October 27, 2016

Notice Concerning Posting of Extraordinary Loss, Revisions to Consolidated Business Forecasts for the Fiscal Year Ending March 2017, Dividend Payment from Retained Earnings and Revision to Year-end Dividend Forecast

Elematec Corporation announces that the Company resolved at the board of directors meeting held on October 27, 2016 that, concerning accounts receivable for Chinese customers of Elematec (Shanghai) Trading Co., Ltd. which is one of the consolidated subsidiaries, the Company will post provision of allowance for doubtful accounts as extraordinary loss. With considering the posting of provision of allowance for doubtful accounts and the recent trends in operating results, etc., Elematec would also like to make an announcement that the Company decided to pay dividends from retained earnings at the end of the second quarter of the fiscal year ending March 2017 and revised the earnings forecast and the year-end dividend forecast for the fiscal year ending March 2017 (from April 1, 2016 to March 31, 2017), which were announced on April 27, 2016, as follows.

The Company sincerely apologizes to all the stockholders and the people concerned for concerns and trouble this may cause.

1. Posting of extraordinary loss

As for the transactions that Elematec (Shanghai) Trading Co., Ltd. conducted with a construction material supplier which is one of their customers in China, payment by the supplier for the transactions is deferred due to monetary restraint by financial institutions and the like which are resulted from sluggish demand for real estate and construction in China.

The Company considered the collectability of accounts receivable from the supplier upon the settlement of accounts for the second quarter, and concluded that it would be exceedingly difficult to collect them at this time; therefore, the Company resolved to set aside provision of allowance for doubtful accounts of 2.8 billion yen against the whole amount of the debts. The Company suspended transactions with the supplier at the beginning of this fiscal year; however, the supplier still engages in production activities and is proceeding with negotiations with local financial institutions.

2. Revisions to business forecasts

(1) Revisions to consolidated business forecasts for the fiscal year ending March 2017
(April 1, 2016 to March 31, 2017)

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecast (A)	220,000	6,150	6,100	4,400	214.91 yen
Revised forecast (B)	203,500	4,850	5,100	1,300	63.50 yen
Increase/decrease (B-A)	-16,500	-1,300	-1,000	-3,100	-
Percentage change (%)	-7.5%	-21.1%	-16.4%	-70.5%	-
Previous results (Ref.) (fiscal year ended Mar. 2015)	216,824	6,868	6,880	5,048	246.58 yen

(2) Reason for revisions

Full-year sales and earnings are expected to fall below the previous forecast due to a stagnant growth in the sales volume of devices for smartphones and display-related parts and materials, and impacts of the steep appreciation of the yen. In addition, consolidated business performance is expected to fall short of the previous forecasts because the Company will post the above-mentioned extraordinary loss; therefore, the Company will revise the full-year forecast for consolidated earnings.

3. Revision to dividends from surplus and year-end dividend forecast

(1) Description of revision

	Annual dividend (yen)		
	End of 2Q	Year-end	Total
Previous forecast	30	35	65
Revised forecast		10	20
Current results (fiscal year ending Mar. 2017)	10		
Previous results (fiscal year ended Mar. 2016)	40	35	75

(2) Reasons for revisions

The Company's basic policy is to allocate 30% of consolidated net income for the source of annual dividends.

Taking into the account the above-mentioned revision to the business forecast, the Company has calculated dividends again, and at the meeting of the board of directors held on October 27, 2016, the Company has resolved to pay 10 yen per share as the dividends from retained earnings at the end of the second quarter of the fiscal year ending March 2017. The Company has also revised the estimated year-end dividend to 10 yen per share.

Accordingly, consolidated annual payout ratio is estimated to be 31.5%.

4. Future plans

The Company will focus on collecting the debts that the supplier owes. In order to take the management responsibility for the considerable downward revision to business forecasts and the reduction in dividends, directors' bonuses pertaining to this fiscal year will not be paid. In addition, some directors offered to voluntarily return their bonuses and the Company accepted the offer. Details are as follows.

(1) Details on the reduction in directors' bonuses

President	Monthly remuneration will be reduced by 20%
Executive Vice President	Monthly remuneration will be reduced by 20%

(2) Period of reduction

From November 2016 to January 2017 (3 months)

(Note)

The above forecasts regarding future performance are based on information available at the time this report was prepared and embody uncertainties. Therefore, actual results may differ from the above forecasts due to changes in business conditions and other factors.