Mitsumi Electric Co., Ltd.
and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2016, and Independent Auditor's Report

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 3) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 37,679	¥ 33,690	$ 333,442
Short-term investments (Note 13)	2,907	9,329	25,726
Trade receivables (Note 13):			
Notes	352	63	3,115
Accounts	41,678	44,742	368,832
Allowance for doubtful receivables	(17)	(156)	(150)
Inventories (Note 5)	38,298	35,518	338,920
Deferred tax assets (Note 12)	112	159	991
Prepaid expenses and other current assets	2,142	2,671	18,955
Total current assets	123,151	126,016	1,089,831
PROPERTY, PLANT AND EQUIPMENT (Note 11):			
Land	5,439	5,427	48,133
Buildings and structures	29,403	29,835	260,204
Machinery and equipment	78,154	74,309	691,627
Furniture and fixtures	37,147	37,553	328,735
Construction in progress	2,021	2,253	17,885
Total	152,164	149,377	1,346,584
Accumulated depreciation	(115,006)	(117,789)	(1,017,752)
Net property, plant and equipment	37,158	31,588	328,832
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries	50	50	442
Investment securities (Notes 4 and 13)	285	429	2,522
Software (Note 11)	406	451	3,593
Deferred tax assets (Note 12)	284	339	2,513
Asset for retirement benefits (Note 7)		832	
Long-term receivables and other assets	1,391	1,385	12,311
Total investments and other assets	2,416	3,486	21,381
TOTAL	¥ 162,725	¥ 161,090	$1,440,044

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2016

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 3) 2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 13)	¥ 7,110	¥ 10,277	$ 62,920
Trade payables (Note 13):			
Notes	1,273	1,858	11,265
Accounts	19,078	19,410	168,832
Income taxes payable	480	441	4,248
Accrued expenses	7,900	4,960	69,912
Other current liabilities	6,968	4,196	61,664
Total current liabilities	42,809	41,142	378,841
LONG-TERM LIABILITIES:			
Convertible bonds with warrants (Notes 6 and 13)	20,090		177,788
Liability for retirement benefits (Note 7)	3,283	2,128	29,053
Deferred tax liabilities (Note 12)	2,015	2,191	17,832
Long-term payable	71	71	628
Other liabilities	177	126	1,566
Total long-term liabilities	25,636	4,516	226,867
Total liabilities	68,445	45,658	605,708
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)			
EQUITY (Note 8):			
Common stock—authorized, 200,000,000 shares; issued, 87,498,119 shares in 2016 and 2015	39,890	39,890	353,009
Capital surplus	43,252	43,252	382,761
Retained earnings	28,666	39,553	253,681
Treasury stock—at cost (6,288,753 shares in 2016 and 47,667 shares in 2015)	(5,093)	(93)	(45,070)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	12	55	106
Foreign currency translation adjustments	(7,653)	(4,154)	(67,726)
Defined retirement benefit plans	(4,794)	(3,071)	(42,425)
Total equity	94,280	115,432	834,336
TOTAL	¥ 162,725	¥ 161,090	$ 1,440,044

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	2016
NET SALES (Note 14)	¥ 163,562	¥ 153,046	$ 1,447,451
COST OF SALES (Note 15)	155,421	140,322	1,375,407
Gross profit	8,141	12,724	72,044
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	12,717	11,772	112,540
Operating (loss) income	(4,576)	952	(40,496)
OTHER INCOME (EXPENSES):			
Interest income	317	241	2,805
Interest expense	(65)	(70)	(575)
Loss on disposal of property, plant and equipment	(206)	(98)	(1,823)
Foreign exchange (loss) gain	(2,176)	3,464	(19,257)
Gain on sales of property, plant and equipment (Note 9)	267	1,036	2,363
Subsidy income (Note 10)		1,435	
Special retirement benefits to employees (Note 7)	(22)	(129)	(195)
Loss on impairment of long-lived assets and intangible assets (Note 11)	(130)	(1,104)	(1,150)
Loss on valuation of investment securities		(421)	
Compensation expenses	(2,465)	(333)	(21,814)
Other—net	275	(176)	2,434
Other (expense) income —net	(4,205)	3,845	(37,212)
(LOSS) INCOME BEFORE INCOME TAXES	(8,781)	4,797	(77,708)
INCOME TAXES (Note 12):			
Current	575	504	5,087
Deferred	307	467	2,718
Total income taxes	882	971	7,805
NET (LOSS) INCOME	(9,663)	3,826	(85,513)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS			
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (9,663)	¥ 3,826	$ (85,513)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2016

	Yen		U.S. Dollars (Note 3)
	2016	2015	2016
PER SHARE OF COMMON STOCK (Notes 1.s and 18):			
Net (loss) income	¥ (115.92)	¥ 43.75	$ (1.03)
Cash dividends applicable to the year		14.00	

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	2016
NET (LOSS) INCOME	¥ (9,663)	¥ 3,826	$ (85,513)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 17):			
Net unrealized gain on available-for-sale securities	(43)	5	(381)
Foreign currency translation adjustments	(3,499)	5,545	(30,965)
Defined retirement benefit plans	(1,723)	1,071	(15,248)
Total other comprehensive (loss) income	(5,265)	6,621	(46,594)
COMPREHENSIVE (LOSS) INCOME (Note 17)	¥ (14,928)	¥ 10,447	$ (132,107)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO (Note 17):			
Owners of the parent	¥ (14,928)	¥ 10,447	$ (132,107)

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2016

	Issued Number of Shares of Common Stock	Millions of Yen							
						Accumulated other comprehensive income (loss)			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2014 (April 1, 2014, as previously reported)	87,498,119	¥ 39,890	¥ 43,252	¥ 33,733	¥ (92)	¥ 50	¥ (9,699)	¥ (4,142)	¥102,992
Cumulative effect of accounting change				2,431					2,431
BALANCE, APRIL 1, 2014 (as restated)	87,498,119	39,890	43,252	36,164	(92)	50	(9,699)	(4,142)	105,423
Net income attributable to owners of the parent				3,826					3,826
Cash dividends, ¥5 per share				(437)					(437)
Treasury stock acquired—net (709 shares)					(1)				(1)
Net change in the year						5	5,545	1,071	6,621
BALANCE, MARCH 31, 2015	87,498,119	¥ 39,890	¥ 43,252	¥ 39,553	¥ (93)	¥ 55	¥ (4,154)	¥ (3,071)	¥ 115,432
Net loss attributable to owners of the parent				(9,663)					(9,663)
Cash dividends, ¥14 per share				(1,224)					(1,224)
Treasury stock acquired—net (6,241,086 shares)					(5,000)				(5,000)
Net change in the year						(43)	(3,499)	(1,723)	(5,265)
BALANCE, MARCH 31, 2016	87,498,119	¥ 39,890	¥ 43,252	¥ 28,666	¥ (5,093)	¥ 12	¥ (7,653)	¥ (4,794)	¥ 94,280

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2016

	Thousands of U.S. Dollars (Note 3)							
					Accumulated other comprehensive income (loss)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2015	$ 353,009	$ 382,761	$ 350,027	$ (823)	$ 487	$ (36,761)	$ (27,177)	$ 1,021,523
Net loss attributable to owners of the parent			(85,513)					(85,513)
Cash dividends, $0.12 per share			(10,833)					(10,833)
Treasury stock acquired—net (6,241,086 shares)				(44,247)				(44,247)
Net change in the year					(381)	(30,965)	(15,248)	(46,594)
BALANCE, MARCH 31, 2016	$ 353,009	$ 382,761	$ 253,681	$ (45,070)	$ 106	$ (67,726)	$ (42,425)	$ 834,336

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	2016
OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (8,781)	¥ 4,797	$(77,708)
Adjustments for:			
Income taxes—paid	(553)	(700)	(4,894)
Income taxes—refunded	65	41	575
Depreciation and amortization	6,911	7,132	61,159
Loss on impairment of long-lived assets and intangible assets	130	1,104	1,150
(Reversal of) provision for allowance for doubtful receivables—net	(257)	251	(2,274)
Gain on sales of property, plant and equipment	(300)	(1,212)	(2,655)
Loss on disposal of property, plant and equipment	206	98	1,823
Foreign exchange loss	452	1,014	4,000
Subsidy income		(744)	
Business restructuring cost	(190)	(102)	(1,681)
Loss on valuation of investment securities		421	
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,400	(5,668)	12,389
Increase in inventories	(3,648)	(6,651)	(32,282)
Decrease (increase) in interest and dividend receivable	5	(22)	44
Increase (decrease) in other assets	619	(1,138)	5,478
Increase in notes and accounts payable	424	669	3,752
Increase (decrease) in other liabilities	3,892	(19)	34,443
Increase in asset for retirement benefits	(128)		(1,133)
Increase in liability for retirement benefits	324	555	2,867
Total adjustments	9,352	(4,971)	82,761
Net cash provided by (used in) operating activities	571	(174)	5,053
INVESTING ACTIVITIES:			
Investment in time deposits—net	5,885	(8,240)	52,080
Proceeds from sales of property, plant and equipment	664	2,565	5,876
Purchases of property, plant and equipment	(12,019)	(11,988)	(106,363)
Other—net	(147)	(207)	(1,301)
Net cash used in investing activities	(5,617)	(17,870)	(49,708)
FORWARD	¥ (5,046)	¥ (18,044)	$ (44,655)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	2016
FORWARD	¥ (5,046)	¥(18,044)	$ (44,655)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans - net	(2,965)	2,972	(26,239)
Dividends paid	(1,222)	(439)	(10,814)
Proceeds from issuance of convertible bonds with warrants	20,023		177,195
Purchase of treasury stock	(5,016)	(1)	(44,390)
Net cash provided by financing activities	10,820	2,532	95,752
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,785)	3,788	(15,797)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,989	(11,724)	35,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,690	45,414	298,142
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 37,679	¥ 33,690	$ 333,442

See notes to consolidated financial statements.

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 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 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, 2016, include the accounts of Mitsumi Electric Co., Ltd., the parent company (the "Company"), and its 18 (18 in 2015) significant subsidiaries (together, the "Companies").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in an unconsolidated subsidiary are accounted for by the equity method. Investments in the remaining unconsolidated subsidiary are 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.

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

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

c. ***Business Combinations***—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—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. Under the previous accounting standard, 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 an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—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. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, 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.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

d. ***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.

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

f. ***Allowance for Doubtful Receivables*****—**The Company provides for possible losses in amounts considered 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.

g. ***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 that approximates cost, determined by using the first-in, first-out method.

h. ***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. The straight-line method is also used 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:

	2016	2015
Buildings and structures	2.8%	2.7%
Machinery and equipment	5.4%	5.5%

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 terms of the respective leases.

i. ***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 is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as follows: 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.

k. ***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.

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

m. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

n. ***Retirement and Pension Plans*****—**The Company and certain consolidated subsidiaries have a noncontributory funded pension plan covering substantially all of their employees.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period. Of the transitional obligation of ¥12,579 million, ¥2,279 million was previously 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, is being amortized over 15 years except for amortization of the 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 consolidated balance sheet date.

In May 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 an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are 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 are treated as reclassification adjustments (see Note 17).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, increased by ¥2,431 million.

Retirement allowances for directors and Audit & Supervisory Board members are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each 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 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 and (b) for derivatives used for hedging purposes, if such 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.

q. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from the translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. ***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.

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

The average number of common shares used in the computation was 83,360 thousand and 87,450 thousand for the years ended March 31, 2016 and 2015, respectively.

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

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

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

u. New Accounting Pronouncements

Tax Effect Accounting—On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

v. Changes in presentation

Consolidated statement of Operations
Prior to April 1, 2015, “Compensation expenses” was included in “Other - net” within the “OTHER INCOME (EXPENSES)” section of the Consolidated Statement of Operations. Since during this fiscal year ended March 31, 2016, the amount increased significantly, such amount is disclosed separately in the “OTHER INCOME (EXPENSES)” section of the Consolidated Statement of Operations as of March 31, 2016. The amount included in “Other - net” as of March 31, 2015, was ¥333 million.

2. BUSINESS INTEGRATION

The Company and Minebea Co., Ltd. (“Minebea”) reached an agreement to consummate a business Integration (the “Business Integration”) and to conduct a share exchange (the “Share Exchange”), and entered into a business integration agreement (the “Business Integration Agreement”) and a share exchange agreement (the “Share Exchange Agreement”) based on the resolutions adopted at the respective meetings of the boards of directors held on March 30, 2016 as follows.

The Share Exchange is scheduled to be conducted with the effective date of March 17, 2017 subject to obtaining approval for the Share Exchange Agreement at the extraordinary general meeting of shareholders of the Company to be held on December 27, 2016.

Under the Share Exchange, the Company’s common stock is scheduled to be delisted on March 14, 2017 (the last trading day will be March 13, 2017) from the first section of Tokyo Stock Exchange, Inc. (the “TSE”) prior to the effective date of the Share Exchange (scheduled to be March 17, 2017).

(1) Purpose of the Business Integration

Through the Business Integration, the two companies will aim to become a genuine solutions company by realizing synergies of integration described below, and will further improve their corporate value as an electro mechanics solutions company. The synergies of integration are expected to include,

(i) Growth and evolution of the business portfolio,

(ii) Enhancement of cost competitiveness and capacity to generate cash flow by optimizing the manufacturing structure and bases,and

(iii) Enhancement of development capabilities and provision of solutions

(2) Method of the Share Exchange

Upon the Share Exchange, Minebea will become the wholly-owning parent company and the Company will become the wholly-owned subsidiary. Pursuant to the main clause of Article 796, paragraph 2 of the Companies Act, Minebea is expected to conduct the Share Exchange following the procedures for a short-form share exchange that does not require obtaining the approval thereof at its general meeting of shareholders. The Company will conduct the Share Exchange subject to obtaining approval for the Share Exchange Agreement at its extraordinary General Meeting of Shareholders to be held on December 27, 2016.

(3) Schedule of the Share Exchange

Execution of the basic agreement (both companies)	December 21, 2015
Resolutions of the board of directors approving the execution of the Business Integration Agreement and the Share Exchange Agreement (both companies)	March 30, 2016
Execution of the Business Integration Agreement and the Share Exchange Agreement (both companies)	March 30, 2016
Public notice of the record date of the extraordinary general meeting of shareholders (the Company)	September 2016 (planned)
Record date of the extraordinary general meeting of shareholders (the Company)	September 2016 (planned)
Extraordinary general meeting of shareholders to approve the Share Exchange Agreement (the Company)	December 27, 2016 (planned)
Last trading day (the Company)	March 13, 2017 (planned)
Delisting (the Company)	March 14, 2017 (planned)
Effective date of the Share Exchange	March 17, 2017 (planned)

(4) Details of allotment in the Share Exchange

	Minebea	MITSUMI
Share exchange ratio for the Share Exchange("Share Exchange Ratio")	1	0.59
Number of shares to be delivered in the Share Exchange	Minebea common stock: 47,913,630 shares (planned)	

(5) Treatment of bonds with stock acquisition rights in connection with the Share Exchange

With respect to the stock acquisition rights accompanying the Euro-Yen Denominated Convertible Bonds with Stock Acquisition Rights due 2022 issued by the Company, Minebea will allot and deliver to the holders of such stock acquisition rights the stock acquisition rights of Minebea to replace the stock acquisition rights of the Company according to the terms of the stock acquisition rights and the Share Exchange Ratio, and Minebea will assume and succeed to all of the Company's obligations under the bonds with stock acquisition rights.

(6) Basis for calculating the Share Exchange Ratio

Minebea appointed Nomura Securities Co., Ltd. ("Nomura Securities") as a third-party calculation institution and

Mori Hamada & Matsumoto as a legal advisor, and the Company appointed Daiwa Securities Co. Ltd. ("Daiwa Securities") as a third-party calculation institution and Anderson Mōri & Tomotsune as a legal advisor, in order to ensure the fairness of the Share Exchange Ratio and other aspects of the Share Exchange, and conduct comprehensive deliberations.

Nomura Securities used an average market price analysis for the calculation with regard to Minebea, as shares of Minebea are listed on the TSE and a market share price exists. In addition, as there are several comparable listed companies for which comparison to Minebea is possible, and it is possible to infer by analogy the share value through a comparable company analysis, a comparable company analysis was also used in the calculation. Furthermore, in order to take into account the state of future business operations in the assessment, a discounted cash flow analysis (the "DCF Analysis") was also used in the calculation.

With regard to the Company, as shares of the Company are listed on the TSE and a market share price exists, Nomura Securities used an average market price analysis for the calculation. Furthermore, in order to take into account the state of future business operations in the assessment, a DCF Analysis was also used in the calculation.

Daiwa Securities used a market price analysis for the calculation with regard to Minebea and the Company as shares of Minebea and the Company are listed on the first section of the TSE and market share prices exist. In addition, as there are several comparable listed companies for which comparisons to both companies are possible, and it is possible to infer by analogy the share value through a comparable company analysis, a comparable company analysis was also used in the calculation. Furthermore, in order to take into account the state of future business operations in the assessment, a DCF Analysis was also used in the calculation

As such, the two companies carefully negotiated and discussed the Share Exchange Ratio, comprehensively taking into account factors such as the market prices of shares, financial position, and future prospects of each party, based on the due diligence conducted by each company concerning the other, with each company making reference to the results of calculation and analysis of its third-party calculation institution and the legal advice of its legal advisor. As a result of such negotiations and discussions, each company concluded that the Share Exchange Ratio is appropriate and executed the Share Exchange Agreement that set forth the Share Exchange Ratio.

(7) Wholly Owning Parent Company in the Share Exchange

1	Name	Minebea Co., Ltd.	
2	Location	4106-73, Oaza Miyota, Miyota-machi, Kitasaku-gun, Nagano 389-0293, Japan	
3	Name and title of representative	Yoshihisa Kainuma, Representative Director, President and Chief Executive Officer	
4	Business	Machined components Electronic devices and components Other	
5	Amount of capital	68,258 million yen (as of March 31, 2016)	
6	Data of establishment	July 1951	
7	Number of issued shares	399,167,695 shares (as of March 31, 2016)	
8	Fiscal year end	March 31	
9	Number of employees	62,480 (consolidated), 3,464 (non-consolidated) (as of March 31, 2016)	
10	Major customers	NIPPON STEEL & SUMITOMO METAL CORPORATION Nichia Corporation Japan Display Inc.	
11	Major financing banks	Sumitomo Mitsui Trust Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation THE HACHIJUNI BANK, LTD. MIZUHO Bank, Ltd.	
12	Major shareholders and shareholding ratios	The Master Trust Bank of Japan, Ltd. (Trust Account) Japan Trustee Services Bank, Ltd. (Trust Account) Takahashi Industrial and Economic Research Foundation	6.25% 4.94% 4.09%

		Sumitomo Mitsui Trust Bank, Limited	4.06%
		Japan Trustee Services Bank, Ltd. (Trust Account No.4)	3.60%
		National Mutual Insurance Federation of Agricultural Cooperatives	2.74%
		KEIAISHA CO., LTD.	2.67%
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.66%
		Sumitomo Mitsui Banking Corporation	2.64%
		The Dai-ichi Life Insurance Company, Limited	1.34%
		(as of March 31, 2016)	

3. 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 2016 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥113 = $1, the approximate rate of exchange as of March 31, 2016. 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.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Nonmarketable convertible bonds		¥ 120	
Total		¥ 120	
Non-current:			
Marketable equity securities	¥ 46	¥ 70	$ 407
Nonmarketable equity securities	239	239	2,115
Nonmarketable convertible bonds		120	
Total	¥ 285	¥429	$ 2,522

The costs and aggregate fair values of investment securities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥29	¥17		¥46
March 31, 2015				
Available-for-sale:				
Equity securities	¥ 29	¥41		¥70

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$257	$150		$407

The loss on valuation of investment securities (available-for-sale equity securities) for the year ended March 31, 2015, was ¥421 million.

5. INVENTORIES

Inventories as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products	¥ 4,625	¥ 4,244	$ 40,929
Work in process	14,327	13,281	126,788
Raw materials, purchased components, and supplies	19,346	17,993	171,203
Total	¥ 38,298	¥ 35,518	$ 338,920

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, of ¥1,506 million ($13,327 thousand) and ¥-206 million are included in the cost of sales for the fiscal years ended March 31, 2016 and 2015, respectively.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2016 and 2015, consisted of short-term notes to banks and bank overdraft, bearing an average interest rate of 0.6% and 0.6% per annum as of March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Convertible bonds with warrants	¥ 20,090		$ 177,788

The following is a summary of the terms for conversion and redemption of the convertible bonds with warrants:

Zero Coupon Convertible Bonds due 2022

Conversion Price (*1)	¥1,220
Number of shares of common stock (*2)	16,393,442
Exercise Period	From August 17, 2015 to July 20, 2022

*1: The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2: Number of shares of common stock is calculated on the assumption that all convertible bonds with warrants are converted.

7. RETIREMENT AND PENSION PLANS

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.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 30,988	¥ 31,448	$ 274,230
Cumulative effect of accounting change		(2,431)	
Balance at beginning of year (as restated)	30,988	29,017	274,230
Current service cost	1,822	1,760	16,124
Interest cost	351	410	3,106
Actuarial losses	1,368	990	12,106
Benefits paid	(1,169)	(1,369)	(10,345)
Past service cost	5		44
Others	(322)	180	(2,849)
Balance at end of year	¥ 33,043	¥ 30,988	$ 292,416

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 29,692	¥ 26,989	$ 262,761
Expected return on plan assets	570	519	5,044
Actuarial (losses) gains	(1,324)	1,613	(11,717)
Contributions from the employer	1,627	1,620	14,398
Benefits paid	(799)	(1,063)	(7,071)
Others	(6)	14	(52)
Balance at end of year	¥ 29,760	¥ 29,692	$ 263,363

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 31,170	¥ 29,119	$ 275,841
Plan assets	(29,760)	(29,692)	(263,363)
	1,410	(573)	12,478
Unfunded defined benefit obligation	1,873	1,869	16,575
Net liability arising from defined benefit obligation	¥ 3,283	¥ 1,296	$ 29,053

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 3,283	¥ 2,128	$ 29,053
Asset for retirement benefits		(832)	
Net liability arising from defined benefit obligation	¥ 3,283	¥ 1,296	$ 29,053

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 1,822	¥ 1,760	$ 16,124
Interest cost	351	410	3,106
Expected return on plan assets	(570)	(519)	(5,044)
Amortization of prior service cost	(118)	(123)	(1,044)
Recognized actuarial losses	583	707	5,159
Amortization of transitional obligation		366	
Net periodic benefit costs	¥ 2,068	¥ 2,601	$ 18,301

The net periodic benefit costs above exclude special retirement benefits to employees of ¥22 million ($195 thousand) in 2016 and ¥129 million in 2015.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (losses) gains	¥ (2,011)	¥ 1,249	$ (17,796)
Prior service cost	(123)	(123)	(1,089)
Transitional obligation		366	
Total	¥ (2,134)	¥ 1,492	$ (18,885)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (748)	¥ (871)	$ (6,619)
Unrecognized actuarial losses	5,617	3,606	49,707
Total	¥ 4,869	¥ 2,735	$ 43,088

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2016	2015
Alternative investments	31%	25%
Debt investments	28	39
Equity investments	21	21
Assets in general account of insurance companies	14	7
Others	6	8
Total	100%	100%

Total plan assets include those in the employee retirement benefit trust of 4% in 2016 and 5% in 2015. Alternative investments are mainly investments in hedge funds.

b. Method of determining the expected rate of return on plan assets

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

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate (weighted average)	0.5%	0.9%
Expected rate of return on plan assets	2.0	2.0
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

Expected future salary increase rate is calculated using the age-specific salary increase index with a basis date of March 31, 2011.

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. Additionally 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 years 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 (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as an additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity 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 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.

9. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2016
Gain on sales of property, plant and equipment of ¥267 million ($2,363 thousand) are due to the sale of land, buildings and structures in Japan for ¥22 million ($195 thousand) and the sales of the factory etc. in Malaysia for ¥245 million ($2,168 thousand).

For the year ended March 31, 2015
Gain on sales of property, plant and equipment of ¥1,036 million in 2015, are due to the sales of land in Japan for ¥221 million and the sales of the factory etc. in China for ¥815 million.

10. SUBSIDY INCOME

For the year ended March 31, 2015
Subsidy income of ¥1,435 million, is the receipt of subsidies for plant relocation associated with urban redevelopment in China.

11. LONG-LIVED ASSETS AND INTANGIBLE ASSETS

For the year ended March 31, 2016
The Companies reviewed their long-lived assets and intangible assets for impairment as of March 31, 2016. As a result, the Companies recognized an impairment loss of ¥130 million ($1,150 thousand) for certain assets used for business in the Company and certain subsidiaries, from which the Companies no longer expect to achieve the cash flows expected at the time of investment, and certain idle assets for which the market value declined. The carrying amounts of these assets were written down to the recoverable amounts for the year ended March 31, 2016.

March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
Machinery and equipment	¥ 17	$ 150
Furniture and fixtures	112	991
Construction in progress	1	9
Total	¥ 130	$ 1,150

For assets used for business, the Companies identify each business division in terms of consolidation as the basic unit for grouping assets. For idle assets, the Companies identify each idle asset as the unit for assessment.

The recoverable amount of the assets used in business was measured at their value in use or their net selling price. As a result, the recoverable amount was measured as zero since the estimated future cash flows, the basis for calculating the value in use, were negative at the time and a reasonable calculation of net selling price by each asset was not practical.

For the year ended March 31, 2015
The Companies reviewed their long-lived assets and intangible assets for impairment as of March 31, 2015. As a result, the Companies recognized an impairment loss of ¥1,104 million for certain assets used for business in the Company and certain subsidiaries, from which the Companies no longer expect to achieve the cash flows expected at the time of investment, and certain idle assets for which the market value declined. The carrying amounts of these assets were written down to the recoverable amounts for the year ended March 31, 2015.

March 31, 2015	Millions of Yen
Buildings and structures	¥ 4
Machinery and equipment	701
Furniture and fixtures	299
Construction in progress	76
Software	24
Total	¥ 1,104

For assets used for business, the Companies identify each business division in terms of consolidation as the basic unit for grouping assets. For idle assets, the Companies identify each idle asset as the unit for assessment.

The recoverable amount of the assets used in business was measured at their value in use or their net selling price. As a result, the recoverable amount was measured as zero since the estimated future cash flows, the basis for calculating the value in use, were negative at the time and a reasonable calculation of net selling price by each asset was not practical.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets—current:			
Accrued bonuses	¥ 394	¥ 414	$ 3,487
Loss on valuation of inventories	837	353	7,407
Foreign tax credits	17	10	150
Accrued expenses	831	226	7,354
Others	163	230	1,443
Total deferred tax assets	2,242	1,233	19,841
Less valuation allowance	(2,123)	(1,065)	(18,788)
Deferred tax assets—net of valuation allowance	119	168	1,053
Deferred tax liabilities	(7)	(9)	(62)
Net current deferred tax assets	¥ 112	¥ 159	$ 991
Deferred tax liabilities—current:			
Reserve for reduction of fixed assets	¥ (7)	¥ (9)	$ (62)
Others	(5)	(5)	(44)
Total deferred tax liabilities—current	(12)	(14)	(106)
Deferred tax assets	7	9	62
Net current deferred tax liabilities	¥ (5)	¥ (5)	$ (44)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets—non-current:			
Loss on impairment of long-lived assets	¥ 1,303	¥ 1,825	$ 11,531
Tax loss carryforwards	12,170	10,059	107,699
Depreciation and amortization	629	747	5,566
Net defined benefit liability	350	361	3,097
Loss on valuation of shares in subsidiary	646	475	5,717
Loss on valuation of investment in subsidiary	450	483	3,982
Others	1,413	1,659	12,505
Total deferred tax assets	16,961	15,609	150,097
Less valuation allowance	(16,551)	(15,129)	(146,469)
Deferred tax assets—net of valuation allowance	410	480	3,628
Deferred tax liabilities	(126)	(141)	(1,115)
Net noncurrent deferred tax assets	¥ 284	¥ 339	$ 2,513
Deferred tax liabilities—non-current:			
Undistributed earnings of subsidiaries	¥ (1,792)	¥ (1,695)	$ (15,858)
Loss on valuation of shares in subsidiary	(184)	(194)	(1,628)
Asset for retirement benefit		(275)	
Reserve for reduction of fixed assets	(126)	(141)	(1,115)
Others	(39)	(27)	(346)
Total deferred tax liabilities—non-current	(2,141)	(2,332)	(18,947)
Deferred tax assets	126	141	1,115
Net noncurrent deferred tax liabilities	¥ (2,015)	¥ (2,191)	$ (17,832)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, is as follows:

	2016	2015
Normal effective statutory tax rate		35.6%
Dividend income and other non-taxable income		(13.0)
Per capita rate of resident tax		0.8
Valuation allowance		4.9
Lower income tax rates in foreign subsidiaries		(9.6)
Foreign tax, etc.		2.6
Undistributed earnings of subsidiaries		12.1
Tax loss carryforwards		(7.1)
Subsidy income at subsidiary		(10.7)
Other—net		4.6
Actual effective tax rate		20.2%

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2016, is not disclosed because a loss before income taxes is recorded.

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥69 million ($611 thousand), and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥0 million ($3 thousand), and to decrease deferred income taxes by ¥69 million ($611 thousand).

The Companies have tax loss carryforwards for corporate tax purposes of approximately ¥43,814 million ($387,735 thousand), which are available to be offset against taxable income of such companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 504	$ 4,460
2018	591	5,230
2019	1,060	9,381
2020	8,278	73,257
2021	10,018	88,655
2022	10,937	96,788
2023 and thereafter	12,425	109,955
Total	¥ 43,813	$ 387,726

13. 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 and long-term funds including convertible bonds with warrants 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 trade notes receivable and trade accounts receivable, 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 trade accounts payable, is less than one year. Payables in foreign currencies are exposed to the risk of fluctuations in exchange rates.

Marketable securities are exposed to the risk of market price fluctuations.

(3) Risk management for financial instruments

(i) Credit risk management

The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of the 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 monitor market price fluctuations.

(iii) Liquidity risk management

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on their maturity dates. The Companies complete or update annual cash management plans every six months. In case financing is needed, the Companies choose from several financing methods. In addition, in order to manage cash, the Companies compare actual cash management with cash management plans every month. In case 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

As of March 31, 2016, 8.9% of total receivables are from one major customer of the Companies.

Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 37,679	¥ 37,679	
Short-term investments	2,907	2,907	
Notes receivable	352	352	
Accounts receivable	41,678	41,678	
Investment securities	46	46	
Total	¥ 82,662	¥ 82,662	
Short-term bank loans	¥ 7,110	¥ 7,110	
Notes payable	1,273	1,273	
Accounts payable	19,078	19,078	
Convertible bonds with warrants	20,090	19,650	(440)
Total	¥ 47,551	¥ 47,111	(440)

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 33,690	¥ 33,690	
Short-term investments	9,329	9,329	
Notes receivable	63	63	
Accounts receivable	44,742	44,742	
Investment securities	70	70	
Total	¥87,894	¥ 87,894	
Short-term bank loans	¥ 10,277	¥ 10,277	
Notes payable	1,858	1,858	
Accounts payable	19,410	19,410	
Total	¥ 31,545	¥ 31,545	

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 333,442	$ 333,442	
Short-term investments	25,726	25,726	
Notes receivable	3,115	3,115	
Accounts receivable	368,832	368,832	
Investment securities	407	407	
Total	$ 731,522	$ 731,522	
Short-term bank loans	$ 62,920	$ 62,920	
Notes payable	11,265	11,265	
Accounts payable	168,832	168,832	
Convertible bonds with warrants	177,788	173,894	(3,894)
Total	$ 420,805	$ 416,911	(3,894)

Cash and cash equivalents, short-term investments, notes receivable, and accounts receivable

The carrying values of these assets 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, notes payable, and accounts payable

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

Convertible bonds with warrants

The fair values of convertible bonds with warrants are measured at the quoted market price of the stock exchange for the equity instruments.

Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments and convertible bonds that do not have a quoted market price in an active market	¥289	¥409	$2,557

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 37,679			
Short-term investments	2,907			
Notes receivable	352			
Accounts receivable	41,678			
Total	¥ 82,616			

	Thousands of U.S. Dollars			
March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$ 333,442			
Short-term investments	25,726			
Notes receivable	3,115			
Accounts receivable	368,832			
Total	$ 731,115			

	Millions of Yen			
March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term bank loans	¥ 7,110			
Notes payable	1,273			
Accounts payable	19,078			
Convertible bonds with warrants			¥ 20,000	
Total	¥ 27,461		¥ 20,000	

	Thousands of U.S. Dollars			
March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term bank loans	$ 62,920			
Notes payable	11,265			
Accounts payable	168,832			
Convertible bonds with warrants			$176,991	
Total	$ 243,017		$176,991	

Please see Note 6 for annual maturities of long-term debt.

14. 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					
	2016					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	¥ 29,773	¥ 3,627	¥ 79,268	¥ 30,646	¥ 20,248	¥ 163,562

	Millions of Yen					
	2015					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	¥ 28,649	¥ 6,891	¥ 75,059	¥ 23,661	¥ 18,786	¥ 153,046

	Thousands of U.S. Dollars					
	2016					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	$ 263,478	$ 32,097	$ 701,487	$ 271,203	$ 179,186	$1,447,451

(2) Information about geographical areas

(a) Sales

Millions of Yen				
2016				
Japan	Asia	Europe	North America	Total
¥ 64,547	¥ 87,735	¥ 3,218	¥ 8,062	¥ 163,562

Millions of Yen				
2015				
Japan	Asia	Europe	North America	Total
¥ 58,940	¥ 85,186	¥ 4,334	¥ 4,586	¥ 153,046

Thousands of U.S. Dollars				
2016				
Japan	Asia	Europe	North America	Total
$ 571,212	$ 776,416	$ 28,478	$ 71,345	$ 1,447,451

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant, and equipment

Millions of Yen			
2016			
Japan	Asia	Others	Total
¥ 23,059	¥ 13,501	¥ 598	¥ 37,158

Millions of Yen			
2015			
Japan	Asia	Others	Total
¥ 19,413	¥ 11,553	¥ 622	¥ 31,588

Thousands of U.S. Dollars			
2016			
Japan	Asia	Others	Total
$ 204,062	$ 119,478	$ 5,292	$ 328,832

(3) Information about major customers

	Millions of Yen	
	2016	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	¥ 25,411	Not applicable

	Millions of Yen	
	2015	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	¥ 21,824	Not applicable

	Thousands of U.S. Dollars	
	2016	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	$ 224,876	Not applicable

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

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥11,916 million ($105,451 thousand) and ¥11,564 million for the years ended March 31, 2016 and 2015, respectively.

16. 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 in the consolidated balance sheet at year-end and they are not subject to disclosure of market value information.

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain on available-for-sale securities:			
Loss arising during the year	¥ (24)	¥ (147)	$ (212)
Reclassification adjustments to profit or loss	(40)	151	(354)
Amount before income tax effect	(64)	4	(566)
Income tax effect	21	1	185
Total	¥ (43)	¥ 5	$ (381)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (3,499)	¥ 5,545	$ (30,965)
Amount before income tax effect	(3,499)	5,545	(30,965)
Total	¥ (3,499)	¥5,545	$(30,965)
Defined retirement benefit plans			
Adjustments arising during the year	¥ (2,692)	¥ 623	$(23,823)
Reclassification adjustments to profit or loss	558	869	4,938
Amount before income tax effect	(2,134)	1,492	(18,885)
Income tax effect	411	(421)	3,637
Total	¥ (1,723)	¥ 1,071	$ (15,248)
Total other comprehensive income	¥ (5,265)	¥6,621	$(46,594)

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net (Loss) Income	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥ (9,663)	83,360	¥ (115.92)	$(1.03)

Year Ended March 31, 2015			
Basic EPS—Net income available to common shareholders	¥ 3,826	87,451	¥43.75

Diluted net income per share for the year ended March 31, 2016 is not disclosed because of the Company's net loss position.
Diluted net income per share for the year ended March 31, 2015 is not disclosed because there were no dilutive securities for that year.

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Deloitte.

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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 its consolidated subsidiaries as of March 31, 2016, 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 Mitsumi Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, 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 2 "BUSINESS INTEGRATION" to the consolidated financial statements, Mitsumi Electric Co., Ltd. and Minebea Co., Ltd. entered into a business integration agreement and a share exchange agreement based on the resolutions adopted at the respective meetings of the boards of directors held on March 30, 2016.

Our opinion is 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 3 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 24, 2016