

ELNA CO.,LTD.

Non-Consolidated Balance Sheets
As of December 31,2016 and 2015

| Assets | Millions of Yen | | Thousands of U.S.Dollars (1US\$=¥116.49) |
|---|-----------------|----------------|--|
| | 2015 | 2016 | 2016 |
| Current assets: | | | |
| Cash on hand and in banks | ¥1,326 | ¥826 | \$7,093 |
| Notes receivable-trade | 130 | 673 | 5,781 |
| Accounts receivable-trade | 6,386 | 8,499 | 72,960 |
| Accounts receivable-other | 468 | 481 | 4,137 |
| | <u>8,311</u> | <u>10,480</u> | <u>89,972</u> |
| Less: allowance for doubtful accounts | (4,051) | (4,514) | (38,750) |
| | <u>4,260</u> | <u>5,966</u> | <u>51,222</u> |
| Inventories | 2,302 | 2,424 | 20,813 |
| Short-term loan receivable to a subsidiary | 8,064 | 8,297 | 71,227 |
| Other current assets | 145 | 232 | 1,998 |
| Total current assets | <u>14,772</u> | <u>16,921</u> | <u>145,261</u> |
| Property,plant and equipment: | | | |
| Buildings, net | 1,567 | 1,400 | 12,026 |
| Structures, net | 114 | 122 | 1,052 |
| Machinery and equipment, net | 407 | 385 | 3,309 |
| Vehicles, net | 4 | 3 | 29 |
| Tools, furniture and fixtures, net | 68 | 42 | 364 |
| Construction in progress | 14 | 10 | 93 |
| Lease assets, net | 215 | 108 | 932 |
| Land | 1,815 | 1,815 | 15,585 |
| Total property,plant and equipment | <u>4,209</u> | <u>3,890</u> | <u>33,393</u> |
| Intangible fixed assets: | 27 | 43 | 369 |
| Investments and other assets: | | | |
| Investments securities | 93 | 83 | 718 |
| Stocks of subsidiaries and an affiliate | 991 | 991 | 8,508 |
| Long-term loan to subsidiaries and an affiliate | 621 | 528 | 4,532 |
| Long-term other receivable to an affiliate | 81 | 78 | 677 |
| Other investments | 51 | 45 | 387 |
| | <u>1,838</u> | <u>1,726</u> | <u>14,824</u> |
| Less: allowance for doubtful accounts | (1) | - | - |
| Total investments and other assets | <u>1,837</u> | <u>1,726</u> | <u>14,824</u> |
| Total assets | <u>¥20,846</u> | <u>¥22,581</u> | <u>\$193,848</u> |

Non-Consolidated Balance Sheets
As of December 31,2016 and 2015

| | Millions of Yen | | Thousands of U.S.Dollars (1US\$=¥116.49) |
|---|-----------------|----------------|--|
| | 2015 | 2016 | 2016 |
| Liabilities and Net assets | | | |
| Current liabilities: | | | |
| Short-term loans payable | ¥4,235 | ¥3,848 | \$33,036 |
| Current portion of long-term loans payable | 3,587 | 422 | 3,629 |
| Lease obligations | 151 | 49 | 426 |
| Asset retirement obligations | 22 | 22 | 188 |
| Notes payable-trade | 3,366 | 3,029 | 26,003 |
| Accounts payable-trade | 2,931 | 2,857 | 24,534 |
| Notes payable-facilities | 92 | 80 | 694 |
| Accrued liabilities | 211 | 210 | 1,810 |
| | <u>14,597</u> | <u>10,521</u> | <u>90,324</u> |
| Accrued expenses | 427 | 468 | 4,022 |
| Income taxes payable | 11 | 27 | 237 |
| Deposits received | 10 | 14 | 121 |
| Other | 0 | 0 | 5 |
| Total current liabilities | <u>15,047</u> | <u>11,032</u> | <u>94,711</u> |
| Long-term liabilities: | | | |
| Long-term loans payable | 3,553 | 9,831 | 84,393 |
| Lease obligations | 92 | 79 | 686 |
| Reserve for retirement benefits | 933 | 506 | 4,345 |
| Reserve for directors' retirement benefits | 2 | 2 | 22 |
| Deferred tax liabilities | 7 | 3 | 33 |
| Deferred tax liabilities for land revaluation | 142 | 133 | 1,148 |
| Provision for loss of subsidiaries and affiliates | 37 | 144 | 1,236 |
| Other long-term liabilities | 367 | 809 | 6,952 |
| Total long-term liabilities | <u>5,137</u> | <u>11,511</u> | <u>98,817</u> |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Capital stock | 3,511 | 3,511 | 30,144 |
| Capital surplus | | | |
| Legal capital surplus | 498 | 498 | 4,282 |
| Total capital surplus | <u>498</u> | <u>498</u> | <u>4,282</u> |
| Retained earnings | | | |
| Legal retained earnings | 381 | 381 | 3,271 |
| Other retained earnings | | | |
| Retained earnings brought forward | (4,065) | (4,689) | (40,253) |
| Total retained earnings | <u>(3,684)</u> | <u>(4,308)</u> | <u>(36,982)</u> |
| Treasury stock | (4) | (4) | (40) |
| Total shareholders' equity | <u>320</u> | <u>(302)</u> | <u>(2,596)</u> |
| Valuation and translation adjustments: | | | |
| Net unrealized gains on securities | 16 | 8 | 76 |
| Deferred gains or losses on hedges | - | (3) | (26) |
| Revaluation reserve for land | 301 | 310 | 2,666 |
| Total valuation and translation adjustments: | <u>317</u> | <u>316</u> | <u>2,717</u> |
| Subscription rights to shares | 23 | 23 | 197 |
| Total net assets | <u>661</u> | <u>37</u> | <u>318</u> |
| Total liabilities and net assets | <u>¥20,846</u> | <u>¥22,581</u> | <u>\$193,848</u> |

Non-Consolidated Statements of Income
For the years ended December 31,2016 and 2015

| | Millions of Yen | | Thousands of U.S.Dollars (1US\$=¥116.49) |
|--|-----------------|---------------|--|
| | Jan'15-Dec'15 | Jan'16-Dec'16 | Jan'16-Dec'16 |
| Net sales | ¥28,035 | ¥26,461 | \$227,159 |
| Cost of sales | 26,863 | 24,814 | 213,015 |
| Gross profit | <u>1,172</u> | <u>1,647</u> | <u>14,144</u> |
| Selling,general and administrative expenses | 2,140 | 2,296 | 19,713 |
| Operating (loss) | <u>(967)</u> | <u>(648)</u> | <u>(5,569)</u> |
| Non-operating income: | | | |
| Interest income | 350 | 364 | 3,130 |
| Dividend income | 215 | 1,202 | 10,323 |
| Rent income | 79 | 76 | 659 |
| Foreign exchange gains | 0 | 32 | 279 |
| Other | 19 | 2 | 23 |
| | <u>664</u> | <u>1,679</u> | <u>14,415</u> |
| Non-operating expenses: | | | |
| Interest expenses | 515 | 641 | 5,505 |
| Commission fee | 75 | 231 | 1,985 |
| Depreciation of assets for rent | 72 | 71 | 610 |
| Other | 102 | 154 | 1,324 |
| | <u>764</u> | <u>1,098</u> | <u>9,426</u> |
| Ordinary (loss) | <u>(1,067)</u> | <u>(67)</u> | <u>(580)</u> |
| Extraordinary income: | | | |
| Gain on revision of retirement benefit plan | - | 261 | 2,245 |
| | <u>-</u> | <u>261</u> | <u>2,245</u> |
| Extraordinary losses: | | | |
| Loss on sales or disposal of fixed assets | 1 | 1 | 9 |
| Loss on valuation of investment securities | 11 | - | - |
| Loss on valuation of shares of subsidiaries and associates | 88 | - | - |
| Loss on anti monopoly act | 646 | 766 | 6,581 |
| Provision for loss on subsidiaries and affiliates | 37 | 107 | 918 |
| | <u>784</u> | <u>874</u> | <u>7,508</u> |
| (Loss) before income taxes | <u>(1,852)</u> | <u>(680)</u> | <u>(5,843)</u> |
| Income taxes - Current | (68) | (57) | (493) |
| Income taxes - Deferred | 426 | - | - |
| Net (loss) | <u>(¥2,210)</u> | <u>(¥623)</u> | <u>(\$5,350)</u> |
| | Yen | | |
| Per share: | | | |
| Net (loss) | (¥52.29) | (¥11.00) | (\$0.09) |
| Cash dividends | - | - | - |
| Weighted average number of shares | 42,276,326 | 56,617,024 | |

ELNA CO.,LTD.

Non-Consolidated Statements of Changes in Net Assets

For the years ended December 31,2016 (January 1, 2016 - December 31, 2016)

(Millions of Yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | | Treasury stock | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings | | |
| Balance at the beginning of current period | ¥3,511 | ¥498 | ¥498 | ¥381 | ¥(4,065) | ¥(3,684) | ¥(4) | ¥320 |
| Changes of items during the fiscal year | | | | | | | | |
| Net (loss) | | | | | (623) | (623) | | (623) |
| Purchase of treasury stock | | | | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during the fiscal year | - | - | - | - | (623) | (623) | (0) | (623) |
| Balance at the end of current period | ¥3,511 | ¥498 | ¥498 | ¥381 | ¥(4,689) | ¥(4,308) | ¥(4) | ¥(302) |

| | Valuation and translation adjustments | | | | Subscription rights to shares | Total net assets |
|--|---------------------------------------|------------------------------------|------------------------------|---|-------------------------------|------------------|
| | Net unrealized gains on securities | Deferred gains or losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | | |
| Balance at the beginning of current period | ¥16 | - | ¥301 | ¥317 | ¥23 | ¥661 |
| Changes of items during the fiscal year | | | | | | |
| Net (loss) | | | | | | (623) |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | (7) | (3) | 8 | (1) | - | (1) |
| Total changes of items during the fiscal year | (7) | (3) | 8 | (1) | - | (624) |
| Balance at the end of current period | ¥8 | ¥(3) | ¥310 | ¥316 | ¥23 | ¥37 |

ELNA CO.,LTD.

Non-Consolidated Statements of Changes in Net Assets

For the years ended December 31,2016 (January 1, 2016 - December 31, 2016)

(Thousands of U.S.Dollars (1US\$=¥116.49))

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | | Treasury stock | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings | | |
| | | | | | Retained earnings brought forward | | | |
| Balance at the beginning of current period | \$30,144 | \$4,282 | \$4,282 | \$3,271 | \$(34,903) | \$(31,631) | \$(39) | \$2,755 |
| Changes of items during the fiscal year | | | | | | | | |
| Net (loss) | | | | | (5,350) | (5,350) | | (5,350) |
| Purchase of treasury stock | | | | | | | (1) | (1) |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during the fiscal year | - | - | - | - | (5,350) | (5,350) | (1) | (5,351) |
| Balance at the end of current period | \$30,144 | \$4,282 | \$4,282 | \$3,271 | \$(40,253) | \$(36,982) | \$(40) | \$(2,596) |

| | Valuation and translation adjustments | | | | Subscription rights to shares | Total net assets |
|--|---------------------------------------|------------------------------------|------------------------------|---|-------------------------------|------------------|
| | Net unrealized gains on securities | Deferred gains or losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | | |
| Balance at the beginning of current period | \$137 | - | \$2,590 | \$2,727 | \$197 | \$5,681 |
| Changes of items during the fiscal year | | | | | | |
| Net (loss) | | | | | | (5,350) |
| Purchase of treasury stock | | | | | | (1) |
| Net changes of items other than shareholders' equity | (60) | (26) | 76 | (10) | - | (10) |
| Total changes of items during the fiscal year | (60) | (26) | 76 | (10) | - | (5,362) |
| Balance at the end of current period | \$76 | \$(26) | \$2,666 | \$2,717 | \$197 | \$318 |

ELNA CO.,LTD.

Non-Consolidated Statements of Changes in Net Assets

For the years ended December 31,2015 (January 1, 2015 - December 31, 2015)

(Millions of Yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | | Treasury stock | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings | | |
| | | | | | Retained earnings brought forward | | | |
| Balance at the beginning of current period | ¥3,511 | ¥498 | ¥498 | ¥381 | ¥(1,855) | ¥(1,474) | ¥(4) | ¥2,531 |
| Changes of items during the fiscal year | | | | | | | | |
| Net (loss) | | | | | (2,210) | (2,210) | | (2,210) |
| Purchase of treasury stock | | | | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during the fiscal year | - | - | - | - | (2,210) | (2,210) | (0) | (2,210) |
| Balance at the end of current period | ¥3,511 | ¥498 | ¥498 | ¥381 | ¥(4,065) | ¥(3,684) | ¥(4) | ¥320 |

| | Valuation and translation adjustments | | | Subscription rights to shares | Total net assets |
|--|---------------------------------------|------------------------------|---|-------------------------------|------------------|
| | Net unrealized gains on securities | Revaluation reserve for land | Total valuation and translation adjustments | | |
| Balance at the beginning of current period | ¥10 | ¥288 | ¥299 | ¥23 | ¥2,853 |
| Changes of items during the fiscal year | | | | | |
| Net (loss) | | | | | (2,210) |
| Purchase of treasury stock | | | | | (0) |
| Net changes of items other than shareholders' equity | 5 | 12 | 18 | - | 18 |
| Total changes of items during the fiscal year | 5 | 12 | 18 | - | (2,192) |
| Balance at the end of current period | ¥16 | ¥301 | ¥317 | ¥23 | ¥661 |