Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2012, and Independent Auditor's Report

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 2) 2012	Thousands of U.S. Dollars (Note 2) 2011
CURRENT ASSETS:				
Cash and cash equivalents (Note 14)	¥ 56,959	¥ 43,418	$ 694,622	$ 529,488
Short-term investments (Note 14)	1,219	1,698	14,866	20,707
Trade receivables (Note 14):				
Notes	797	165	9,720	2,012
Accounts	39,957	63,460	487,280	773,902
Allowance for doubtful receivables	(34)	(56)	(415)	(682)
Inventories (Note 5)	20,735	30,305	252,866	369,573
Deferred tax assets (Note 12)	533	2,583	6,500	31,500
Prepaid expenses and other current assets	1,723	2,228	21,012	27,171
Total current assets	121,889	143,801	1,486,451	1,753,671
PROPERTY, PLANT AND EQUIPMENT(Note 10):				
Land	5,637	5,889	68,744	71,817
Buildings and structures	26,712	30,291	325,756	369,402
Machinery and equipment	78,074	82,522	952,122	1,006,366
Furniture and fixtures	38,695	41,035	471,890	500,427
Construction in progress	868	658	10,585	8,025
Total	149,986	160,395	1,829,097	1,956,037
Accumulated depreciation	(125,542)	(120,580)	(1,531,000)	(1,470,488)
Net property, plant and equipment	24,444	39,815	298,097	485,549
INVESTMENTS AND OTHER ASSETS:				
Investments in unconsolidated subsidiaries	50	199	610	2,427
Investment securities (Notes 4 and 14)	542	273	6,610	3,329
Software (Note 10)	283	1,219	3,451	14,866
Deferred tax assets (Note 12)	2,445	2,585	29,817	31,524
Prepaid pension expense	1,808	2,861	22,049	34,890
Long-term receivables and other assets (Note 10)	1,199	1,075	14,622	13,110
Total investments and other assets	6,327	8,212	77,159	100,146
TOTAL	¥ 152,660	¥ 191,828	$1,861,707	$2,339,366

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2012

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 2) 2012	Thousands of U.S. Dollars (Note 2) 2011
CURRENT LIABILITIES:				
Short-term bank loans (Notes 6 and 14)	¥ 5,014	¥ 5,072	$ 61,146	$ 61,854
Trade payables (Note 14):				
Notes	1,248	2,123	15,220	25,890
Accounts	22,284	33,991	271,756	414,524
Income taxes payable	184	477	2,244	5,817
Accrued expenses	4,456	4,724	54,341	57,610
Other current liabilities	8,674	3,857	105,781	47,037
Total current liabilities	41,860	50,244	510,488	612,732
LONG-TERM LIABILITIES:				
Liability for retirement benefits (Note 7)	707	607	8,622	7,402
Deferred tax liabilities (Note 12)	786	1,097	9,585	13,378
Long term payable	205	205	2,500	2,500
Other liabilities	14	15	171	183
Total long-term liabilities	1,712	1,924	20,878	23,463
Total liabilities	43,572	52,168	531,366	636,195
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 17)				
EQUITY (Note 8):				
Common stock—authorized, 200,000,000 shares; issued, 87,498,119 shares in 2012 and 2011	39,890	39,890	486,463	486,463
Capital surplus	43,252	43,252	527,463	527,463
Retained earnings	42,078	72,163	513,146	880,037
Treasury stock—at cost (45,652 shares in 2012 and 44,839 shares in 2011)	(91)	(91)	(1,109)	(1,109)
Accumulated other comprehensive income:				
Net unrealized gain on available-for-sale securities	6	6	73	73
Foreign currency translation adjustments	(16,047)	(15,560)	(195,695)	(189,756)
Total equity	109,088	139,660	1,330,341	1,703,171
TOTAL	¥ 152,660	¥ 191,828	$ 1,861,707	$2,339,366

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2012	2011	2012	2011
NET SALES (Note 15)	¥ 167,208	¥ 187,419	$ 2,039,122	$ 2,285,598
COST OF SALES (Note 16)	164,244	179,977	2,002,976	2,194,842
Gross profit	2,964	7,442	36,146	90,756
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	11,321	12,462	138,061	151,976
Operating loss	(8,357)	(5,020)	(101,915)	(61,220)
OTHER INCOME (EXPENSES):				
Interest income	112	100	1,366	1,220
Interest expense	(40)	(47)	(488)	(573)
Loss on disposals of property, plant and equipment	(274)	(362)	(3,341)	(4,415)
Foreign exchange gain (loss)	390	(1,158)	4,756	(14,122)
Special retirement benefits to employees (Note 11)	(5,210)	(68)	(63,537)	(829)
Loss on impairment of long-lived assets and intangible assets (Note 10)	(12,685)		(154,695)	
Losses from a natural disaster (Note 9)		(187)		(2,280)
Gain on insurance claim		63		768
Reversal of patent loyalty		198		2,415
Other—net	246	(79)	3,000	(964)
Other income (expenses)—net	(17,461)	(1,540)	(212,939)	(18,780)
LOSS BEFORE INCOME TAXES	(25,818)	(6,560)	(314,854)	(80,000)
INCOME TAXES (Note 12):				
Current	644	1,415	7,854	17,256
Deferred	1,874	(4,434)	22,853	(54,073)
Total income taxes	2,518	(3,019)	30,707	(36,817)
NET LOSS	¥ (28,336)	¥ (3,541)	$ (345,561)	$ (43,183)

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2012

	Yen		U.S. Dollars (Note 2)	
	2012	2011	2012	2011
PER SHARE OF COMMON STOCK (Notes 1.r and 18):				
Net loss	¥ (324.01)	¥(40.49)	$ (3.95)	$ (0.49)
Cash dividends applicable to the year	20.00	35.00	0.24	0.43

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2012	2011	2012	2011
NET LOSS	¥ (28,336)	¥ (3,541)	$ (345,561)	$ (43,183)
OTHER COMPREHENSIVE INCOME (Note 17):				
Net unrealized gain on available-for-sale securities		(3)		(37)
Foreign currency translation adjustments	(487)	(2,369)	(5,939)	(28,890)
Total other comprehensive income	(487)	(2,372)	(5,939)	(28,927)
COMPREHENSIVE INCOME (Note 17)	(28,823)	(5,913)	(351,500)	(72,110)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):				
Owners of the parent	¥ (28,823)	¥ (5,913)	$ (351,500)	$ (72,110)

See note to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2012

	Issued Number of Shares of Common Stock	Millions of Yen						
						Accumulated other comprehensive income		
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, APRIL 1, 2010	87,498,119	¥ 39,890	¥ 43,252	¥ 78,746	¥ (89)	¥ 9	¥ (13,191)	¥ 148,617
Net loss				(3,541)				(3,541)
Cash dividends, ¥ 35 per share				(3,061)				(3,061)
Change of scope of consolidation				19				19
Treasury stock acquired—net (1,375 shares)					(2)			(2)
Net change in the year						(3)	(2,369)	(2,372)
BALANCE, MARCH 31, 2011	87,498,119	¥ 39,890	¥ 43,252	¥ 72,163	¥ (91)	¥ 6	¥(15,560)	¥139,660
Net loss				(28,336)				(28,336)
Cash dividends, ¥20 per share				(1,749)				(1,749)
Treasury stock acquired—net (813 shares)								
Net change in the year							(487)	(487)
BALANCE, MARCH 31, 2012	87,498,119	¥ 39,890	¥ 43,252	¥ 42,078	¥ (91)	¥ 6	¥(16,047)	¥ 109,088

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31 , 2012

	Thousands of U.S. Dollars (Note 2)						
					Accumulated other comprehensive income		
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, APRIL 1, 2010	$ 486,463	$ 527,463	$960,317	$ (1,085)	$ 110	$(160,866)	$1,812,402
Net loss			(43,183)				(43,183)
Cash dividends, $0.43 per share			(37,329)				(37,329)
Change of scope of consolidation			232				232
Treasury stock acquired—net (1,375 shares)				(24)			(24)
Net change in the year					(37)	(28,890)	(28,927)
BALANCE, MARCH 31, 2011	$ 486,463	$ 527,463	$880,037	$ (1,109)	$ 73	$ (189,756)	$1,703,171
Net loss			(345,561)				(345,561)
Cash dividends, $0.24 per share			(21,330)				(21,330)
Treasury stock acquired—net (813 shares)							
Net change in the year						(5,939)	(5,939)
BALANCE, MARCH 31, 2012	$ 486,463	$ 527,463	$513,146	$ (1,109)	$ 73	$(195,695)	$1,330,341

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2012	2011	2012	2011
OPERATING ACTIVITIES:				
Loss before income taxes	¥(25,818)	¥ (6,560)	$(314,854)	$(80,000)
Adjustments for:				
Income taxes—paid	(935)	(1,544)	(11,402)	(18,829)
Income taxes—refunded	342	99	4,171	1,207
Depreciation and amortization	10,299	11,444	125,598	139,561
Loss on impairment of long-lived assets and intangible assets	12,685		154,695	
Reversal of allowance for doubtful receivables—net	(140)	(34)	(1,707)	(415)
(Gain) loss on sales of property, plant and equipment	(213)	26	(2,598)	317
Loss on disposal of property, plant and equipment	274	362	3,341	4,415
Provision for retirement benefits	93	16	1,134	195
Foreign exchange gain	(21)	(577)	(256)	(7,037)
Gain on insurance		222		2,707
Losses from a natural disaster		187		2,280
Special retirement benefits to employees	5,033	68	61,378	829
Changes in assets and liabilities:				
Decrease in notes and accounts receivable	23,002	5,464	280,512	66,634
Decrease (increase) decrease in inventories	9,559	(6,161)	116,573	(75,134)
Decrease in interest and dividend receivable	1	11	12	134
Decrease in other assets	97	415	1,184	5,062
(Decrease) increase in notes and accounts payable	(12,771)	1,861	(155,744)	22,695
Decrease in other liabilities	(52)	(587)	(634)	(7,157)
Decrease in prepaid pension expense	1,053	745	12,841	9,085
Total adjustments	48,306	12,017	589,098	146,549
Net cash provided by operating activities	22,488	5,457	274,244	66,549
INVESTING ACTIVITIES:				
Investment in time deposits—net	421	(460)	5,134	(5,610)
Proceeds from sales of property, plant and equipment	538	284	6,561	3,463
Purchases of property, plant and equipment	(7,738)	(13,270)	(94,366)	(161,829)
Other—net	(283)	(517)	(3,451)	(6,304)
Net cash used in investing activities	(7,062)	(13,963)	(86,122)	(170,280)
FORWARD	¥ 15,426	¥ (8,506)	$ 188,122	$ (103,731)

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2012	2011	2012	2011
FORWARD	¥ 15,426	¥ (8,506)	$ 188,122	$ (103,731)
FINANCING ACTIVITIES:				
Dividends paid	(1,753)	(3,060)	(21,378)	(37,317)
Other—net		(2)		(24)
Net cash used in financing activities	(1,753)	(3,062)	(21,378)	(37,341)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(132)	(953)	(1,610)	(11,623)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,541	(12,521)	165,134	(152,695)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,418	55,869	529,488	681,329
CHANGE OF SCOPE OF CONSOLIDATION		70		854
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 56,959	¥ 43,418	$ 694,622	$ 529,488

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Year Ended March 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Basis of Presentation of Consolidated Financial Statements—***The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity 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 the 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.

The consolidated financial statements as of March 31, 2012 include the accounts of the parent company (the "Company"), and its 17 significant (17 in 2011) subsidiaries (together, the "Companies"). All material inter-company balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are also eliminated.

Investments in unconsolidated subsidiary is accounted for by the equity method. Investments in the remaining unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investments in this company, the effect on the accompanying consolidated financial statements would not be material.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—***In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) 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, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process 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; 3) expensing capitalized development costs of R&D; 4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

c. ***Cash and Cash Equivalents—***Cash and cash equivalents include cash on hand and deposits in banks, including time deposits with a maturity of three months or less.

d. ***Short-term Investments—***Short-term investments consist of time deposits with original maturities of three months to one year.

e. ***Allowance for Doubtful Receivables—***The Company provides for possible losses in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. Overseas subsidiaries provide for possible losses at an estimated amount of probable bad debts.

f. ***Inventories—***Finished products and work in process are stated at the lower of cost determined by the average cost method, or net selling value.

Raw materials, purchased components and supplies are stated at the most recent purchase price which approximates cost determined using the first-in, first-out method.

g. ***Property, Plant and Equipment and Depreciation***— Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized while maintenance, repairs, minor renewals and improvements are charged to income.

Depreciation of property, plant and equipment is computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, for assets held by the Company, and under the straight-line method for assets held by consolidated foreign subsidiaries, based on the estimated useful lives of the assets according to general class, type of construction and use.
The overall annual effective rates of depreciation as a percentage of acquisition cost by major category of property, plant and equipment are as follows:

	2012	2011
Buildings and structures	3.7%	4.0%
Machinery and equipment	7.6%	7.8%

The range of useful lives is principally from 15 to 38 years for buildings and structures, from 5 to 10 years for machinery and equipment, and from 2 to 8 years for furniture and fixtures. The useful lives for lease assets are the term of respective leases.

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

i. ***Investment Securities***—Investment securities are classified and accounted for, depending on management`s intent, as follows: available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable 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.

j. ***Other Assets***—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Software development costs are amortized over three to five years.

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

l. ***Leases***— In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008.

m. ***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 tax laws to the temporary differences.

n. ***Liability for Retirement Benefits—*** The Company and certain consolidated subsidiaries have a non-contributory funded pension plan covering substantially all of their employees. Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefits obligation and plan assets at the consolidated balance sheet date. Of the transitional obligation of ¥12,579 million ($153,402 thousand), ¥2,279 million ($27,793 thousand) was charged to income by way of contribution of certain available-for-sale securities to the employee retirement benefit trust. The remaining balance, ¥10,300 million ($125,610 thousand), is being amortized over 15 years except for amortization of transfer of the substitutional portion of the governmental pension program.

Certain foreign consolidated subsidiaries have unfunded retirement plans and have recorded a liability for retirement allowances at 100% of the amount which would be required if all employees voluntarily terminated their employment at the balance sheet date.

o. ***Derivatives and Hedge Activities—***The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of operations or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures for export sales. Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

p. ***Foreign Currency Translations—***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 consolidated balance sheet date. The foreign exchange gains and losses from the translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

q. ***Foreign Currency Financial Statements—***The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at historical rates. Differences arising from such translation are shown as “Foreign Currency translation adjustments” under accumulated other comprehensive income in a separate component equity.

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

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

The average number of common shares used in the computation was 87,453 thousand and 87,454 thousand for the years ended March 31, 2012 and 2011, respectively.

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

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

(1) Changes in Accounting Policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

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

(3) Changes in Accounting Estimates

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

(4) Corrections of Prior Period Errors

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

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

t. *New Accounting Pronouncements*

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(*a*) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(*b*) Treatment in the statement of operations and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

2. TRANSLATION INTO U.S. DOLLARS

The Company maintains its accounts in Japanese yen, the currency of the country in which it is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for 2012 and 2011 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82 = $1, the approximate rate of exchange at March 31, 2012. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

3. RECLASSIFICATIONS

Certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012. Prior to April 1, 2012, the income taxes –refunded was included in the income taxes –paid among the OPERATING ACTIVITIES section of the consolidated statement of cash flows. Since during this fiscal year ended March 31, 2012 the amount increased significantly, such amount is disclosed separately in the OPERATING ACTIVITIES section of the consolidated statement of cash flows as of March 31, 2012. The amount included in the income taxes – paid as of March 31, 2011, was ¥99 million ($1,207 thousand).

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Marketable equity securities	¥ 39	¥ 69	$ 476	$ 841
Non-marketable equity securities	503	204	6,134	2,488
Total	¥ 542	¥ 273	$ 6,610	$ 3,329

The carrying amounts and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥29	¥10		¥39
March 31, 2011				
Available-for-sale:				
Equity securities	¥ 59	¥10		¥69

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$354	$122		$476
March 31, 2011				
Available-for-sale:				
Equity securities	$719	$122		$841

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 31, 2012 was as follows:

March 31, 2012	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 31	¥ 1	
Total	¥ 31	¥ 1	

March 31, 2012	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 378	$ 12	
Total	$ 378	$ 12	

5. INVENTORIES

Inventories at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Finished products	¥ 1,886	¥ 2,572	$ 23,000	$ 31,366
Work in process	4,546	4,137	55,439	50,451
Raw materials, purchased components and supplies	14,303	23,596	174,427	287,756
Total	¥ 20,735	¥ 30,305	$ 252,866	$ 369,573

6. SHORT-TERM BANK LOANS

The short-term bank loans at March 31, 2012 and 2011 consisted of short-term notes, generally having a maturity of 180 days, bearing an average interest rate of 0.7% and 0.9% per annum at March 31, 2012 and 2011, respectively.

7. LIABILITY FOR RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under the plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Projected benefit obligation	¥ 29,874	¥ 27,667	$ 364,317	$ 337,402
Fair value of plan assets	(23,128)	(22,119)	(282,049)	(269,744)
Unrecognized transitional obligation	(1,098)	(1,465)	(13,390)	(17,866)
Unrecognized actuarial loss	(6,749)	(6,337)	(82,305)	(77,280)
Prepaid pension expense	1,808	2,861	22,049	34,890
Net retirement benefit obligation	¥ 707	¥ 607	$ 8,622	$ 7,402

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Service cost	¥ 1,587	¥ 1,504	$ 19,354	$ 18,341
Interest cost	566	644	6,902	7,854
Expected return on plan assets	(428)	(409)	(5,219)	(4,987)
Amortization of transitional obligation	366	366	4,463	4,463
Amortization of actuarial gain/loss	1,167	1,138	14,232	13,878
Net periodic benefit costs	¥ 3,258	¥ 3,243	$ 39,732	$ 39,549

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	Mainly 1.7%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Amortization period of transitional obligation	15 years	15 years
Recognition period of actuarial gain/loss	10 years	10 years

8. 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 such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year, if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Companies Act also 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 an 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 the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by 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.

9. LOSSES FROM A NATURAL DISASTER

The Company recorded losses from a natural disaster due to aftermath of the 2011 The Great East Japan Earthquake on March 11, 2011. The details are as follows:

March 31, 2011	Millions of yen	Thousands of U.S. Dollars
Disposal of inventories and fixed asset	¥ 49	$ 598
Maintenance or repair for building and equipment	47	573
Fixed cost during suspension of operation	80	976
Others	11	133
Total	¥ 187	$ 2,280

10. LONG-LIVED ASSETS AND INTANGIBLE ASSETS

The Companies reviewed its long-lived assets and intangible assets for impairment as of March 31, 2012. As a result, the Companies recognized an impairment loss of ¥12,685 million ($154,695 thousand) for certain assets used for business in the Company and certain subsidiaries, about which the Companies no longer expect to gain the cash flows expected at the time of investment, and certain idle assets, for which the market value declined. The carrying amount of these assets was written down to the recoverable amount for the year ended March 31, 2012

March 31, 2012	Millions of yen	Thousands of U.S. Dollars
Land	¥ 42	$ 512
Buildings and structures	3,225	39,329
Machinery and equipment	6,321	77,086
Furniture and fixtures	2,390	29,146
Intangible assets and others	707	8,622
Total	¥ 12,685	$ 154,695

The Companies changed the grouping method of assets used for business in 2012, to evaluate assets more appropriately. Prior to 2012, the Companies had identified each department and subsidiary as the basic unit for grouping of assets. Effective 2012, the Companies identify each department in terms of consolidation as the basic unit for grouping of assets.

The recoverable amount of the assets used in business was measured at their value in use. As a result, the recoverable amount was measured as zero value, since estimated future cash flows that is the basis for calculation of value in use are negative at this time.
For the idle assets (Land) , the recoverable amount was measured at their net selling price. The net selling price was reasonably calculated based on the roadside value and so forth.

No impairment loss was recognized in 2011.

11. SPECIAL RETIREMENT BENEFITS TO EMPLOYEES

For the year ended March 31, 2012
The main components of special retirement benefits to employees are ¥3,890 million ($47,439 thousand), the special additional amount due to review of the selective retirement system in the Company, and ¥1,233 million ($15,037 thousand), the compensation to employees incurred due to transfer of the consolidated subsidiary.

For the year ended March 31, 2011
The component of special retirement benefits to employees is the special additional amount in the consolidated subsidiaries.

12. INCOME TAXES

The Company is subject to corporate (national), inhabitants and enterprise (local) taxes which, in the aggregate, would normally result in an effective statutory tax rate of approximately 38.0% and 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Deferred tax assets—current:				
Non-deductible portion of bonuses	¥ 489	¥ 550	$ 5,963	$ 6,707
Non-deductible loss on valuation of inventories	577	481	7,037	5,866
Foreign tax credits	20	449	244	5,476
Accrued expense	1,756	308	21,415	3,756
Loss carried forward	69	451	841	5,500
Others	232	371	2,829	4,524
Total deferred tax assets	3,143	2,610	38,329	31,829
Less valuation allowance	(2,602)	(10)	(31,731)	(122)
Deferred tax assets, net of valuation allowance	541	2,600	6,598	31,707
Deferred tax liabilities	(8)	(17)	(98)	(207)
Net current deferred tax assets	¥ 533	¥ 2,583	$ 6,500	$ 31,500

Deferred tax liabilities-current:				
Reserve for reduction of fixed assets	¥ (8)	¥ (17)	$ (98)	$ (207)
Others	(7)		(85)	
Total deferred tax liabilities	(15)	(17)	(183)	(207)
Deferred tax assets	8	17	98	207
Net current deferred tax liabilities	¥ (7)	¥	$ (85)	$

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Deferred tax assets—non-current:				
Loss on impairment of long-lived assets	¥ 3,466	¥ 89	$ 42,268	$ 1,085
Loss carried forward	7,318	3,447	89,244	42,037
Depreciation and amortization	462	640	5,634	7,805
Allowance for retirement benefits	311	340	3,793	4,146
Loss on valuation of shares in subsidiary	523		6,378	
Loss on valuation of investment in subsidiary	533		6,500	
Others	718	411	8,756	5,012
Total deferred tax assets	13,331	4,927	162,573	60,085
Less valuation allowance	(9,832)	(740)	(119,902)	(9,024)

Deferred tax assets, net of valuation allowance	3,499	4,187	42,671	51,061
Deferred tax liabilities	(1,054)	(1,602)	(12,854)	(19,537)
Net non-current deferred tax assets	¥ 2,445	¥ 2,585	$ 29,817	$ 31,524
Deferred tax liabilities—non-current:				
Undistributed earnings of subsidiaries	¥ (786)	¥ (1,092)	$ (9,585)	$ (13,317)
Loss on valuation of shares in subsidiary	(214)	(204)	(2,610)	(2,488)
Prepaid pension expense	(642)	(1,164)	(7,829)	(14,195)
Reserve for reduction of fixed assets	(195)	(230)	(2,378)	(2,805)
Others	(3)	(9)	(37)	(110)
Total deferred tax liabilities	(1,840)	(2,699)	(22,439)	(32,915)
Deferred tax assets	1,054	1,602	12,854	19,537
Net non-current deferred tax liabilities	¥ (786)	¥ (1,097)	$ (9,585)	$ (13,378)

Due to loss before income taxes, there is no data for the years ended March 31, 2012 and 2011.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was immaterial.

The Companies have tax loss carryforwards for corporate tax purposes of approximately ¥7,387 million ($90,085 thousand), which are available to be offset against taxable income of such companies in future years. These loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013		
2014 and thereafter	¥ 7,387	$ 90,085
Total	¥ 7,387	$ 90,085

13. LEASES

The Companies lease office spaces, certain computer equipment and other assets. Total rental expenses including lease payments under finance leases for the years ended March 31, 2012 and 2011 were ¥576 million ($7,024 thousand) and ¥652 million ($7,951 thousand), respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen			
	March 31, 2012			
	Machinery and	Furniture and	Other	Total

	Equipment	Fixtures		
Acquisition cost	¥ 56	¥148	¥4	¥208
Accumulated depreciation	47	126	4	177
Net leased property	¥9	¥22	¥	¥31

	Thousands of U.S. Dollars			
	March 31, 2012			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$ 683	$ 1,805	$ 49	$ 2,537
Accumulated depreciation	573	1,537	49	2,159
Net leased property	$110	$268	$	$ 378

	Millions of Yen			
	March 31, 2011			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 56	¥ 192	¥ 12	¥ 260
Accumulated depreciation	38	142	9	189
Net leased property	¥ 18	¥ 50	¥ 3	¥ 71

	Thousands of U.S. Dollars			
	March 31, 2011			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$ 683	$ 2,341	$ 147	$ 3,171
Accumulated depreciation	463	1,732	110	2,305
Net leased property	$ 220	$ 609	$ 37	$ 866

Obligations under finance leases as of March 31, 2012 and 2011 are due as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2012	2011	2012	2011
Due within one year	¥ 30	¥ 40	$ 366	$ 488
Due after one year	1	31	12	378
Total	¥ 31	¥ 71	$ 378	$ 866

The amount of acquisition cost obligations under finance leases includes the imputed interest expense portion. In Japan, a computation of interest expense for finance leases on an "as if capitalized" basis is not required unless such amount is deemed material.

Depreciation expense computed by the straight-line method, which is not reflected in the accompanying consolidated statement of operations for the years ended March 31, 2012 and 2011 totalled ¥40 million ($488 thousand) and ¥61 million ($744 thousand), respectively.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for financial instruments

The Companies use financial instruments, short-term funds including bank loans, transfer of receivables and electronic commercial paper, long-term funds including bond and bank loans. Derivatives are used, not for speculative purposes, but to reduce the risk of fluctuation in exchange rates.

(2) Nature and extent of risks arising from financial instruments

Deposits are exposed to bank credit risk.

Operating receivables such as notes receivable and accounts receivable trade are exposed to customer credit risk. Receivables in foreign currencies and deposits in foreign currencies are exposed to the risk of fluctuation in exchange rates.

The payment term of operating payables such as trade notes payable and accounts payable trade are less than one year. Payables in foreign currencies are exposed to the risk of fluctuation in exchange rates. Marketable and contribution securities are exposed to the risk of market price fluctuations.

(3) Risk management for financial instruments

(i) Credit risk management

The Companies manage its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

(ii) Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. The Companies monitor fluctuations in each currency every month. The Companies check the market price of marketable and contribution securities and monitors market price fluctuations.

(iii) Liquidity risk management

Liquidity risk comprises the risk that the Companies cannot meet its contractual obligations in full on maturity dates. The Companies complete or updates annual cash management plans every six months. In case financing is needed, the Companies choose from among several financing methods. In addition, in order to manage cash, the Companies compare actual cash management with cash management plans every month. In case where the Companies estimate a shortage of cash due to unexpected demands of funds, the Companies address the shortage in advance using financial methods for short-term funds such as transfer of receivables, electronic commercial paper and commitment lines.

(4) Supplemental remarks for fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. These techniques take into account variable factors and, therefore, prices can fluctuate when different preconditions are used.

(5) Concentration of credit risk

27.7% of total receivables are from one major customer of the Companies as of March 31, 2012.

Fair value of financial instruments

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 56,959	¥ 56,959	
Short-term investments	1,219	1,219	
Note receivables	797	797	
Accounts receivables	39,957	39,957	
Investment securities	39	39	
Total	¥ 98,971	¥ 98,971	

Short-term bank loans	¥ 5,014	¥ 5,014	
Note payables	1,248	1,248	
Accounts payables	22,284	22,284	
Total	¥ 28,546	¥ 28,546	

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 43,418	¥ 43,418	
Short-term investments	1,698	1,698	
Note receivables	165	165	
Accounts receivables	63,460	63,460	
Investment securities	69	69	
Total	¥108,810	¥ 108,810	
Short-term bank loans	¥ 5,072	¥ 5,072	
Note payables	2,123	2,123	
Accounts payables	33,991	33,991	
Total	¥ 41,186	¥ 41,186	

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 694,622	$ 694,622	
Short-term investments	14,866	14,866	
Note receivables	9,720	9,720	
Accounts receivables	487,280	487,280	
Investment securities	476	476	
Total	$1,206,964	$ 1,206,964	
Short-term bank loans	$ 61,146	$ 61,146	
Note payables	15,220	15,220	
Accounts payables	271,756	271,756	
Total	$ 348,122	$ 348,122	

	Thousands of U.S. Dollars		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 529,488	$ 529,488	
Short-term investments	20,707	20,707	
Note receivables	2,012	2,012	
Accounts receivables	773,902	773,902	
Investment securities	841	841	
Total	$1,326,950	$1,326,950	
Short-term bank loans	$ 61,854	$ 61,854	
Note payables	25,890	25,890	
Accounts payables	414,524	414,524	
Total	$ 502,268	$ 502,268	

Cash and Cash Equivalents, Short-term investments, Note receivables and Account receivables

The carrying values of cash and cash equivalents 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 for the equity instruments. Fair value information for marketable and investment securities by classification is included in Note 4.

Short-term bank loans, Note payables and Accounts payables

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

Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
March 31, 2012	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥553	$ 6,744

	Carrying Amount	
March 31, 2011	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥403	$ 4,915

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2012	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	¥ 56,959			
Short-term investments	1,219			
Note receivables	797			
Accounts receivables	39,957			
Total	¥ 98,932			

	Thousands of U.S. Dollars			
March 31, 2012	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	$ 694,622			
Short-term investments	14,866			
Note receivables	9,720			
Accounts receivables	487,280			
Total	$ 1,206,488			

15. SEGMENT INFORMATION

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

1. Description of reportable segments

The Companies operate within one business segment, which is the manufacturing and sale of electronic parts.

2. Related information

(1) Information about products and services

	Millions of Yen						
	2012						
	Semi-conductor device	Optical device	Mechanical parts	High-frequency parts	Power supply parts	Information and telecommu-nication equipment	Total
Sales to external customers	¥ 31,600	¥ 11,082	¥ 80,256	¥ 23,942	¥ 17,713	¥ 2,615	¥ 167,208

	Millions of Yen						
	2011						
	Semi-conductor device	Optical device	Mechanical parts	High-frequency parts	Power supply parts	Information and telecommu-nication equipment	Total
Sales to external customers	¥ 34,942	¥ 13,759	¥ 83,523	¥ 30,979	¥ 19,407	¥ 4,809	¥ 187,419

	Thousands of U.S. Dollars						
	2012						
	Semi-conductor device	Optical device	Mechanical parts	High-frequency parts	Power supply parts	Information and telecommu-nication equipment	Total
Sales to external customers	$ 385,366	$ 135,146	$ 978,732	$ 291,976	$ 216,012	$ 31,890	$ 2,039,122

	Thousands of U.S. Dollars						
	2011						
	Semi-conductor device	Optical device	Mechanical parts	High-frequency parts	Power supply parts	Information and telecommu-nication equipment	Total
Sales to external customers	$ 426,122	$ 167,793	$ 1,018,573	$ 377,793	$ 236,671	$ 58,646	$ 2,285,598

(2) Information about geographical areas

(a) Sales

Millions of Yen				
2012				
Japan	Asia	Europe	North America	Total
¥ 98,003	¥ 64,630	¥ 3,608	¥ 967	¥ 167,208

Millions of Yen				
2011				
Japan	Asia	Europe	North America	Total
¥ 100,701	¥ 81,205	¥ 3,918	¥ 1,595	¥ 187,419

Thousands of U.S. Dollars				
2012				
Japan	Asia	Europe	North America	Total
$ 1,195,158	$ 788,171	$ 44,000	$ 11,793	$ 2,039,122

Thousands of U.S. Dollars				
2011				
Japan	Asia	Europe	North America	Total
$ 1,228,061	$ 990,305	$ 47,781	$ 19,451	$ 2,285,598

Note: Sales are classified in countries or regions based on location of customers.

(b) Property, plant and equipment

Millions of Yen			
2012			
Japan	Asia	Others	Total
¥ 16,669	¥ 7,613	¥ 162	¥ 24,444

Millions of Yen			
2011			
Japan	Asia	Others	Total
¥ 26,976	¥ 12,659	¥ 180	¥ 39,815

Thousands of U.S. Dollars			
2012			
Japan	Asia	Others	Total
$ 203,281	$ 92,841	$ 1,976	$ 298,098

Thousands of U.S. Dollars			
2011			
Japan	Asia	Others	Total
$ 328,976	$ 154,378	$ 2,195	$ 485,549

(3) Information about major customers

	Millions of Yen	
	2012	
Name of customers	Sales	Related segment name
Nintendo Co., Ltd.	¥ 58,623	―――

	Millions of Yen	
	2011	
Name of customers	Sales	Related segment name
Nintendo Co., Ltd.	¥ 58,678	————

	Thousands of U.S. Dollars	
	2012	
Name of customers	Sales	Related segment name
Nintendo Co., Ltd.	$ 714,915	————

	Thousands of U.S. Dollars	
	2011	
Name of customers	Sales	Related segment name
Nintendo Co., Ltd.	$ 715,585	————

Note: There is one reportable segment, so the related segment name is not applicable.

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥12,918 million ($157,537 thousand) and ¥13,393 million ($163,329 thousand) for the years ended March 31, 2012 and 2011, respectively.

17. DERIVATIVES

The Company enters into derivatives, in the ordinary course of business, to reduce the exposure to fluctuations in foreign exchange rates. The primary classes of derivatives used by the Company are foreign currency forward contracts and the Company does not hold or issue derivatives for trading purposes.

Most of the Company's derivative transactions are related to qualified hedges of underlying business exposures. Since the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions are approved by the Chief Financial Officer and the execution and control of derivatives are controlled by the Financial Department. Each derivative transaction is periodically reported to management, where evaluation and analysis of derivatives and hedge effectiveness are made.

Forward exchange contracted amounts which are assigned to associated assets are reflected on the consolidated balance sheet at year end, and they are not subject to disclosure of market value information.

17. COMPREHENSIVE INCOME

For the year ended March 31, 2012

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain (loss) on available-for-sale securities:		
Reclassification adjustments to profit or loss	¥ (1)	$ (12)
Amount before income tax effect	(1)	(12)
Income tax effect	(1)	(12)
Total	¥	$
Foreign currency translation adjustments:		
Adjustments arising during the year	¥(487)	$(5,939)
Amount before income tax effect	(487)	(5,939)
Total	¥(487)	$(5,939)
Total other comprehensive income	¥(487)	$(5,939)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Loss	Weighted-average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥(28,336)	87,453	¥ (324.01)	$(3.95)
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥ (3,541)	87,454	¥ (40.49)	$(0.49)

Diluted net income per share is not disclosed because there are no dilutive securities for the years ended March 31, 2012 and 2011.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Mitsumi Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Mitsumi Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2012, 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 conformity 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 conformity 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 Mitsumi Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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 conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2012