanding (Note 12)	Common Stock (Notes 11 and 12)	Capital Surplus (Note 11)	Retained Earnings (Notes 11 and 12)	Treasury Stock (Notes 11 and 12)
Balance, April 1, 2015 (As Previously Reported)	138,660	¥ 10,000	¥ 45,574	¥ 22,181	¥ (539)
Cumulative effects of corrections (Note 3)			300	241	
Balance, April 1, 2015 (As Restated)	138,660	10,000	45,874	22,422	(539)
Net income attributable to owners of the parent				3,400	
Cash dividends				(693)	
Purchase of treasury stock	(603)				(163)
Disposal of treasury stock	893				665
Change in the parent's ownership interest due to transactions with noncontrolling interests			(301)		
Net change in the year					
Balance, March 31, 2016 (As Restated)	138,950	10,000	45,573	25,129	(37)
Net loss attributable to owners of the parent				(6,727)	
Cash dividends				(695)	
Purchase of treasury stock	(2)				(0)
Reversal of land revaluation surplus				15	
Net change in the year					
Balance, March 31, 2017	138,948	¥ 10,000	¥ 45,573	¥ 17,722	¥ (37)

	Millions of Yen							
	Accumulated Other Comprehensive Income							
	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus (Notes 4)	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, April 1, 2015 (As Previously Reported)	¥ 570		¥ 3,376	¥ (6,383)	¥ (3,000)	¥ 71,779	¥ 7,442	¥ 79,221
Cumulative effects of corrections (Note 3)						541		541
Balance, April 1, 2015 (As Restated)	570		3,376	(6,383)	(3,000)	72,320	7,442	79,762
Net income attributable to owners of the parent						3,400		3,400
Cash dividends						(693)		(693)
Purchase of treasury stock						(163)		(163)
Disposal of treasury stock						665		665
Change in the parent's ownership interest due to transactions with noncontrolling interests						(301)		(301)
Net change in the year	(125)	¥ (1,076)	83	(7,438)	(14,349)	(22,905)	(2,200)	(25,105)
Balance, March 31, 2016 (As Restated)	445	(1,076)	3,459	(13,821)	(17,349)	52,323	5,242	57,565
Net loss attributable to owners of the parent						(6,727)		(6,727)
Cash dividends						(695)		(695)
Purchase of treasury stock						(0)		(0)
Reversal of land revaluation surplus						15		15
Net change in the year	563	1,521	(16)	(1,500)	10,555	11,123	233	11,356
Balance, March 31, 2017	¥ 1,008	¥ 445	¥ 3,443	¥ (15,321)	¥ (6,794)	¥ 56,039	¥ 5,475	¥ 61,514

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

JVC KENWOOD Corporation and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Thousands of U.S. Dollars			
	Common Stock (Notes 11 and 12)	Capital Surplus (Note 11)	Retained Earnings (Notes 11 and 12)	Treasury Stock (Notes 11 and 12)
Balance, March 31, 2016 (As Restated)	$ 89,135	$ 406,213	$ 223,986	$ (330)
Net loss attributable to owners of the parent			(59,961)	
Cash dividends			(6,195)	
Purchase of treasury stock				(0)
Reversal of land revaluation surplus			134	
Net change in the year				
Balance, March 31, 2017	$ 89,135	$ 406,213	$ 157,964	$ (330)

	Thousands of U.S. Dollars							
	Accumulated Other Comprehensive Income							
	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus (Notes 4)	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, March 31, 2016 (As Restated)	$ 3,966	$ (9,591)	$ 30,832	$ (123,193)	$ (154,639)	$ 466,379	$ 46,724	$ 513,103
Net loss attributable to owners of the parent						(59,961)		(59,961)
Cash dividends						(6,195)		(6,195)
Purchase of treasury stock						(0)		(0)
Reversal of land revaluation surplus						134		134
Net change in the year	5,019	13,557	(143)	(13,370)	94,081	99,144	2,077	101,221
Balance, March 31, 2017	$ 8,985	$ 3,966	$ 30,689	$ (136,563)	$ (60,558)	$ 499,501	$ 48,801	$ 548,302

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

JVC KENWOOD Corporation and its Consolidated Subsidiaries

For the year ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016 (As Restated)	**2017**
Operating Activities:			
(Loss) income before income taxes	¥ (2,742)	¥ 4,148	$ (24,441)
Adjustments to reconcile (loss) income before income taxes to net cash provided by operating activities:			
Income taxes – paid	(2,860)	(2,839)	(25,492)
Depreciation	12,628	11,632	112,559
Amortization of goodwill	517	603	4,608
Loss on impairment of long-lived assets	6,314	2,867	56,280
Gain on sales of shares in subsidiaries and associated companies, net	(561)	(405)	(5,000)
Loss (gain) on liquidation of subsidiaries and associates, net	564	(1,154)	5,027
Loss on disposal of property, plant and equipment	1,541	44	13,736
Gain on sales of property, plant and equipment, net	(197)	(5,446)	(1,756)
Gain on transfer of business	(3,617)		(32,240)
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(3,456)	4,606	(30,805)
Increase in inventories	(2,764)	(1,203)	(24,637)
Increase (decrease) in trade notes and accounts payable	913	(687)	8,138
Increase (decrease) in accounts payable - other	1,889	(393)	16,838
Increase in accrued expenses	803	85	7,158
Decrease in allowance for doubtful receivables	(204)	(326)	(1,818)
Increase in provision for loss on order received	1,852		16,508
Increase in liability for retirement benefits	3,731	3,717	33,256
Increase in asset for retirement benefits	(2,084)	(3,502)	(18,576)
Other, net (Note 13)	3,102	510	27,648
Total adjustments	18,111	8,109	161,432
Net cash provided by operating activities	15,369	12,257	136,991
Investing Activities:			
Purchases of property, plant and equipment	(9,802)	(7,532)	(87,370)
Proceeds from sales of property, plant and equipment	1,192	9,716	10,625
Purchases of software and other intangibles	(7,311)	(7,382)	(65,166)
Purchases of investment securities	(1,956)	(1,183)	(17,435)
Proceeds from transfer of business (Note 13)	2,958		26,366
Purchases of investments in subsidiaries resulting in change of scope of consolidation (Note 13)		(2,081)	
Proceeds from sales of investments in subsidiaries and associated companies resulting in change of scope of consolidation (Note 13)	476	1,093	4,243
Other, net	53	(1,026)	472
Net cash used in investing activities	(14,390)	(8,395)	(128,265)
Financing Activities:			
Decrease in short-term bank loans, net	(4,332)	(9,431)	(38,613)
Proceeds from long-term debt	19,675	57,478	175,372
Repayments of long-term debt	(13,663)	(51,924)	(121,784)
Payment of redemption of bonds		(6,000)	
Cash dividends paid	(695)	(693)	(6,195)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(1,524)	
Other, net	(2,069)	(2,873)	(18,442)
Net cash used in financing activities	(1,084)	(14,967)	(9,662)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(766)	(1,796)	(6,828)
Net decrease in Cash and Cash Equivalents	(871)	(12,901)	(7,764)
Cash and Cash Equivalents at Beginning of Year	41,552	54,453	370,372
Cash and Cash Equivalents at End of Year	¥ 40,681	¥ 41,552	$ 362,608

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

JVC KENWOOD Corporation and its Consolidated Subsidiaries
For the year ended March 31, 2017

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of JVC KENWOOD Corporation (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared based on the consolidated financial statements, which were filed with the Financial Services Agency ("FSA") pursuant to provisions set forth in the Japanese Financial Instruments and Exchange Act, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 Japan. In addition, certain reclassifications have been made in the consolidated financial statements for the fiscal year ended March 31, 2016, to conform to the classifications used in the fiscal year ended March 31, 2017.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company was incorporated and operates. The translations 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 ¥112.19 to $1, the approximate exchange rate at March 31, 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.

2. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements as of March 31, 2017 include the accounts of the Company and its 75 (91 in 2016) significant subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations, excluding insignificant companies are fully consolidated, and those companies over which the Company has the ability to exercise significant influence, excluding insignificant companies are accounted for by the equity method. During the fiscal year ended March 31, 2017, the Company merged with its subsidiary JVCKENWOOD Optical Component Corporation ("JKOC"). As a result, JKOC ceased to exist and was excluded from the scope of consolidation.

The Company split its Professional Systems business, excluding the Card Printer business, and transferred it to its consolidated subsidiary, JVCKENWOOD Business Solutions Corporation ("JKBS"). At the same time, JKBS merged with the Company's consolidated subsidiary, J&K Business Solutions Corporation ("J&KBS") and changed its name from JKBS to JVCKENWOOD Public & Industrial Systems Corporation. As a result, J&KBS ceased to exist and was excluded from the scope of consolidation.

The Company's consolidated subsidiary, JVC Technical Service Europe GmbH, merged with its consolidated subsidiary, JVC Professional Europe Limited ("JPE"). As a result, JPE ceased to exist and was excluded from the scope of consolidation.

The Company's consolidated subsidiary, JVCKENWOOD Service (Japan) corporation, merged with its consolidated subsidiary, Victor Service & Engineering Co., Ltd ("VSE"). As a result, VSE ceased to exist and was excluded from the scope of consolidation.

JVCKENWOOD Arcs Corporation ("JKAC") was excluded from the scope of consolidation because the Company sold the shares of JKAC.

The Company's consolidated subsidiaries, JVC Electronics Malaysia Sdn. Bhd., P.T. JVC Indonesia, JVCKENWOOD Procurement Center (H.K.), Limited, JVC Polska Sp. zo. o., JVC Taiwan Corp., JVC Professional Products Italia S.p.A., JVC Italia S.p.A., and JVC Manufacturing Malaysia Sdn. Bhd., as well as Shinwa International Holdings Limited's ("Shinwa") subsidiaries, Shinwa Mechatronics (Shenzhen) Limited, Shinwa Technology (M) Sdn. Bhd., and Shinwa Industries (Shenzhen) Ltd. were liquidated, and consequently, they were excluded from the scope of consolidation.

Furthermore, investment in one (one in 2016) associated company, Changchun Hangsheng ASK Electronics Co., Ltd. is accounted for by the equity method.

During the fiscal year ended March 2017, the Company acquired 33.3% of shares of ANIUTA, INC ("ANIUTA"). As a result, ANIUTA is included as an associated company that is not accounted for by the equity method. Unconsolidated companies that are not accounted for by the equity method include Speedstar Music, Inc. and three other companies (four in 2016). Associated companies that are not accounted for by the equity method include TAISHITA Label Music Co., ltd. and six other companies (six in 2016). Investments in these companies are not accounted for by the equity method, as proportionate share of their net income attributable to owner of parent and retained earnings has only a slight effect on the consolidated financial statements and is therefore considered insignificant overall.

Of the Company's consolidated subsidiaries, the fiscal year end of each of ASK Industries S.P.A. ("ASK") and its six subsidiaries, JVC de Mexico, S.A. de C.V., JVCKENWOOD RUS Limited Liability Company, JVCKENWOOD (China) Investment Co., Ltd., Beijing JVC AV Equipment Co., Ltd., Shanghai Kenwood Electronics Co., Ltd., Kenwood Electronics Trading (Shanghai) Co., Ltd., and Shinwa and its eight subsidiaries is December 31. Financial statements based on provisional settlement as of the consolidated settlement date are used for each of the aforementioned subsidiaries in the preparation of the Company's consolidated financial statements.

All significant intercompany transactions and balances have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group have been eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements 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 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/loss attributable to owners of the parent is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; and 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting.

(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting 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: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; and 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting.

(d) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(e) 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, certificates of deposit and commercial paper, all of which mature or become due within three months of the date of acquisition.

(f) Marketable and Investment Securities

Debt and equity securities, excluding shares of associated companies, are classified as available-for-sale securities based on management's intention.

Marketable available-for-sale securities 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.

(g) Inventories

Inventories are principally stated at the lower of cost, determined by the gross-average method, or net selling value. Inventories held by some foreign subsidiaries are principally stated at the lower of cost, determined by the first-in, first-out method, or market price.

(h) Property, Plant, and Equipment (excluding Leased Assets)

Property, plant, and equipment are stated at acquisition cost. Depreciation is primarily calculated by the straight-line method based on the estimated useful lives of the assets. The ranges of useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 16 years
Furniture and fixtures	1 to 20 years

(i) Intangible Assets (excluding Leased Assets)

Internal-use software is carried at cost, less accumulated amortization, which is calculated by the straight-line method principally over their estimated useful lives, which is three to five years. Internally developed software, incorporated as part of a product, is carried at cost, less accumulated amortization, which is calculated by the proportion of the actual sales volume of the products during the current year to the estimated total sales volume over the estimated salable years of the products or by the straight-line method over the estimated salable years of the products, one to five years, with consideration for the nature of the products. Goodwill and other intangible assets are carried at cost, less accumulated amortization, which is calculated by the straight-line method over eight to 20 years for goodwill and two to 20 years for other intangible assets.

(j) Leases

The accounting standard for lease transactions requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Finance leases that do not transfer ownership of the leased property to the lessee are depreciated by the straight-line method over the lease term with zero residual value.

(k) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances 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 net selling price at disposition.

(l) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables in an amount sufficient to cover expected probable losses on collection of receivables. It consists of an estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses with respect to the other receivables. Foreign consolidated subsidiaries provide an estimated uncollectible amount of receivables.

(m) Warranty Reserves

In connection with warranty services which might be required in a certain period related to products sold, the Group recognizes warranty reserves estimated based on a percentage of the warranty expenses incurred.

(n) Sales Return Reserves

The Group provides for losses relating to the return of products sold, including CDs, DVDs, and Blu-ray discs by posting an estimated amount based on the subject rates of returned goods.

(o) Provision for Loss on Order Received

The Group records provisions for estimated losses on order received when it is probable that the total costs will exceed total revenue and for which a reliable estimate can be made at the balance sheet date.

(p) Retirement and Pension Plans

The Company and certain domestic consolidated subsidiaries have noncontributory funded defined benefit pension plans and unfunded retirement benefit plans that cover employees. In addition, there are instances where the Company undertakes premium severance payments at the time of employees' retirement. Certain foreign consolidated subsidiaries have noncontributory and contributory retirement benefit plans.

The Group accounts for the liability for retirement benefits based on projected benefit obligations and fair value of plan assets at the balance sheet date. Unrecognized prior service costs are amortized on a straight-line basis over 10 years, which is determined within the average remaining service periods for the employees.

Unrecognized actuarial gains or losses are amortized on a straight-line basis over mostly 10 years, which is determined to be within the average remaining service periods for the employees, from the following year in which it occurs.

(q) Accounting Standards Applicable to Significant Revenue and Costs

Under the accounting standard for construction contracts, construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract is deemed to 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 can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method is applied. When it is probable that the total construction costs exceed total construction revenue, an estimated loss on the contract is immediately recognized by providing for a loss on such construction contracts.

(r) Foreign Currency Transactions and Financial Statements

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 operations.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

Differences arising from such translation are included in “Foreign currency translation adjustments” and “Noncontrolling interests” in a separate component of equity.

(s) Derivatives and Hedging Activities

The Group uses foreign currency forward contracts and interest rate swaps as a means of hedging exposure to fluctuations in foreign currency exchange and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

Foreign currency forward contracts employed to hedge foreign exchange exposures for forecasted (or committed) transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed if such contracts qualify for hedge accounting.

Interest rate swaps are employed to hedge interest rate exposures of bank loans. The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the agreements is recognized and included in interest expenses (Short-cut method).

(t) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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 Group files a tax return under the consolidated corporate-tax system that allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

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 31, 2017.

(u) Per Share Information

Basic net income or loss per share is computed by dividing net income or loss attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

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

3. Restatement

The Company’s management identified overstatements of its corporate enterprise taxes with respect to the previously reported operating results, and filed for a tax refund with the Kanagawa Prefecture Tax Office on November 16, 2016. Accordingly, the Company’s management decided to correct and restate its consolidated financial statements previously filed with FSA for the periods from the fiscal year ended March 31, 2012 through the fiscal year ended March 31, 2016 with respect to the amounts of corporate enterprise taxes and relevant deferred income taxes associated with the tax refund. In addition, the transfer from capital surplus to retained earnings in the fiscal year ended March 31, 2015 was corrected as a result of the restatement of the previously reported operating results. The accompanying consolidated financial statements reflect such correction.

The following is a summary of the corrections on the financial information as of and for the fiscal year ended March 31, 2016 shown as comparative figures in the consolidated financial statements:

	Millions of Yen		
	As Previously Reported	Adjustments	As Restated
Operating income	4,221	273	4,494
Income before income taxes	3,875	273	4,148
Net income attributable to owners of the parent	3,194	206	3,400
Capital surplus	45,273	300	45,573
Retained earnings	24,682	447	25,129
Total equity	56,818	747	57,565

4. Land Revaluation Surplus

In accordance with the “Law of Land Revaluation” (Law No. 34, promulgated on March 31, 1998), the Company elected to revaluate land used for business operations. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. This revaluation had no effect on the statement of operations in the current years.

Revaluation Method

The revaluation of land used for business operations is calculated by undertaking “a rational adjustment of the value of a standard parcel of land located in close proximity to the subject land used for business operations as stipulated under Article 6 of the Land Price Publication Act” as specified under Article 2, Paragraph 1 of the Order for Enforcement on the Law on Revaluation of Land (Enforcement Order No. 119 enacted on March 31, 1998).

Date of Revaluation: March 31, 2000

The differences between the market value of land used for business operations subject to revaluation as of the fiscal year end and the book value of land after revaluation as of March 31, 2000, were as follows:

Millions of Yen		Thousands of U.S. Dollars
2017	2016	2017
¥ (5,230)	¥ (5,262)	$ (46,617)

5. Contingent Liabilities

(1) Notes Receivable Factored with Recourse and Guarantee of Bank Loans for Employees

The contingent liabilities of the Group as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Securitization of notes receivable		¥ 309	
Guarantee of bank loans (Employees)	¥ 200	262	$ 1,783
Total	¥ 200	¥ 571	$ 1,783

(2) Other Contingent Liabilities

The Company's consolidated subsidiary JVC (Philippines), Inc. ('JPL') was charged approximately 600 million Philippine pesos (including interest and additional charges) in back taxes by the Philippines Bureau of Internal Revenue for corporate tax, value-added tax, and withholding tax for the fiscal year ended March 31, 2004, on December 2, 2008.

JPL viewed this claim as unreasonable, and appealed the entirety of the claim in the Philippine Court of Tax Appeals on April 30, 2009, but the court found the filing invalid, and on May 27, 2014, the case was dismissed.

As a result, in order to profess the appropriateness of its tax procedures and case filing, JPL appealed to the Philippine Supreme Court on July 18, 2014. In addition, JPL is proceeding with the procedure for settlement with the Philippines Bureau of Internal Revenue based on the Philippines Special Measures Act.

In addition, because JPL has already terminated its sales activities, the Company requested the Philippines Bureau of Internal Revenue to take the procedure for settlement to reconcile by paying 10% of the appraised value in accordance with the Philippines Special Measures Act. JPL applied for 10% settlement on January 9, 2017, and paid the settlement application fee of 69 million Philippines Peso: using the exchange rate as of the end of fiscal year ended March 31, 2017, ¥187 million (US$167 thousand) on February 9, 2015.

The total amount of back taxes with interest up until the consolidated fiscal year ended March 31, 2017 and 2016, were included will be approximately one billion Philippine pesos (using the exchange rate as of the end of fiscal year ended March 31, 2017 and 2016, ¥2,500 million ($22,284 thousand). and ¥2,600 million, respectively). Reserves have not been posted for these amount both in the fiscal year ended March 31, 2017 and 2016, while the aforementioned settlement fee was expensed on payment.

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans, which generally consist of notes to banks and bank overdrafts, are due within one year. The annual average interest rates applicable to the short-term bank loans as of March 31, 2017 and 2016, were 1.74% and 1.70%, respectively.

Long-term debt as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loans from banks with interest rate principally at 0.98% (2017) and 1.21% (2016)	¥ 64,055	¥ 58,541	$ 570,951
Obligations under finance leases	927	861	8,263
Total	64,982	59,402	579,214
Less current portion	9,252	12,499	82,467
Long-term debts, less current portion	¥ 55,730	¥ 46,903	$ 496,747

The aggregate annual maturities of the current portion of long-term debt and long-term debt, excluding finance leases, at March 31, 2017, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 9,003	$ 80,248
2019	36,429	324,708
2020	16,117	143,658
2021	1,664	14,832
2022	842	7,505
Total	¥ 64,055	$ 570,951

The aggregate annual maturities of lease obligations at March 31, 2017, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 249	$ 2,220
2019	190	1,694
2020	181	1,613
2021	103	918
2022	196	1,747
2023	8	71
Total	¥ 927	$ 8,263

As of March 31, 2017 and 2016, the carrying amounts of assets pledged as collateral for short-term bank loans and the current portion of long-term debt of ¥1,793 million ($15,982 thousand) and ¥6,102 million and long-term debt of ¥25,059 million ($223,362 thousand) and ¥25,317 million, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cash and cash equivalents	¥ 1,149	¥ 1,853	$ 10,242
Notes and accounts receivable-trade	11,329	10,560	100,980
Inventories	5,975	7,446	53,258
Other current assets	794	317	7,077
Buildings and structures	6,634	6,177	59,132
Machinery and equipment	74	68	660
Furniture and fixtures	44	47	392
Land	18,897	19,085	168,437
Investment securities	6	4	53
Investment and other assets-other	192	26	1,712
Total	¥ 45,094	¥ 45,583	$ 401,943

The Company concludes loan contracts, etc., with banks for efficient procurement of operation funds. Some of loan agreements are subject to financial covenants, which include maintaining a certain level of shareholders' equity on the Company's consolidated balance sheet and not incurring operating losses as recorded in its consolidated statement of operations. The outstanding balance of the loan agreements with financial covenants as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current portion of long-term debt	¥ 4,462	¥ 9,162	$ 39,772
Long-term debt	45,228	40,593	403,137
Total	¥ 49,690	¥ 49,755	$ 442,909

In addition to the above outstanding balance, the Company concluded commitment line contracts, of which the total amount of credit as of March 31, 2017 was ¥10,000 million ($89,135 thousand).

7. Selling, General, and Administrative Expenses

Major components of selling, general, and administrative expenses for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Advertising and promotion expenses	¥ 7,813	¥ 8,208	$ 69,641
Provision of allowance for doubtful accounts	380	43	3,387
Provision of warranty reserves	1,059	651	9,439
Personnel expenses	39,200	38,839	349,407
Transportation expenses	5,274	5,851	47,010

8. Research and Development Costs

Research and development costs charged to income were ¥22,072 million ($196,738 thousand) and ¥20,713 million for the years ended March 31, 2017 and 2016, respectively.

9. Long-Lived Assets

Major components of gain and loss on sales of property, plant, and equipment, net for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Gain on sales of property, plant, and equipment:			
Buildings and structures	¥ 26	¥ 37	$ 232
Machinery and equipment	94	40	838
Furniture and fixtures	7	24	62
Land	81	5,371	722
Total	¥ 208	¥ 5,472	$ 1,854
Loss on sales of property, plant, and equipment:			
Machinery and equipment	¥ 7	¥ 12	$ 62
Furniture and fixtures	4	5	36
Land		9	
Total	¥ 11	¥ 26	$ 98
Gain on sales of property, plant, and Equipment (net)	¥ 197	¥ 5,446	$ 1,756

Note: The gain on sale of land for the consolidated fiscal year ended March 31, 2016, is mainly generated from the sale of land of JVCKENWOOD Creative Media Corporation ("JKCM").

Major components of loss on disposal of property, plant, and equipment, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Buildings and structures	¥ 76	¥ 17	$ 678
Machinery and equipment	8	8	71
Furniture and fixtures	19	15	169
Construction in progress	556		4,956
Software	812		7,238
Other intangible fixed assets	70	4	624
Total	¥ 1,541	¥ 44	$ 13,736

Impairment losses were recognized on the following asset groups for the fiscal year ended March 31, 2017.

Impairment losses due to the change of the purposes of use:

			Millions of Yen	Thousands of U.S. Dollars
Location	Asset Group and Classification by Use	Type of Assets	Amount	Amount
Maebashi (Gunma)	Asset planned for sale	Land	¥ 39	$ 347
Osato (Saitama)	Asset planned for sale	Buildings and structures	61	544
		Land	23	205
Fukuroi (Shizuoka)	Asset planned for sale	Buildings and structures	14	125
		Machinery and equipment	2	18
		Furniture and fixtures	1	9
		Land	170	1,515
Janze, France	Asset planned for sale	Furniture and fixtures	2	18

Impairment Losses of Assets for Business Operations:

			Millions of Yen	Thousands of U.S. Dollars
Location	Asset Group and Classification by Use	Type of Assets	Amount	Amount
Texas, U.S.A	Public service sector US wireless subsidiary	Goodwill	¥ 3,449	$ 30,743
		Other intangible fixed assets	1,359	12,113
California, U.S.A	Media service sector US CMOS image sensor subsidiary	Machinery and equipment	8	71
		Furniture and fixtures	77	686
		Goodwill	76	678
		Software	83	740
		Other intangible fixed assets	259	2,309
Nagaoka, Niigata	Public service sector	Machinery and equipment	9	80
		Furniture and fixtures	25	223
		Goodwill	8	71
		Software	36	321
Yokohama, Kanagawa Pathumthani, Thailand	Media service sector	Machinery and equipment	77	686
		Furniture and fixtures	535	4,769
		Software	1	9

(Assets Grouping Method)

Business assets are grouped based on reportable segments, with consideration given to manageable and identifiable cash generating units.

Idle assets and assets held for sale are grouped on an individual asset base. Corporate headquarters facilities are grouped as the Corporate segment, as they do not have identifiable cash flows independent of other asset groups.

(Circumstances Leading to Recognition of Impairment Loss)

Concerning the assets and assets held for sale for which the purpose of use changed due to business structure reform, the carrying amounts were written down to market value (appraisal value) or planned sale value (less costs to sell), and the differences were recognized as impairment losses.

In the public service sector, impairment losses were recognized on goodwill and other intangible fixed assets which were recognized when the Company acquired the shares of the US wireless subsidiary, as a result of a careful review of the future business plan and recoverability, considering that its business performance was lower than the initial plan. In the media service sector, impairment losses were recognized for the whole amount of goodwill, as well as property, plant, and equipment of the US CMOS image sensor subsidiary as a result of a careful review of the future business plan and recoverability, considering that its business performance deteriorated.

As for the other business assets, business performance of a part of the business asset group of the public service sector and media service sector deteriorated. As a result of careful comparative review of the carrying amounts and the recoverable amounts based on the future cash flows, the entire carrying amount of these assets was recognized as impairment loss.

(Assessments of Recoverable Amounts)

The recoverable amounts of the business asset groups were measured at their value in use, which was zero based on the future cash flows. The recoverable amounts of the assets held for sale were measured at their net realizable values, which were calculated based on real estate appraisal value and planned sale value.

Impairment losses were recognized on the following asset groups for the fiscal year ended March 31, 2016.

Company	Location	Classification by Use	Type of Assets
JVCKENWOOD	Maebashi (Gunma)	Warehouse, etc.	Land Buildings and structures
JVCKENWOOD Creative Media Corporation	Yamato (Kanagawa)	Factory to manufacture recorded optical disk, etc.	Buildings and structures Machinery and equipment Furniture and fixtures Construction in progress Software Other intangible fixed assets
JVCKENWOOD USA Corporation	New Jersey, U.S.A.	Office	Land Buildings and structures

(Details of Impairment Loss)

(1) JVCKENWOOD Maebashi Warehouse: ¥1,062 million
Includes Land: ¥1,062 million

(2) JVCKENWOOD Creative Media Corporation: ¥1,528 million
Includes Buildings and Structures: ¥831 million, Machinery and equipment: ¥503 million, and Software and Other: ¥114 million

(3) JVCKENWOOD USA Corporation New Jersey, U.S.A. Office and Land: ¥277 million
Includes Buildings and structures: ¥163 million, and Land: ¥114 million

(Assets Grouping Method)

Business assets are grouped based on reportable segments, with consideration given to manageable and identifiable cash generating units.

Idle assets and assets held for sale are grouped on an individual asset base. Corporate headquarter facilities are grouped as the Corporate segment, as they do not have identifiable cash flows independent of other asset groups.

(Circumstances Leading to Recognition of Impairment Loss)

(1) JVCKENWOOD Maebashi Office
The Company identified an indication of impairment for its Maebashi office as an independent asset group as the purpose of use for the office changed to assets held for sale. Since the recoverable amount was less than the carrying amount of its asset group, the carrying amount was written down to the recoverable amount and the difference was recognized as an impairment loss.

(2) JVCKENWOOD Creative Media Corporation
JKCM entered into a contract to sell the land of the Rinkan factory and decided to relocate the factory. Since the future cash flows expected from its operation were less than the carrying amount of its asset group, the carrying amount was written down to the recoverable amount and the difference was recognized as an impairment loss.

(3) JVCKENWOOD USA Corporation
JVCKENWOOD USA Corporation (“JKUSA”) entered into a contract to sell the land and building in New Jersey, U.S.A. and identified indication of impairment for the land and building as an independent asset group. Since the recoverable amount was less than the carrying amount of its asset group, the carrying amount was written down to the recoverable amount and the difference was recognized as an impairment loss.

(Assessments of Recoverable Amounts)

The recoverable amounts of JKCM’s property, plant, and equipment were measured at their value in use, which was zero based on the future cash flows expected from its operation. The recoverable amounts of the Company’s Maebashi office and JKUSA’s land and building were measured at their net realizable values, which were calculated based on real estate appraisal value and planned sale value.

10. Other Comprehensive Income

Other comprehensive income (loss) for the years ended March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 690	¥ (179)	$ 6,150
Reclassification adjustments	(8)		(71)
Amount before income tax effect	682	(179)	6,079
Income tax effect	(123)	49	(1,096)
Total	¥ 559	¥ (130)	$ 4,983
Land revaluation surplus:			
Reclassification adjustments	¥ (23)		$ (205)
Amount before income tax effect	(23)		(205)
Income tax effect	7	¥ 83	62
Total	¥ (16)	¥ 83	$ (143)
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (Loss) arising during the year	¥ 1,329	¥ (749)	$ 11,846
Reclassification adjustments	460	(195)	4,100
Amount before income tax effect	1,789	(944)	15,946
Income tax effect	(268)	(132)	(2,389)
Total	¥ 1,521	¥ (1,076)	$ 13,557
Foreign currency translation adjustments:			
Loss arising during the year	¥ (2,140)	¥ (6,648)	$ (19,075)
Reclassification adjustments	563	(1,210)	5,018
Amount before income tax effect	(1,577)	(7,858)	(14,057)
Income tax effect			
Total	¥ (1,577)	¥ (7,858)	$ (14,057)
Defined retirement benefit plans:			
Adjustments arising during the year			
Gain (Loss) arising during the year	¥ 10,710	¥ (20,333)	$ 95,463
Reclassification adjustments	2,200	85	19,610
Amount before income tax effect	12,910	(20,248)	115,073
Income tax effect	(2,355)	5,900	(20,992)
Total	¥ 10,555	¥ (14,348)	$ 94,081
Total other comprehensive income (loss)	¥ 11,042	¥ (23,329)	$ 98,421

11. 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) 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. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders, subject to a certain limitation 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 total of 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.

c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act 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 are 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.

12. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2017

1. Matters Relating to The Class And Number of Shares Issued And The Class And Number of Treasury Stock

	Number of Shares as of April 1, 2016 (Thousands of Shares)	Increase (Thousands of Shares)	Number of Shares As of March 31, 2017 (Thousands of Shares)
Number of shares issued:			
Common stock	139,000		139,000
Total	139,000		139,000
Treasury stock:			
Common stock (Note)	50	2	52
Total	50	2	52

Note: The increase of two thousand shares of treasury stock is attributable to the share purchase demand of odd stocks by holders of shares less than one unit.

2. Matters Relating to Stock Acquisition Rights

None.

3. Matters Relating to Dividends

(1) Dividends paid

(Resolution)	Class of Shares	Total Amount of Dividends		Dividends per Share		Record Date	Effective Date
		(Millions of Yen)	(Thousands of U.S. Dollars)	(Yen)	(U.S. Dollars)		
Board of Directors' meeting on May 13, 2016	Common stock	¥ 695	$ 6,193	¥ 5.00	$ 0.04	March 31, 2016	June 6, 2016

(2) Dividends for which the record date was in the year ended March 31, 2017, and the effective date is in the year ending March 31, 2018.

(Resolution)	Class of Shares	Total Amount of Dividends		Resources of Dividends	Dividends per Share		Record Date	Effective Date
		(Millions of Yen)	(Thousands of U.S. Dollars)		(Yen)	(U.S. Dollars)		
Board of Director's meeting on May 12, 2017	Common stock	¥ 695	$ 6,193	Capital surplus	¥ 5.00	$ 0.04	March 31, 2017	May 31, 2017

For the fiscal year ended March 31, 2016

1. Matters relating to the class and number of shares issued and the class and number of treasury stock

	Number of Shares as of April 1, 2015 (Thousands of Shares)	Increase (Thousands of Shares)	Decrease (Thousands of Shares)	Number of Shares As of March 31, 2016 (Thousands of Shares)
Number of shares issued:				
Common stock	139,000			139,000
Total	139,000			139,000
Treasury stock:				
Common stock (Note)	340	603	893	50
Total	340	603	893	50

Notes: The increase of three thousand shares of treasury stock is attributable to the share purchase demand of odd stocks by holders of shares less than one unit. The increase of 600 thousand shares of treasury stock resulted from the acquisition of the shares through market transactions in order to conduct a share exchange where the Company was the wholly owning parent company and JKCM was the wholly owned subsidiary company.

The decrease of 893 thousand shares of treasury stock was due to allotting and delivering the shares of treasury stock to the shareholders of JKCM, excluding the Company, through the above share exchange.

2. Matters Relating to Stock Acquisition Rights

None.

3. Matters Relating to Dividends.

(1) Dividends paid

(Resolution)	Class of Shares	Total Amount of Dividends	Dividends per Share	Record Date	Effective Date
		(Millions of Yen)	(Yen)		
Board of Director's meeting on May 13, 2015	Common stock	¥ 693	¥ 5.00	March 31, 2015	June 1, 2015

(2) Dividends for which the record date was in the year ended March 31, 2016, and the effective date is in the year ending March 31, 2017, were as follows:

(Resolution)	Class of Shares	Total Amount of Dividends	Resources of Dividends	Dividends per Share	Record Date	Effective Date
		(Millions of Yen)		(Yen)		
Board of Director's meeting on May 13, 2016	Common stock	¥ 695	Retained earnings	¥ 5.00	March 31, 2016	June 6, 2016

13. Supplemental Information for Consolidated Statement of Cash Flows

(1) Cash paid for interest, cash received for dividends and interest, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cash paid for interest	¥ 933	¥ 1,538	$ 8,316
Cash received for dividends and interest	333	395	2,968

(2) ASK and its six subsidiaries became consolidated subsidiaries of the Company in the fiscal year ended March 31, 2016. Assets and liabilities of these companies as of the date of consolidation, acquisition cost and payments for purchases of newly consolidated subsidiaries were as follows:

	Millions of Yen
Current assets	¥ 10,441
Noncurrent assets	5,064
Goodwill	952
Current liabilities	(10,061)
Long-term liabilities	(3,161)
Acquisition cost	3,235
Cash and cash equivalents of ASK	(1,154)
Payments for purchases of ASK, net	¥ 2,081

(3) Teichiku entertainment, Inc. ("Teichiku") was sold and excluded from the scope of consolidation in the fiscal year ended March 31, 2016. Assets and liabilities of Teichiku at the date of deconsolidation, sales amounts, and proceeds (net) from sales of Teichiku were as follows:

	Millions of Yen
Current assets	¥ 2,181
Noncurrent assets	573
Current liabilities	(1,283)
Long-term liabilities	(133)
Ancillary expenses	2
Accumulated other comprehensive income	(3)
Noncontrolling interest	(49)
Gain on sale of shares in subsidiaries and affiliates	348
Proceeds from sales of shares	1,636
Cash and cash equivalents of Teichiku	(541)
Ancillary expenses	(2)
Proceeds from sales of Teichiku, net	¥ 1,093

(4) JKAC was sold and excluded from the scope of consolidation in the fiscal year ended March 31, 2017. Assets and liabilities of JKAC at the date of deconsolidation, sales amounts, and proceeds (net) from sales of JKAC were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 699	$ 6,231
Noncurrent assets	225	2,006
Current liabilities	(534)	(4,760)
Long-term liabilities	(235)	(2,095)
Noncontrolling interest	(65)	(579)
Gain on sale of shares in subsidiaries and affiliates	561	5,000
Proceeds from sales of shares	651	5,803
Cash and cash equivalents of JKAC	(175)	(1,560)
Proceeds from sales of JKAC, net	¥ 476	$ 4,243

(5) The Card Printer Business of the Company was transferred in the fiscal year ended March 31, 2017. Assets and liabilities related to the business transfer, transfer amounts and proceeds (net) from transfer of the Card Printer Business were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,472	$ 13,121
Noncurrent assets	52	463
Current liabilities	(1,155)	(10,295)
Long-term liabilities	(454)	(4,047)
Ancillary expenses	1	9
Gain on transfer of business	3,617	32,240
Proceeds from transfer of the card printer business	3,533	31,491
Accounts receivable-other	(120)	(1,069)
Cash and cash equivalents of the card printer business	(455)	(4,056)
Proceeds from transfer of the card printer business, net	¥ 2,958	$ 26,366

14. Leases

The Group leases mainly host computers, servers, and software.

Obligations under noncancelable operating leases for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Operating leases:			
Due within one year	¥ 923	¥ 1,063	$ 8,227
Due after one year	2,116	2,339	18,861
Total	¥ 3,039	¥ 3,402	$ 27,088

15. Financial Instruments and Related Disclosures

(1) Management Policy with Respect to Financial Instruments

Taking into consideration its capital investment and other plans, the Group largely procures essential funds through indirect financing, such as loans from banks and other financial institutions. Surplus funds held on a temporary basis are mainly channeled into highly liquid financial assets, and short-term working capital is procured through bank loans. The Group also utilizes derivative financial instruments to hedge the various risks described as follows and does not enter into derivative transactions for investment, trading, or speculative purposes.

(2) Details of Financial Instruments and Related Risks

Trade notes and accounts receivable are exposed to the credit risk of customers. In addition, trade notes and accounts receivable denominated in foreign currencies that arise in the course of global business development are subject to the risk of fluctuation in foreign currency exchange rates, and in principle, the Company utilizes foreign currency forward contracts.

Investment securities are essentially composed of company shares with which the Group maintains business relationships. These financial instruments are exposed to market fluctuation risks.

Maturities of trade notes and accounts payable are generally within four months. A certain portion denominated in foreign currencies is subject to the risk of fluctuation in foreign currency exchange rates, and the Company utilizes foreign currency forward contracts.

Bank loans aim to procure funds necessary for working capital and capital investment. Most bank loans are exposed to interest fluctuation risks due to floating rates while derivative transactions (interest rate swaps) are employed to hedge interest fluctuation risks for some bank loans.

Derivative transactions comprise foreign currency forward contract transactions and nondeliverable forward contract transactions for trade notes and accounts receivable and payable and forecasted transactions denominated in foreign currencies, and interest rate swaps entered into for the purpose of hedging against fluctuations in interest rates applicable to bank loans. For details regarding hedge methods, hedged items, hedging policies, methods for evaluating hedge efficacy, and related items, please refer to Note 2 (s).

(3) Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of the economic loss that arises when a trading partner is unable to meet the terms and conditions of contractual obligations, such as the payment of principal and/or interest. People in charge of each business department, in accordance with the credit risk management policy, regularly monitor conditions of major customers regarding trade receivables, as well as conduct credit research in order to identify risk, in a timely manner, and reduce the risk of uncollectibility due to financial deterioration, etc. In addition, the Group utilizes credit guarantees for customers to reduce risk.

The counterparties to derivative transactions are limited to major financial institutions. Accordingly, the Group is confident that little or no credit risk exists as a result of contractual default.

Market Risk (Foreign Currency Exchange or Interest Rate Risk) Management
The Group, in principle, utilizes foreign currency forward contracts and nondeliverable forward contracts to manage identified risks of fluctuation in exchange rates for trade notes and accounts receivable and payable, including forecasted transactions denominated in foreign currencies by individual foreign currency and by month. In addition, the Group engages in interest rate swaps in order to control the risk of fluctuations in interest payable on certain bank loans.

The portfolio of investment securities is continuously evaluated considering market conditions and relationship with issuers, i.e., counterparties, by regularly reviewing their market value or the financial performance of issuers.

Derivative transactions entered into are undertaken in accordance with the authority, rules, and regulations stipulated under the Group's internal policies. Each transaction is, in effect, undertaken by the director responsible for finance of each Group company or an individual or party designated by the department responsible for finance of each Group company. In addition to the authorization of the responsible director, details of the transaction are reported to the responsible director in each instance.

Liquidity Risk Management
Liquidity risk refers to the possible inability of the Group to meet its obligations on the date of an instrument's maturity. Based on the information obtained from each department and division, the Group ensures that all appropriate cash management plans are prepared and updated in a timely manner. At the same time, the Group manages the risks associated with liquidity through a variety of initiatives, including the maintenance of liquidity.

(4) Supplemental Important Matters Relating to the Fair Values of Financial Instruments
The fair values of financial instruments are measured based on their quoted market prices, if available, or their reasonably assessed values, if quoted market prices are not available. The fair values of financial instruments for which quoted market prices are not available are calculated based on certain assumptions. Accordingly, fair values may differ if different assumptions are used.

(5) Fair Values of Financial Instruments
The fair values of financial instruments are based on their quoted market prices. In the event quoted market prices are not available for certain financial instruments, other assessment methods are applied. Financial instruments for which fair values are extremely difficult to determine are not included.

(a) Fair Value of Financial Instruments

March 31, 2017

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 40,681	¥ 40,681	
Time deposits	962	962	
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	56,801		
Allowance for doubtful receivables	(748)		
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies, net	56,053	56,053	
Investment securities	2,554	2,554	
Total	¥ 100,250	¥ 100,250	
Notes and accounts payable-trade, unconsolidated subsidiaries, and associated companies	¥ 31,307	¥ 31,307	
Short-term bank loans	6,208	6,208	
Income taxes payable	1,901	1,901	
Long-term debt, including current portion	64,982	64,990	¥ 8
Total	¥ 104,398	¥ 104,406	¥ 8

March 31, 2016

	Millions of Yen		
	Carrying Amount	Fair Value (restated)	Unrealized Gain/Loss
Cash and cash equivalents	¥ 41,552	¥ 41,552	
Time deposits	974	974	
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	55,537		
Allowance for doubtful receivables	(1,161)		
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies, net	54,376	54,376	
Investment securities	2,183	2,183	
Total	¥ 99,085	¥ 99,085	
Notes and accounts payable-trade, unconsolidated subsidiaries, and associated companies	¥ 32,682	¥ 32,682	
Short-term bank loans	10,661	10,661	
Income taxes payable	2,372	2,372	
Long-term debt, including current portion	59,402	59,476	¥ 74
Total	¥ 105,117	¥ 105,191	¥ 74

March 31, 2017

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 362,608	$ 362,608	
Time deposits	8,575	8,575	
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	506,293		
Allowance for doubtful receivables	(6,667)		
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies, net	499,626	499,626	
Investment securities	22,765	22,765	
Total	$ 893,574	$ 893,574	
Notes and accounts payable-trade, unconsolidated subsidiaries, and associated companies	$ 279,053	$ 279,053	
Short-term bank loans	55,335	55,335	
Income taxes payable	16,944	16,944	
Long-term debt, including current portion	579,214	579,285	$ 71
Total	$ 930,546	$ 930,617	$ 71

Cash and Cash Equivalents and Time Deposits

The carrying values of cash and cash equivalents and time deposits approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange on which the equity instruments are traded. Fair value information for investment securities by classification is included in Note 16.

Receivables, Payables, Short-Term Bank Loans, and Income Taxes Payable

The carrying values of these items approximate fair value because of their short maturities.

Long-Term Debt and Current Portion of Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt over its remaining period at a rate which reflects the Company's credit risk.

The fair values of bonds are determined by discounting total amounts of principal and interest over their remaining periods at the rates which reflect the Company's credit risk.

Some bank loans meet specific matching criteria for interest rate swaps, and therefore, their fair value is determined by discounting the total amount of principal and interest of the loans accounted for together with the interest rate swaps at an interest rate, which is reasonably expected to be applied if a similar bank loan is made. Other loans with floating interest rates are carried at cost because the costs approximate their fair value as the loans are short term and reflect market interest rates.

Derivatives

Fair value information for derivatives is included in Note 17.

(b) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unlisted equity securities	¥ 5,206	¥ 3,223	$ 46,403
Unlisted foreign bonds	6	4	53
Investments in and advances to unconsolidated subsidiaries and associated companies	299	683	2,665

Since the fair values of the above financial instruments cannot be reliably determined as their quoted market prices are not available, they are not included in investment securities as described in (a) "Fair Value of Financial Instruments."

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2017	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 40,681			
Time deposits	962			
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	56,801			
Total	¥ 98,444			

	Millions of Yen			
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 41,552			
Time deposits	974			
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	55,537			
Total	¥ 98,063			

	Thousands of U.S. Dollars			
March 31, 2017	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 362,608			
Time deposits	8,575			
Notes and accounts receivable-trade, unconsolidated subsidiaries, and associated companies	506,293			
Total	$ 877,476			

Annual maturities of bank loans, obligations under finance leases, and other interest-bearing debt at March 31, 2017 and 2016, were as follows:

	Millions of Yen					
March 31, 2017	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Short-term bank loans	¥ 6,208					
Long-term bank loans	9,003	¥ 36,429	¥ 16,117	¥ 1,665	¥ 842	
Obligations under finance leases	249	190	180	103	196	¥ 8
Other	1,544					
Total	¥ 17,004	¥ 36,619	¥ 16,297	¥ 1,768	¥ 1,038	¥ 8

	Millions of Yen					
March 31, 2016	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Short-term bank loans	¥ 10,661					
Long-term bank loans	12,279	¥ 7,535	¥ 34,333	¥ 3,778	¥ 616	
Obligations under finance leases	220	189	134	119	35	¥ 164
Other	1,907					
Total	¥ 25,067	¥ 7,724	¥ 34,467	¥ 3,897	¥ 651	¥ 164

	Thousands of U.S. Dollars					
March 31, 2017	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Short-term bank loans	$ 55,335					
Long-term bank loans	80,248	$ 324,708	$ 143,658	$ 14,841	$ 7,505	
Obligations under finance leases	2,219	1,694	1,604	918	1,747	$ 71
Other	13,762					
Total	$ 151,564	$ 326,402	$ 145,262	$ 15,759	$ 9,252	$ 71

16. Investment Securities

Investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Noncurrent:			
Equity securities	¥ 7,760	¥ 5,406	$ 69,169
Corporate bonds	6	4	53
Total	¥ 7,766	¥ 5,410	$ 69,222

The cost and aggregate fair values of investment securities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,764	¥ 823	¥ 33	¥ 2,554

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,792	¥ 601	¥ 210	¥ 2,183

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 15,723	$ 7,336	$ 294	$ 22,765

Proceeds from sales of available-for-sale securities for the years ended March 31, 2017 and 2016, were ¥157 million ($1,399 thousand) and ¥4 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥50 million ($446 thousand) and nil for the year ended March 31, 2017, and ¥1 million and nil for the year ended March 31, 2016, respectively.

Investment securities include loaned securities of nil and ¥1,658 million; and deposited cash of nil and ¥1,273 million as collateral which was presented as other current liabilities as of March 31, 2017 and 2016, respectively.

Impairment losses relating to marketable securities for each of the fiscal years ended March 31, 2017 and 2016, were ¥386 million ($3,441 thousand), which include shares of associated companies ¥327 million ($2,915 thousand) and available-for-sale equity securities ¥59 million ($526 thousand) and nil, respectively. With respect to the treatment of impairment losses, when the fair value of a security as of the end of the fiscal year is less than 50% of its acquisition cost, the Group recognizes the difference between the fair value and the acquisition cost as an impairment loss. For securities whose fair value as of the end of the fiscal year decreases by approximately 30% to 50% from its acquisition cost, the Group recognizes an impairment loss for required amounts determined based on its recoverability.

17. Derivatives

The Group had the following derivative contracts outstanding at March 31, 2017 and 2016:

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2017

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 3,194		¥ (2)	¥ (2)
Euro	2,012		34	34
British Pound	280			
Canadian Dollar	252			
Australian Dollar	300			
Hong Kong Dollar	209			
Russian Ruble	214		(4)	(4)
Thai Baht	51			
Brazilian Real	21			
Buying:				
U.S. Dollar	3,501		(4)	(4)
Euro	3,517	¥ 1,244	(4)	(4)
British Pound	225	112	(17)	(17)
Singapore Dollar	4,053		(1)	(1)
Thai Baht	71			
Total	¥ 17,900	¥ 1,356	¥ 2	¥ 2
Interest rate swaps (fixed rate payment, floating rate receipt)	¥ 479	¥ 378	¥ (1)	¥ (1)

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2016

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 7,032		¥ (6)	¥ (6)
Euro	1,149		(1)	(1)
British Pound	161			
Canadian Dollar	303			
Australian Dollar	129			
Hong Kong Dollar	181			
Russian Ruble	42			
Brazilian Real	76		(1)	(1)
Buying:				
U.S. Dollar	8,053	¥ 1,837	(140)	(140)
Euro	2,935		3	3
Hong Kong Dollar	174			
Singapore Dollar	4,333		(3)	(3)
Thai Baht	685		(4)	(4)
Malaysian Ringgit	1,319		(7)	(7)
Total	¥ 26,572	¥ 1,837	¥ (159)	¥ (159)

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2017

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	$ 28,470		$ (18)	$ (18)
Euro	17,934		303	303
British Pound	2,496			
Canadian Dollar	2,246			
Australian Dollar	2,674			
Hong Kong Dollar	1,863			
Russian Ruble	1,907		(36)	(36)
Thai Baht	455			
Brazilian Real	187			
Buying:				
U.S. Dollar	31,206		(36)	(36)
Euro	31,349	$ 11,088	(36)	(36)
British Pound	2,006	998	(152)	(152)
Singapore Dollar	36,126		(9)	(9)
Thai Baht	633			
Total	$ 159,552	$ 12,086	$ 16	$ 16
Interest rate swaps (fixed rate payment, floating rate receipt)	$ 4,270	$ 3,369	$ (9)	$ (9)

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2017

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 3,052		¥ (22)	¥ (22)
Euro	7,635		(146)	(146)
British Pound	1,905		(92)	(92)
Canadian Dollar	1,679		(53)	(53)
Buying:				
U.S. Dollar	17,895	¥ 4,507	1,146	1,146
Total	¥ 32,166	¥ 4,507	¥ 833	¥ 833

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2016

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 8,975		¥ 10	¥ 10
Euro	8,421		267	267
British Pound	2,263		181	181
Buying:				
U.S. Dollar	24,678	¥ 1,587	(1,381)	(1,381)
Polish Zloty	583		6	6
Total	¥ 44,920	¥ 1,587	¥ (917)	¥ (917)

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2017

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Note 1)	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	$ 27,204		$ (196)	$ (196)
Euro	68,054		(1,301)	(1,301)
British Pound	16,980		(820)	(820)
Canadian Dollar	14,966		(472)	(472)
Buying:				
U.S. Dollar	159,506	$ 40,173	10,215	10,215
Total	$ 286,710	$ 40,173	$ 7,426	$ 7,426

	Millions of Yen			
	2017			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (Short-cut method)	Long-term bank loans	¥ 1,502	¥ 838	(Note 2)

	Millions of Yen			
	2016			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (Standard method)	Long-term bank loans	¥ 511	¥ 403	¥ (2) (Note 1)
Interest rate swaps (Short-cut method)	Long-term bank loans	¥ 5,400	¥ 700	(Note 2)

	Thousands of U.S. Dollars			
	2017			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (Short-cut method)	Long-term bank loans	$ 13,388	$ 7,469	(Note 2)

Notes:

1. The fair value of derivative transactions is measured at the quoted price and exchange rate obtained from the financial institution.
2. Items that meet the specific matching criteria of interest rate swaps are accounted for together with long-term bank loans classified as hedged items (short-cut method). Accordingly, their fair values are included in the long-term bank loans.

18. Retirement Benefit Plans

Retirement benefit plans for the fiscal years ended March 31, 2017 and 2016, were as follows:

<1> Overview of Retirement Benefit Plan

The Company and domestic consolidated subsidiaries use a defined benefit plan, with a defined benefit corporate pension plan and retirement lump sum plan. Premium severance pay is paid in some instances of employee retirement.

Some consolidated subsidiaries apply the simplified method to calculate liabilities (or assets) for retirement benefits and retirement benefit costs.

Some overseas consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

JKAC participated in multiemployer pension funds however JKAC was excluded from the scope of consolidation because the Company sold its share of JKAC in the fiscal year ended March 31, 2017. Hence, there were no multiemployer pension funds in the Company's consolidation.

<2> Defined Benefit Plan

(1) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 119,130	¥ 102,967	$ 1,061,859
Current service cost	3,601	3,059	32,097
Interest cost	265	1,380	2,362
Actuarial (gains) losses	(9,449)	16,622	(84,223)
Benefits paid	(4,929)	(4,826)	(43,934)
Increased amount due to new consolidation		572	
Decreased amount due to exclusion from consolidation	(232)	(669)	(2,068)
Exchange differences on foreign plans	(198)	(53)	(1,765)
Others	15	78	134
Balance at end of year	¥ 108,203	¥ 119,130	$ 964,462

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 94,296	¥ 99,339	$ 840,503
Expected return on plan assets	2,287	2,384	20,385
Actuarial gains (losses)	1,240	(3,934)	11,053
Contributions from the employer	854	912	7,612
Benefits paid	(3,356)	(3,473)	(29,915)
Decreased amount due to exclusion from consolidation		(1,031)	
Exchange differences on foreign plans	(6)		(53)
Others	(56)	99	(499)
Balance at end of year	¥ 95,259	¥ 94,296	$ 849,086

(3) Reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 74,736	¥ 84,632	$ 666,156
Plan assets	(95,259)	(94,296)	(849,086)
	(20,523)	(9,664)	(182,930)
Unfunded defined benefit obligation	33,467	34,498	298,306
Net liability arising from defined benefit obligation	¥ 12,944	¥ 24,834	$ 115,376

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liabilities for retirement benefits	¥ 37,686	¥ 39,789	$ 335,913
Asset for retirement benefits	(24,742)	(14,955)	(220,537)
Net liability arising from defined benefit obligation	¥ 12,944	¥ 24,834	$ 115,376

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 3,600	¥ 3,059	$ 32,088
Interest cost	265	1,380	2,362
Expected return on plan assets	(2,286)	(2,384)	(20,376)
Recognized actuarial losses	2,323	409	20,706
Amortization of prior service cost	(101)	(101)	(900)
Costs calculated by the simplified method	310	307	2,763
Others		22	
Net periodic benefit cost	¥ 4,111	¥ 2,692	$ 36,643

Note: In addition to the above retirement benefit, premium severance pay of ¥1,019 million ($9,083 thousand) and ¥595 million are included in "employment structure improvement expenses" under other expenses for the years ended March 31, 2017 and 2016, respectively.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥ (101)	¥ (101)	$ (900)
Actuarial gains (losses)	13,011	(20,148)	115,973
Total	¥ 12,910	¥ (20,249)	$ 115,073

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ (416)	¥ (516)	$ (3,708)
Unrecognized actuarial gains	3,506	16,516	31,251
Total	¥ 3,090	¥ 16,000	$ 27,543

(7) Plan Assets

1. Components of Plan Assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	43.2%	46.3%
Equity investments	29.1	25.9
General account of life insurance company	11.3	11.8
Others	16.4	16.0
Total	100.0%	100.0%

2. Methods of Determining the Long-term Expected Rate of Return on Plan Assets

The long-term expected rate of return on plan assets is determined considering distribution of plan assets that are assumed currently and in the future and the long-term rates of return that are expected currently and in the future from various components of plan assets.

(8) Assumptions used for the years ended March 31, 2017 and 2016 were set forth as follows:

	Millions of Yen	
	2017	2016
Discount rate	0.15%	0.15%
Long-term expected return on plan assets	2.43	2.43
Assumed salary-increase rate	2.47 - 4.22	2.47 - 4.22

<3> Defined Contribution Plan

The required amount for the defined contribution plans (including the multiemployer system's integrated employees' pension fund system which will be financially handled in the same way as the defined contribution plans) was ¥865 million ($7,710 thousand) and ¥1,023 million for the consolidated fiscal years ended March 31, 2017 and 2016, respectively.

Items for the multiemployer pension funds where required contributions are treated as retirement benefit expenses are as follows:

(1) Funding Condition of Multiemployer Pension Funds

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
The fair value of plan assets		¥ 317,424	
The total amount of actuarial liability based on pension financing calculations and minimum reserve		302,958	
Net balance		¥ 14,466	

(2) The Group's Ratio of Contributions to the Multiemployer Pension Funds

As of March 31, 2015 0.261%

As of March 31, 2016 Nil

(3) Supplementary Explanation

The primary factors for the balance in (1) above are past service liabilities balance (nil) and ¥18,844 million for the years ended March 31, 2017 and 2016, respectively), surplus (nil) and ¥8,979 million for the years ended March 31, 2017 and 2016, respectively), and general reserve (nil) and ¥24,331 million for the years ended March 31, 2017 and 2016, respectively) for pension financing calculations. The amounts of principal and interest of past service liabilities in this plan are amortized equally over 20 years.

The ratio in (2) above does not agree to the actual contribution ratio of the Group.

19. Income Taxes

Under the consolidated corporate tax system, the normal effective statutory tax rates of the Company and its domestic subsidiaries were approximately 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Depreciation	¥ 2,379	¥ 2,695	$ 21,205
Valuation difference due to application of purchase method accounting	166	293	1,480
Liability for retirement benefits	10,552	11,054	94,055
Provision for inventory reserves	1,400	1,424	12,479
Net operating loss carryforwards	57,008	56,606	508,138
Other	9,176	9,267	81,789
Less valuation allowance	(71,070)	(70,368)	(633,479)
Total	¥ 9,611	¥ 10,971	$ 85,667
Deferred tax liabilities:			
Asset for retirement benefits	¥ 7,485	¥ 4,488	$ 66,717
Valuation difference due to application of purchase method accounting	1,869	1,938	16,659
Land revaluation surplus	1,517	1,524	13,522
Other	2,913	3,678	25,965
Total	¥ 13,784	¥ 11,628	$ 122,863
Deferred tax liabilities, net	¥ (4,173)	¥ (657)	$ (37,196)

Net deferred tax liabilities as of March 31, 2017 and 2016, were recorded in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current assets - deferred tax assets	¥ 3,610	¥ 3,111	$ 32,178
Investments and other assets - deferred tax assets	5,268	5,917	46,956
Current liabilities - other	124	114	1,106
Long-term liabilities - deferred tax liabilities	12,927	9,571	115,224
	¥ (4,173)	¥ (657)	$ (37,196)

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the years ended March 31, 2017, and 2016, were as follows:

	2017	2016
Normal effective statutory tax rate	30.8%	33.0%
(Reconciliation)		
Expenses not deductible for income tax purposes	(62.0)	8.7
Dividend and other income not taxable	13.3	(28.2)
Gain on liquidation of foreign subsidiaries not taxable	0.8	(9.2)
Loss on liquidation of foreign subsidiaries not deductible	(7.1)	
Per capita inhabitant tax	(3.1)	2.4
Foreign tax	(8.4)	7.3
Changes in valuation allowance	(109.0)	4.6
Effect of changes of income tax rates on deferred taxes	(2.0)	(6.0)
Lower income tax rates applicable to income in foreign subsidiaries	38.4	(15.4)
Undistributed earnings in foreign subsidiaries	(6.9)	(1.1)
Transfer pricing adjustments	(1.6)	4.1
Withholding tax of foreign subsidiaries	(3.3)	2.8
Other	1.5	(1.3)
Actual effective tax rate	(118.6)%	1.7%

Effect of changes of income tax rates on deferred tax assets and liabilities

New tax reform laws enacted in 2016 in Japan revised the date on which the consumption tax rate would be raised to 10% from April 1, 2017, to October 1, 2019.

Accordingly, national tax rate and local tax rate were changed while the effective statutory tax rate used for calculating deferred tax assets and liabilities was not changed.

The effect of these changes was to increase net of deferred tax liabilities (net of deferred tax assets) by ¥32 million ($285 thousand) and income tax adjustments by the same amount.

20. Business Combinations and Divestitures

Business Divestitures

1. Overview of the Business Divestiture

(1) Name of the Company the Business Was Divested to

G-Printec, Inc. (“GPI”)

(2) Divested Business

Card printer business

(3) Purpose of the Business Divestiture

The card printer business has been conducted by the Company and made stable profits through sales of hardware developed by utilizing its unique dye sublimation printing technology and mechatronics technology and through an increase in supply of expendable supplies, such as ink.

At the same time, the market environment surrounding the card printer business has undergone dramatic changes, such as increased competition due to the rise of new market entrants and price declines in ink as a result of entry by third-party providers.

In light of such changes in the business environment and the fact that no potential for synergy exists between the card printer business and other businesses of the Company, the Company has determined that it can achieve greater growth if it is operated under the management of Kanematsu Corporation, which globally operates a wide range of printer businesses, including a card printer business, and AZ-Star Co., Ltd., which is engaged in operation and management of corporate investment funds.

(4) Effective Date of the Business Divestiture

March 1, 2017

(5) Legal Form of the Business Divestiture

Absorption-type split, with the Company as the splitting company and GPI as the succeeding company

2. Overview of the Implemented Accounting Process

(1) Transfer Profits and Losses

Gain on transfer of business ¥3,617 million ($32,240 thousand)

(2) Value of Assets and Liabilities Transferred as of Business Divestitures

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,472	$ 13,121
Noncurrent assets	52	463
Total assets	¥ 1,524	$ 13,584
Current liabilities	¥ 1,155	$ 10,295
Long-term liabilities	454	4,047
Total liabilities	¥ 1,609	$ 14,342

(3) Accounting Procedures

The difference between the value of the assets received upon transfer and the amount of shareholder's equity relevant to the transferred business was recorded as transfer profits and losses.

3. Reportable Segment Divested Business Was Included in

Public service segment

4. The Amount of Profits and Losses Related to Divested Business Included in the Consolidated Statement of Operations for the Fiscal Year Ended March 31, 2017

Net sales: ¥4,238 million ($37,775 thousand)

Operating income: ¥647 million ($5,767 thousand)

21. Segment Information

1. Overview of Reportable Segments

Reportable segments are the Company's constituent business units for which separate financial information can be obtained and those which are periodically examined by the Board of Directors for the purposes of determining the allocation of resources and evaluating results of operations.

The Group has put in place operating divisions and operating control divisions in each operating company. Each operating division and operating control division formulates comprehensive strategies and engages in business activities according to products and services handled in and outside Japan.

(Automotive Sector)
Production and sale of car AV systems, car navigation systems, camera devices for automobile, home audio, optical pickups, etc.

(Public Services Sector)
Production and sale of professional system equipment such as land mobile radio equipment, video surveillance equipment, audio equipment, medical display equipment, etc.

(Media Services Sector)
Production and sale of professional video cameras, projectors, AV accessories, and consumer video cameras; and planning/production and sale of audio and video software; and manufacture of CDs and DVDs (package software).

2. Methods of Measurement for the Amounts of Sales, Profit or Loss, Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2.

3. Information Relating to Sales, Profit or Loss, Assets, and Other Items for Each Reportable Segment

For the year ended March 31, 2017

	Millions of Yen							
	Reportable Segment							
	Automotive Sector	Public Service Sector	Media Service Sector	Total	Others (Note 1)	Total	Adjustment (Note 3)	Consolidated Financial Statements (Note 2)
Sales								
Sales to customers	¥ 150,809	¥ 72,993	¥ 70,547	¥ 294,349	¥ 4,929	¥ 299,278		¥ 299,278
Intersegment sales or transfers	55			55		55	¥ (55)	
Total	¥ 150,864	¥ 72,993	¥ 70,547	¥ 294,404	¥ 4,929	¥ 299,333	¥ (55)	¥ 299,278
Segment profit	¥ 2,230	¥ 1,127	¥ 2,271	¥ 5,628	¥ 154	¥ 5,782		¥ 5,782
Segment assets	134,061	60,904	47,607	242,572	5,998	248,570	¥ 13,727	262,297
Other items								
Depreciation	6,794	3,956	1,791	12,541	87	12,628		12,628
Increase in property, plant and equipment and intangible assets	9,720	4,167	2,454	16,341	39	16,380		16,380

For the year ended March 31, 2016

	Millions of Yen							
	Reportable Segment							
	Automotive Sector	Public Service Sector	Media Service Sector	Total	Others (Note 1)	Total	Adjustment (Note 3)	Consolidated Financial Statements (Note 2)
Sales								
Sales to customers	¥ 138,521	¥ 80,899	¥ 67,233	¥ 286,653	¥ 5,542	¥ 292,195		¥ 292,195
Intersegment sales or transfers	19			19		19	¥ (19)	
Total	¥ 138,540	¥ 80,899	¥ 67,233	¥ 286,672	¥ 5,542	¥ 292,214	¥ (19)	¥ 292,195
Segment profit	¥ 400	¥ 1,895	¥ 1,825	¥ 4,120	¥ 374	¥ 4,494		¥ 4,494
Segment assets	115,965	72,686	45,427	234,078	6,770	240,848	¥ 15,486	256,334
Other items								
Depreciation	5,518	3,983	2,022	11,523	109	11,632		11,632
Increase in property, plant and equipment and intangible assets	8,976	4,878	2,210	16,064	67	16,131		16,131

For the year ended March 31, 2017

	Thousands of U.S. Dollars							
	Reportable Segment							
	Automotive Sector	Public Service Sector	Media Service Sector	Total	Others (Note 1)	Total	Adjustment (Note 3)	Consolidated Financial Statements (Note 2)
Sales								
Sales to customers	$ 1,344,229	$ 650,619	$ 628,817	$ 2,623,665	$ 43,934	$ 2,667,599		$ 2,667,599
Intersegment sales or transfers	490			490		490	$ (490)	
Total	$ 1,344,719	$ 650,619	$ 628,817	$ 2,624,155	$ 43,934	$ 2,668,089	$ (490)	$ 2,667,599
Segment profit	$ 19,877	$ 10,045	$ 20,242	$ 50,164	$ 1,373	$ 51,537		$ 51,537
Segment assets	1,194,946	542,865	424,342	2,162,153	53,463	2,215,616	$ 122,355	2,337,971
Other items								
Depreciation	60,558	35,262	15,964	111,784	775	112,559		112,559
Increase in property, plant and equipment and intangible assets	86,639	37,142	21,874	145,655	347	146,002		146,002

Notes:

1. The “Others” section consists of business segments that are not included in other reportable segments, including interior furniture and service parts, etc.
2. The total amount of segment profit is equivalent to the amount of operating income recorded in the consolidated statement of operations.
3. Corporate assets included in “Adjustment” of ¥13,727 million ($122,355 thousand) as of March 31, 2017 and ¥15,486 million as of March 31, 2016, mainly consisted of the cash, cash equivalents, and long-term investment assets (investment securities) of the Company.

(Related Information)

1. Information about Geographical Areas

For the year ended March 31, 2017

(1) Sales

Millions of Yen					
Japan	Americas	Europe	Asia	Others	Total
¥ 123,832	¥ 74,362	¥ 54,063	¥ 41,940	¥ 5,081	¥ 299,278

(2) Property, Plant, and Equipment

Millions of Yen					
Japan	Americas	Europe	Asia	Others	Total
¥ 32,453	¥ 883	¥ 5,304	¥ 11,774	¥ 14	¥ 50,428

For the year ended March 31, 2016

(1) Sales

Millions of Yen					
Japan	Americas	Europe	Asia	Others	Total
¥ 100,738	¥ 81,723	¥ 59,535	¥ 45,386	¥ 4,813	¥ 292,195

(2) Property, Plant, and Equipment

Millions of Yen					
Japan	Americas	Europe	Asia	Others	Total
¥ 32,616	¥ 957	¥ 5,896	¥ 12,024	¥ 14	¥ 51,507

For the year ended March 31, 2017

(1) Sales

Thousands of U.S. Dollars					
Japan	Americas	Europe	Asia	Others	Total
$ 1,103,770	$ 662,822	$ 481,888	$ 373,830	$ 45,289	$ 2,667,599

(2) Property, Plant, and Equipment

Thousands of U.S. Dollars					
Japan	Americas	Europe	Asia	Others	Total
$ 289,268	$ 7,870	$ 47,277	$ 104,947	$ 125	$ 449,487

2. Information about Major Customers

There are no customers who account for 10% or more of total net sales for the years ended March 31, 2017 and 2016, as posted in the Company's consolidated statement of operations. Accordingly, this information has been omitted.

(Information Relating to Loss on Impairment of Long-Lived Assets by Reportable Segment)

For the year ended March 31, 2017

	Millions of Yen					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Loss on impairment	¥ 22	¥ 4,980	¥ 1,125	¥ 187		¥ 6,314

For the year ended March 31, 2016

	Millions of Yen					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Loss on impairment	¥ 589	¥ 448	¥ 1,828	¥ 2		¥ 2,867

For the year ended March 31, 2017

	Thousands of U.S. Dollars					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Loss on impairment	$ 196	$ 44,389	$ 10,028	$ 1,667		$ 56,280

(Information Relating to the Amortization and Ending Balance of Goodwill by Reportable Segment)

For the year ended March 31, 2017

	Millions of Yen					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Amortization of goodwill	¥ 44	¥ 457	¥ 15	¥ 1		¥ 517
Ending balance	¥ 796	¥ 3,073				¥ 3,869

For the year ended March 31, 2016

	Millions of Yen					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Amortization of goodwill	¥ 49	¥ 530	¥ 23	¥ 1		¥ 603
Ending balance	¥ 896	¥ 7,096	¥ 94	¥ 1		¥ 8,087

For the year ended March 31, 2017

	Thousands of U.S. Dollars					
	Automotive Sector	Public Service Sector	Media Service Sector	Others	Eliminations/ Corporate	Total
Amortization of goodwill	$ 392	$ 4,073	$ 134	$ 9		$ 4,608
Ending balance	$ 7,095	$ 27,391				$ 34,486

(Information Relating to Bargain Purchase Gain by Reportable Segment)

For the year ended March 31, 2017

None.

For the year ended March 31, 2016

None.

22. Net Income Per Share

Information relating to basic net income per share for the years ended March 31, 2017 and 2016, were as follows:

Fiscal year ended March 31, 2017

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income attributable to owners of parent	Weighted-average	EPS	
Net income attributable to common shareholders	¥ (6,728)	138,949	¥ (48.42)	$ (0.43)

Fiscal year ended March 31, 2016

	Millions of Yen	Thousands of Shares	Yen
	Net income attributable to owners of parent	Weighted-average	EPS Restated
Net income attributable to common shareholders	¥ 3,401	138,785	¥ 24.51

Information relating to diluted net income per share is not presented in the consolidated financial statements for the year ended March 31, 2017 and 2016, because the Company does not have any dilutive shares.

23. Subsequent Events

None.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JVC KENWOOD Corporation:

We have audited the accompanying consolidated balance sheet of JVC KENWOOD Corporation and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of operations, 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 judgment, 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 JVC KENWOOD Corporation and its consolidated subsidiaries as of March 31, 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.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, certain financial information as of and for the year ended March 31, 2016, shown in the accompanying consolidated financial statements has been restated. Our opinion has 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 consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2017

JVCKENWOOD

JVCKENWOOD Corporation

● For further information, please contact:

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 JK0023
Printed in Japan