Mitsumi Electric Co., Ltd.
and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2014, and Independent Auditor's Report

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 2) 2014	Thousands of U.S. Dollars (Note 2) 2013
CURRENT ASSETS:				
Cash and cash equivalents (Note 13)	¥ 45,414	¥ 45,365	$ 440,913	$ 440,437
Short-term investments (Note 13)	904	542	8,777	5,262
Trade receivables (Note 13):				
Notes	171	730	1,660	7,087
Accounts	36,521	33,720	354,573	327,379
Allowance for doubtful receivables	(26)	(48)	(252)	(466)
Inventories (Note 4)	27,628	29,136	268,233	282,874
Deferred tax assets (Note 12)	109	94	1,058	913
Prepaid expenses and other current assets	1,257	2,424	12,203	23,533
Total current assets	111,978	111,963	1,087,165	1,087,019
PROPERTY, PLANT AND EQUIPMENT (Note 10):				
Land	5,490	5,684	53,301	55,184
Buildings and structures	30,959	27,499	300,573	266,981
Machinery and equipment	76,529	77,617	743,000	753,563
Furniture and fixtures	36,633	39,944	355,660	387,806
Construction in progress	980	1,905	9,514	18,495
Total	150,591	152,649	1,462,048	1,482,029
Accumulated depreciation	(122,793)	(127,643)	(1,192,165)	(1,239,252)
Net property, plant and equipment	27,798	25,006	269,883	242,777
INVESTMENTS AND OTHER ASSETS:				
Investments in unconsolidated subsidiaries	50	50	485	485
Investment securities (Notes 3 and 13)	870	734	8,447	7,126
Software (Note 10)	478	462	4,641	4,485
Deferred tax assets (Note 12)	358	319	3,476	3,097
Prepaid pension expense		876		8,505
Long-term receivables and other assets (Note 10)	1,449	1,202	14,068	11,671
Total investments and other assets	3,205	3,643	31,117	35,369
TOTAL	¥ 142,981	¥ 140,612	$1,388,165	$1,365,165

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
LIABILITIES AND EQUITY	2014	2013	2014	2013
CURRENT LIABILITIES:				
Short-term bank loans (Notes 5 and 13)	¥ 6,278	¥ 5,737	$ 60,951	$ 55,699
Trade payables (Note 13):				
Notes	1,349	1,494	13,097	14,505
Accounts	16,961	19,030	164,670	184,757
Income taxes payable	534	318	5,184	3,087
Accrued expenses	4,766	6,163	46,272	59,835
Other current liabilities	4,068	3,911	39,496	37,971
Total current liabilities	33,956	36,653	329,670	355,854
LONG-TERM LIABILITIES:				
Liability for retirement benefits (Note 6)	4,459	811	43,291	7,874
Deferred tax liabilities (Note 12)	1,363	1,416	13,233	13,748
Long-term payable	95	95	922	922
Other liabilities	116	115	1,127	1,117
Total long-term liabilities	6,033	2,437	58,573	23,661
Total liabilities	39,989	39,090	388,243	379,515
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16)				
EQUITY (Note 7 and 19):				
Common stock—authorized, 200,000,000 shares; issued, 87,498,119 shares in 2014 and 2013	39,890	39,890	387,282	387,282
Capital surplus	43,252	43,252	419,922	419,922
Retained earnings	33,733	30,533	327,505	296,437
Treasury stock—at cost (46,958 shares in 2014 and 46,036 shares in 2013)	(92)	(92)	(893)	(893)
Accumulated other comprehensive income:				
Net unrealized gain on available-for-sale securities	50	29	485	282
Foreign currency translation adjustments	(9,699)	(12,090)	(94,165)	(117,380)
Defined benefit plans	(4,142)		(40,214)	
Total equity	102,992	101,522	999,922	985,650
TOTAL	¥ 142,981	¥ 140,612	$ 1,388,165	$1,365,165

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2014	2013	2014	2013
NET SALES (Note 14)	¥ 157,361	¥ 152,099	$ 1,527,777	$ 1,476,689
COST OF SALES (Note 15)	146,253	145,947	1,419,932	1,416,961
Gross profit	11,108	6,152	107,845	59,728
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	10,478	10,534	101,728	102,272
Operating income (loss)	630	(4,382)	6,117	(42,544)
OTHER INCOME (EXPENSES):				
Interest income	95	125	922	1,214
Interest expense	(45)	(42)	(437)	(408)
Loss on disposal of property, plant and equipment	(85)	(252)	(825)	(2,447)
Foreign exchange gain	1,710	1,919	16,602	18,631
Insurance income (Note 8)	1,769		17,175	
Special retirement benefits to employees (Note 6)	(8)	(557)	(78)	(5,408)
Loss on impairment of long-lived assets and intangible assets (Note 10)	(366)	(611)	(3,553)	(5,932)
Loss from a disaster (Note 9)		(2,207)		(21,427)
Business restructuring cost (Note 11)	(273)	(1,577)	(2,650)	(15,311)
Loss on valuation of investment securities	(76)		(738)	
Other—net	327	(522)	3,174	(5,067)
Other income (expenses)—net	3,048	(3,724)	29,592	(36,155)
INCOME (LOSS) BEFORE INCOME TAXES	3,678	(8,106)	35,709	(78,699)
INCOME TAXES (Note 12):				
Current	538	216	5,223	2,097
Deferred	(89)	3,223	(864)	31,291
Total income taxes	449	3,439	4,359	33,388
NET INCOME (LOSS)	¥ 3,229	¥ (11,545)	$ 31,350	$ (112,087)

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2014

	Yen		U.S. Dollars (Note 2)	
	2014	2013	2014	2013
PER SHARE OF COMMON STOCK (Notes 1.r and 18):				
Net income (loss)	¥ 36.92	¥(132.02)	$ 0.36	$ (1.28)

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2014	2013	2014	2013
NET INCOME (LOSS)	¥ 3,229	¥ (11,545)	$ 31,350	$ (112,087)
OTHER COMPREHENSIVE INCOME (Note 17):				
Net unrealized gain on available-for-sale securities	21	23	203	224
Foreign currency translation adjustments	2,391	3,957	23,215	38,416
Total other comprehensive income	2,412	3,980	23,418	38,640
COMPREHENSIVE INCOME (Note 17)	¥ 5,641	¥ (7,565)	$ 54,768	$ (73,447)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):				
Owners of the parent	¥ 5,641	¥ (7,565)	$ 54,768	$ (73,447)

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2014

		Millions of Yen							
						Accumulated other comprehensive income			
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Total Equity
BALANCE, APRIL 1, 2012	87,498,119	¥ 39,890	¥ 43,252	¥ 42,078	¥ (91)	¥ 6	¥ (16,047)		¥ 109,088
Net loss				(11,545)					(11,545)
Treasury stock acquired—net (384 shares)					(1)				(1)
Net change in the year						23	3,957		3,980
BALANCE, MARCH 31, 2013	87,498,119	¥ 39,890	¥ 43,252	¥ 30,533	¥ (92)	¥ 29	¥ (12,090)		¥101,522
Net income				3,229					3,229
Treasury stock acquired—net (922 shares)									
Change of scope of consolidation				(29)					(29)
Net change in the year						21	2,391	(4,142)	(1,730)
BALANCE, MARCH 31, 2014	87,498,119	¥ 39,890	¥ 43,252	¥ 33,733	¥ (92)	¥ 50	¥ (9,699)	¥ (4,142)	¥ 102,992

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2014

	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	Defined Benefit Plans	Total Equity
BALANCE, APRIL 1, 2012	$ 387,282	$ 419,922	$408,524	$ (883)	$ 58	$(155,796)		$1,059,107
Net loss			(112,087)					(112,087)
Treasury stock acquired—net (384 shares)				(10)				(10)
Net change in the year					224	38,416		38,640
BALANCE, MARCH 31, 2013	$ 387,282	$ 419,922	$296,437	$ (893)	$ 282	$ (117,380)		$ 985,650
Net income			31,350					31,350
Treasury stock acquired—net (922 shares)								
Change of scope of consolidation			(282)					(282)
Net change in the year					203	23,215	(40,214)	(16,796)
BALANCE, MARCH 31, 2014	$ 387,282	$ 419,922	$327,505	$ (893)	$ 485	$ (94,165)	$ (40,214)	$ 999,922

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2014	2013	2014	2013
OPERATING ACTIVITIES:				
Income (loss) before income taxes	¥ 3,678	¥ (8,106)	$35,709	$(78,699)
Adjustments for:				
Income taxes—paid	(362)	(227)	(3,515)	(2,204)
Income taxes—refunded	270	4	2,621	39
Depreciation and amortization	6,526	6,852	63,359	66,524
Loss on impairment of long-lived assets and intangible assets	366	611	3,553	5,932
(Reversal of) provision for allowance for doubtful receivables—net	(149)	133	(1,447)	1,291
Gain on sales of property, plant and equipment	(131)	(116)	(1,272)	(1,126)
Loss on disposal of property, plant and equipment	85	252	825	2,447
Reversal of retirement benefits	(521)	(9)	(5,058)	(87)
Foreign exchange loss	393	768	3,816	7,456
Special retirement benefits to employees	(54)	(5,039)	(524)	(48,922)
Losses from a disaster		1,899		18,437
Business restructuring cost	(552)	1,139	(5,359)	11,058
Loss on valuation of investment securities	76		738	
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	(1,213)	7,734	(11,777)	75,087
Decrease (increase) in inventories	2,319	(8,872)	22,515	(86,136)
Increase in interest and dividend receivable		(11)		(107)
Decrease in other assets	1,774	498	17,224	4,836
Decrease in notes and accounts payable	(3,320)	(4,339)	(32,233)	(42,126)
(Decrease) increase in other liabilities	(1,323)	68	(12,845)	660
Decrease in prepaid pension expense	877	936	8,515	9,087
Total adjustments	5,061	2,281	49,136	22,146
Net cash provided by (used in) operating activities	8,739	(5,825)	84,845	(56,553)
INVESTING ACTIVITIES:				
Investment in time deposits—net	(246)	746	(2,388)	7,243
Proceeds from sales of property, plant and equipment	1,410	240	13,689	2,330
Purchases of property, plant and equipment	(10,304)	(8,267)	(100,039)	(80,262)
Other—net	(887)	(501)	(8,612)	(4,865)
Net cash used in investing activities	(10,027)	(7,782)	(97,350)	(75,554)
FORWARD	¥ (1,288)	¥(13,607)	$ (12,505)	$(132,107)

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2014	2013	2014	2013
FORWARD	¥ (1,288)	¥(13,607)	$ (12,505)	$ (132,107)
FINANCING ACTIVITIES:				
Dividends paid	(5)	(5)	(49)	(49)
Net cash used in financing activities	(5)	(5)	(49)	(49)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,312	2,018	12,738	19,593
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19	(11,594)	184	(112,563)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,365	56,959	440,437	553,000
CHANGE OF SCOPE OF CONSOLIDATION	30		292	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 45,414	¥ 45,365	$ 440,913	$ 440,437

See notes to consolidated financial statements.

(Concluded)

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, 2014, include the accounts of Mitsumi Electric Co., Ltd., the parent company (the "Company"), and its 18 significant (17 in 2013) subsidiaries (together, the "Companies") . For the year ended March 31, 2014, one subsidiary, Mitsumi Automotive de Mexico, S.A. de C.V., of which materiality increased, is included in the scope of consolidation. All material intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

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." 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 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: 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 research and development; 4) cancellation of fair value model of accounting for property, plant, and equipment and investment properties and incorporation of cost model of 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 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 that approximates cost, determined by 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 the straight-line method is 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:

	2014	2013
Buildings and structures	3.3%	3.1%
Machinery and equipment	4.6%	5.1%

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.

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 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.

i. ***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.

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 income tax rates to the temporary differences.

n. ***Liability for Retirement Benefits*—**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 benefits obligations and plan assets at the 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 ($122,126 thousand), ¥2,279 million ($22,126 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 ($100,000 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.

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 shall be treated as reclassification adjustments (see Note 2.*t*).

(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, both 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. As a result, liability for retirement benefits of ¥4,459 million ($43,291 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥4,142 million ($40,214 thousand).

***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.

***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 87,451 thousand and 87,452 thousand for the years ended March 31, 2014 and 2013, 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, 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.

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 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.

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, is 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 any resulting 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 income and the statement of comprehensive income*

The revised accounting standard does 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 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 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.

(*c*) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

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, both 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 for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

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 2014 and 2013 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥103 = $1, the approximate rate of exchange as of March 31, 2014. 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. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2014	2013	2014	2013
Marketable equity securities	¥ 52	¥ 42	$ 505	$ 408
Nonmarketable equity securities	715	692	6,942	6,718
Nonmarketable convertible bond	103		1,000	
Total	¥870	¥734	$ 8,447	$ 7,126

The costs and aggregate fair values of investment securities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥29	¥23		¥52
March 31, 2013				
Available-for-sale:				
Equity securities	¥ 29	¥13		¥42

March 31, 2014	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$282	$223		$505
March 31, 2013				
Available-for-sale:				
Equity securities	$282	$126		$408

The loss on valuation of investment securities (available-for-sale equity securities) for the year ended March 31, 2014, was ¥ 76 million ($738 thousands).

4. INVENTORIES

Inventories as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014	2013	2014	2013
Finished products	¥ 2,833	¥ 2,452	$ 27,505	$ 23,806
Work in process	8,058	6,513	78,233	63,233
Raw materials, purchased components, and supplies	16,737	20,171	162,495	195,835
Total	¥ 27,628	¥ 29,136	$ 268,233	$ 282,874

5. SHORT-TERM BANK LOANS

Short-term bank loans as of March 31, 2014 and 2013, consisted of short-term notes, generally having a maturity of 180 days, bearing an average interest rate of 0.7% and 0.7% per annum as of March 31, 2014 and 2013, respectively.

6. LIABILITY FOR RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries 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.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 29,105	$ 282,573
Current service cost	1,657	16,087
Interest cost	462	4,485
Actuarial (gains) losses	1,566	15,204
Benefits paid	(1,361)	(13,214)
Past service cost		
Others	19	185
Balance at end of year	¥ 31,448	$ 305,320

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 25,058	$ 243,282
Expected return on plan assets	484	4,699
Actuarial (gains) losses	812	7,883
Contributions from the employer	1,609	15,621
Benefits paid	(974)	(9,456)
Balance at end of year	¥ 26,989	$ 262,029

(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
Funded defined benefit obligation	¥ 29,900	$ 290,291
Plan assets	(26,989)	(262,029)
	2,911	28,262
Unfunded defined benefit obligation	1,548	15,029
Net liability (asset) arising from defined benefit obligation	¥ 4,459	$ 43,291

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 4,459	$ 43,291
Asset for retirement benefits		
Net liability (asset) arising from defined benefit obligation	¥ 4,459	$ 43,291

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,657	$ 16,087
Interest cost	462	4,485
Expected return on plan assets	(484)	(4,699)
Amortization of prior service cost	(122)	(1,184)
Recognized actuarial (gains) losses	505	4,903
Amortization of transitional obligation	366	3,553
Net periodic benefit costs	¥ 2,384	$ 23,145

The net periodic benefit costs above exclude special retirement benefits to employees of ¥8 million ($78 thousand) and also special retirement benefits to employees of ¥244 million ($2,369 thousand) included in business restructuring cost.

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (993)	$ (9,641)
Unrecognized actuarial (gains) losses	4,855	47,136
Unrecognized transitional obligation	366	3,553
Total	¥ 4,228	$ 41,048

(6) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

Debt investments	57%
Equity investments	20
Alternative investments	14
General accounting	4
Others	5
Total	100%

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.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.3%
Expected rate of return on plan assets	2.0
Amortization period of transitional obligation	15 years
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	10 years

Year Ended March 31, 2013

The liability (asset) for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥ 29,105	$ 282,572
Fair value of plan assets	(25,059)	(243,291)
Unrecognized prior service cost	1,117	10,845
Unrecognized actuarial gain (loss)	(4,496)	(43,650)
Unrecognized transitional obligation	(732)	(7,107)
Prepaid pension expense	876	8,505
Net liability	¥ 811	$ 7,874

The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,457	¥ 14,146
Interest cost	506	4,913
Expected return on plan assets	(451)	(4,379)
Amortization of prior service cost	(113)	(1,097)
Recognized actuarial loss	1,034	10,039
Amortization of transitional obligation	366	3,553
Net periodic benefit costs	¥ 2,799	¥ 27,175

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	2.0%
Amortization period of transitional obligation	15 years
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	10 years

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors 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 (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 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 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.

8. INSURANCE INCOME

For the year ended March 31, 2014
Insurance income, ¥1,769 million ($17,175 thousand), is the receipt of insurance for loss due to the Anti-Japan demonstration in China in 2013.

9. LOSSES FROM A DISASTER

For the year ended March 31, 2013
The Companies recorded losses from a disaster due to the Anti-Japan demonstration in China. The details are as follows:

March 31, 2013	Millions of Yen	Thousands of U.S. Dollars
Disposal of inventories and fixed asset	¥ 1,273	$ 12,359
Maintenance or repair of building and equipment	383	3,718
Fixed cost during suspension of operation and special restoration cost	551	5,350
Total	¥ 2,207	$ 21,427

In addition, the receipt of insurance proceeds from damage insurance is not recorded since amounts to be received are still not decided.

10. LONG-LIVED ASSETS AND INTANGIBLE ASSETS

For the year ended March 31, 2014

The Companies reviewed their long-lived assets and intangible assets for impairment as of March 31, 2014. As a result, the Companies recognized an impairment loss of ¥366 million ($3,553 thousand) for certain assets used for business in the Company and certain subsidiaries, from 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, 2014

March 31, 2014	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥28	$272
Machinery and equipment	132	1,281
Furniture and fixtures	132	1,281
Construction in progress	42	408
Software and other assets	32	311
Total	¥ 366	$3,553

For assets used for business, the Companies identify each department 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 value since estimated future cash flows, the basis for calculation of value in use, were negative at the time and a reasonable calculation of net selling price by each asset was difficult.

For the year ended March 31, 2013

The Companies reviewed their long-lived assets and intangible assets for impairment as of March 31, 2013. As a result, the Companies recognized an impairment loss of ¥611 million ($5,932 thousand) for certain assets used for business in the Company and certain subsidiaries, from 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 amounts of these assets were written down to the recoverable amounts for the year ended March 31, 2013.

March 31, 2013	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 107	$ 1,039
Buildings and structures	178	1,728
Machinery and equipment	200	1,942
Furniture and fixtures	96	932
Software and other assets	30	291
Total	¥ 611	$ 5,932

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, 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.

11. BUSINESS RESTRUCTURING COST

For the year ended March 31, 2014
Business restructuring cost, ¥273 million ($2,650 thousand), is the cost of restructuring the semiconductor manufacturing base of the Company.

For the year ended March 31, 2013
Business restructuring cost, ¥1,577 million ($15,311 thousand), is the cost of restructuring the semiconductor manufacturing base of the Company and so forth.

12. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% for the year ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014	2013	2014	2013
Deferred tax assets—current:				
Nondeductible portion of bonuses	¥ 438	¥ 453	$ 4,252	$ 4,398
Nondeductible loss on valuation of inventories	433	568	4,204	5,515
Foreign tax credits	46		447	
Accrued expense	287	1,070	2,786	10,388
Loss carried forward	42	55	408	534
Others	145	171	1,408	1,660
Total deferred tax assets	1,391	2,317	13,505	22,495
Less valuation allowance	(1,271)	(2,210)	(12,340)	(21,456)
Deferred tax assets—net of valuation allowance	120	107	1,165	1,039
Deferred tax liabilities	(11)	(13)	(107)	(126)
Net current deferred tax assets	¥ 109	¥ 94	$ 1,058	$ 913
Deferred tax liabilities—current:				
Reserve for reduction of fixed assets	¥ (11)	¥ (13)	$ (107)	$ (126)
Others	(7)	(8)	(68)	(78)
Total deferred tax liabilities	(18)	(21)	(175)	(204)
Deferred tax assets	11	13	107	126
Net current deferred tax liabilities	¥ (7)	¥ (8)	$ (68)	(78)

	Millions of Yen		Thousands of U.S. Dollars	
	2014	2013	2014	2013
Deferred tax assets—non-current:				
Loss on impairment of long-lived assets	¥ 2,500	¥ 2,616	$ 24,272	$ 25,398
Loss carried forward	11,412	10,324	110,796	100,233
Depreciation and amortization	772	652	7,495	6,330
Allowance for retirement benefits		341		3,311
Net defined benefit liability	1,338		12,990	
Loss on valuation of shares in subsidiary	523	523	5,078	5,078
Loss on valuation of investment in subsidiary	533	533	5,175	5,175
Others	1,011	871	9,815	8,456
Total deferred tax assets	18,089	15,860	175,621	153,981
Less valuation allowance	(17,566)	(15,365)	(170,543)	(149,175)
Deferred tax assets—net of valuation allowance	523	495	5,078	4,806
Deferred tax liabilities	(165)	(176)	(1,602)	(1,709)
Net noncurrent deferred tax assets	¥ 358	¥ 319	$ 3,476	$ 3,097
Deferred tax liabilities—non-current:				
Undistributed earnings of subsidiaries	¥ (1,116)	¥ (877)	$ (10,835)	$ (8,515)
Loss on valuation of shares in subsidiary	(164)	(176)	(1,592)	(1,709)
Prepaid pension expense	(214)	(214)	(2,078)	(2,078)
Reserve for reduction of fixed assets		(312)		(3,029)
Others	(34)	(13)	(330)	(126)
Total deferred tax liabilities	(1,528)	(1,592)	(14,835)	(15,457)
Deferred tax assets	165	176	1,602	1,709
Net noncurrent deferred tax liabilities	¥ (1,363)	¥ (1,416)	$ (13,233)	$ (13,748)

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, 2014, is as follows:

	2014
Normal effective statutory tax rate	38.0%
Per capita rate of resident tax	0.9
Valuation allowance	(7.2)
Lower income tax rates in foreign subsidiaries	(19.1)
Foreign tax, etc.	2.6
Undistributed earnings of subsidiaries	1.7
Other—net	(4.7)
Actual effective tax rate	12.2%

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, 2013, is not disclosed because a loss before income taxes is recorded.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was immaterial.

The Companies have tax loss carryforwards for corporate tax purposes of approximately ¥31,478 million ($30,612 thousand), which are available to be offset against taxable income of such companies in future years. These loss arryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015		
2016		
2017		
2018		
2019	¥ 65	$ 631
2020	8,494	82,466
2021 and thereafter	22,919	222,515
Total	¥ 31,478	$ 305,612

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, 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, 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 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 the 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, 2014, 14.2% of total receivables are from one major customer of the Companies.

Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 45,414	¥ 45,414	
Short-term investments	904	904	
Notes receivables	171	171	
Accounts receivables	36,521	36,521	
Investment securities	52	52	
Total	¥ 83,062	¥ 83,062	
Short-term bank loans	¥ 6,278	¥ 6,278	
Notes payables	1,349	1,349	
Accounts payables	16,961	16,961	
Total	¥ 24,588	¥ 24,588	

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 45,365	¥ 45,365	
Short-term investments	542	542	
Notes receivables	730	730	
Accounts receivables	33,720	33,720	
Investment securities	42	42	
Total	¥80,399	¥ 80,399	
Short-term bank loans	¥ 5,737	¥ 5,737	
Notes payables	1,494	1,494	
Accounts payables	19,030	19,030	
Total	¥ 26,261	¥ 26,261	

March 31, 2014	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 440,913	$ 440,913	
Short-term investments	8,777	8,777	
Notes receivables	1,660	1,660	
Accounts receivables	354,573	354,573	
Investment securities	505	505	
Total	$ 806,428	$ 806,428	
Short-term bank loans	$ 60,951	$ 60,951	
Notes payables	13,097	13,097	
Accounts payables	164,670	164,670	
Total	$ 238,718	$ 238,718	

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 440,437	$ 440,437	
Short-term investments	5,262	5,262	
Note receivables	7,087	7,087	
Accounts receivables	327,379	327,379	
Investment securities	408	408	
Total	$ 780,573	$ 780,573	
Short-term bank loans	$ 55,699	$ 55,699	
Note payables	14,505	14,505	
Accounts payables	184,757	184,757	
Total	$ 254,961	$ 254,961	

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

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 3.

Short-term bank loans, notes payables, and accounts payables

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

Financial instruments whose fair value cannot be reliably determined

March 31, 2014	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments and convertible bonds that do not have a quoted market price in an active market	¥867	$ 8,417

March 31, 2013	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥741	$ 7,194

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2014	Millions of Yen			
	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	¥ 45,414			
Short-term investments	904			
Notes receivables	171			
Accounts receivables	36,521			
Total	¥ 83,010			

March 31, 2014	Thousands of U.S. Dollars			
	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	$ 440,913			
Short-term investments	8,777			
Notes receivables	1,660			
Accounts receivables	354,573			
Total	$ 805,923			

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					
	2014					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	¥ 25,515	¥ 11,496	¥ 78,555	¥ 20,579	¥ 21,216	¥ 157,361

	Millions of Yen					
	2013					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	¥ 25,379	¥ 13,046	¥ 74,201	¥ 16,646	¥ 22,827	¥ 152,099

	Thousands of U.S. Dollars					
	2014					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	$ 247,718	$ 111,612	$ 762,670	$ 199,796	$ 205,981	$1,527,777

	Thousands of U.S. Dollars					
	2013					
	Semiconductor devices	Optical Devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	$ 246,398	$ 126,660	$ 720,398	$ 161,612	$ 221,621	$ 1,476,689

(2) Information about geographical areas

(a) Sales

Millions of Yen				
2014				
Japan	Asia	Europe	North America	Total
¥ 70,750	¥ 78,769	¥ 3,503	¥ 4,339	¥ 157,361

Millions of Yen				
2013				
Japan	Asia	Europe	North America	Total
¥ 85,978	¥ 60,920	¥ 2,858	¥ 2,343	¥ 152,099

Thousands of U.S. Dollars				
2014				
Japan	Asia	Europe	North America	Total
$ 686,893	$ 764,748	$ 34,010	$ 42,126	$ 1,527,777

Thousands of U.S. Dollars				
2013				
Japan	Asia	Europe	North America	Total
$ 834,737	$ 591,456	$ 27,748	$ 22,748	$ 1,476,689

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

(b) Property, plant, and equipment

Millions of Yen			
2014			
Japan	Asia	Others	Total
¥ 17,287	¥ 10,230	¥ 281	¥ 27,798

Millions of Yen			
2013			
Japan	Asia	Others	Total
¥ 16,131	¥ 8,687	¥ 188	¥ 25,006

Thousands of U.S. Dollars			
2014			
Japan	Asia	Others	Total
$ 167,835	$ 99,320	$ 2,728	$ 269,883

Thousands of U.S. Dollars			
2013			
Japan	Asia	Others	Total
$ 156,612	$ 84,340	$ 1,825	$ 242,777

(3) Information about major customers

	Millions of Yen	
	2014	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	¥ 31,148	―――

	Millions of Yen	
	2013	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	¥ 50,053	―――

	Thousands of U.S. Dollars	
	2014	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	$ 302,408	―――

	Thousands of U.S. Dollars	
	2013	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	$ 485,951	―――

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 ¥10,626 million ($103,165 thousand) and ¥11,022 million ($107,010 thousand) for the years ended March 31, 2014 and 2013, 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 on the consolidated balance sheet at year-end, and they are not subject to disclosure of market value information.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014	2013	2014	2013
Unrealized gain (loss) on available-for-sale securities:				
Gain (loss) arising during the year	¥ (44)	¥ 35	$ (427)	$ 340
Reclassification adjustments to profit or loss	76		738	
Amount before income tax effect	32	35	311	340
Income tax effect	(11)	(12)	(108)	(116)
Total	¥ 21	¥ 23	$ 203	$ 224
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ 2,391	¥ 3,957	$ 23,215	$ 38,416
Amount before income tax effect	2,391	3,957	23,215	38,416
Total	¥ 2,391	¥3,957	$23,215	$ 38,416
Total other comprehensive income	¥ 2,412	¥3,980	$23,418	$ 38,640

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income (Loss)	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥ 3,229	87,452	¥ 36.92	$0.36
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥(11,545)	87,452	¥ (132.02)	$(1.28)

Diluted net income per share is not disclosed because there are no dilutive securities for the years ended March 31, 2014 and 2013.

19. SUBSEQUENT EVENT

The following appropriation of retained earnings as of March 31, 2014, was approved at the Company's shareholders' meeting held on June 25, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5 ($0.05) per share	¥ 437	$ 4,243

* * * * * *

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

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, 2014, 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, 2014, 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.

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 2 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 25, 2014