Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2015, and Independent Auditor's Report

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 2) 2015	Thousands of U.S. Dollars (Note 2) 2014
CURRENT ASSETS:				
Cash and cash equivalents (Note 14)	¥ 33,690	¥ 45,414	$ 280,750	$ 378,450
Short-term investments (Note 14)	9,329	904	77,742	7,533
Trade receivables (Note 14):				
Notes	63	171	525	1,425
Accounts	44,742	36,521	372,850	304,342
Allowance for doubtful receivables	(156)	(26)	(1,300)	(217)
Inventories (Note 4)	35,518	27,628	295,983	230,233
Deferred tax assets (Note 13)	159	109	1,325	908
Prepaid expenses and other current assets (Note 14)	2,671	1,257	22,258	10,475
Total current assets	126,016	111,978	1,050,133	933,149
PROPERTY, PLANT AND EQUIPMENT (Note 11):				
Land	5,427	5,490	45,225	45,750
Buildings and structures	29,835	30,959	248,625	257,992
Machinery and equipment	74,309	76,529	619,241	637,742
Furniture and fixtures	37,553	36,633	312,942	305,275
Construction in progress	2,253	980	18,775	8,167
Total	149,377	150,591	1,244,808	1,254,926
Accumulated depreciation	(117,789)	(122,793)	(981,575)	(1,023,275)
Net property, plant and equipment	31,588	27,798	263,233	231,651
INVESTMENTS AND OTHER ASSETS:				
Investments in unconsolidated subsidiaries	50	50	417	417
Investment securities (Notes 3 and 14)	429	870	3,575	7,250
Software (Note 11)	451	478	3,758	3,983
Deferred tax assets (Note 13)	339	358	2,825	2,983
Asset for retirement benefits (Note 6)	832		6,933	
Long-term receivables and other assets (Note 11)	1,385	1,449	11,542	12,075
Total investments and other assets	3,486	3,205	29,050	26,708
TOTAL	¥ 161,090	¥ 142,981	$1,342,416	$1,191,508

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2015

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 2) 2015	Thousands of U.S. Dollars (Note 2) 2014
CURRENT LIABILITIES:				
Short-term bank loans (Notes 5 and 14)	¥ 10,277	¥ 6,278	$ 85,642	$ 52,317
Trade payables (Note 14):				
Notes	1,858	1,349	15,483	11,242
Accounts	19,410	16,961	161,750	141,342
Income taxes payable	441	534	3,675	4,450
Accrued expenses	4,960	4,766	41,333	39,717
Other current liabilities	4,196	4,068	34,968	33,899
Total current liabilities	41,142	33,956	342,851	282,967
LONG-TERM LIABILITIES:				
Liability for retirement benefits (Note 6)	2,128	4,459	17,733	37,158
Deferred tax liabilities (Note 13)	2,191	1,363	18,258	11,358
Long-term payable	71	95	592	792
Other liabilities	126	116	1,050	967
Total long-term liabilities	4,516	6,033	37,633	50,275
Total liabilities	45,658	39,989	380,484	333,242
COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)				
EQUITY (Notes 7 and 20):				
Common stock—authorized, 200,000,000 shares; issued, 87,498,119 shares in 2015 and 2014	39,890	39,890	332,417	332,417
Capital surplus	43,252	43,252	360,433	360,433
Retained earnings	39,553	33,733	329,608	281,108
Treasury stock—at cost (47,667 shares in 2015 and 46,958 shares in 2014)	(93)	(92)	(775)	(767)
Accumulated other comprehensive income:				
Net unrealized gain on available-for-sale securities	55	50	458	417
Foreign currency translation adjustments	(4,154)	(9,699)	(34,617)	(80,825)
Defined retirement benefit plans	(3,071)	(4,142)	(25,592)	(34,517)
Total equity	115,432	102,992	961,932	858,266
TOTAL	¥ 161,090	¥ 142,981	$ 1,342,416	$1,191,508

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2015	2014	2015	2014
NET SALES (Note 15)	¥ 153,046	¥ 157,361	$ 1,275,383	$ 1,311,342
COST OF SALES (Note 16)	140,322	146,253	1,169,350	1,218,775
Gross profit	12,724	11,108	106,033	92,567
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	11,772	10,478	98,100	87,317
Operating income	952	630	7,933	5,250
OTHER INCOME (EXPENSES):				
Interest income	241	95	2,008	792
Interest expense	(70)	(45)	(583)	(375)
Loss on disposal of property, plant and equipment	(98)	(85)	(817)	(708)
Foreign exchange gain	3,464	1,710	28,867	14,250
Gain on sales of property, plant and equipment (Note 8)	1,036		8,633	
Subsidy income (Note 9)	1,435		11,958	
Insurance income (Note 10)		1,769		14,742
Special retirement benefits to employees (Note 6)	(129)	(8)	(1,075)	(67)
Loss on impairment of long-lived assets and intangible assets (Note 11)	(1,104)	(366)	(9,200)	(3,050)
Business restructuring cost (Notes 6 and 12)		(273)		(2,275)
Loss on valuation of investment securities	(421)	(76)	(3,508)	(633)
Other—net	(509)	327	(4,241)	2,724
Other income —net	3,845	3,048	32,042	25,400
INCOME BEFORE INCOME TAXES	4,797	3,678	39,975	30,650
INCOME TAXES (Note 13):				
Current	504	538	4,200	4,483
Deferred	467	(89)	3,892	(741)
Total income taxes	971	449	8,092	3,742
NET INCOME	¥ 3,826	¥ 3,229	$ 31,883	$ 26,908

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2015

	Yen		U.S. Dollars (Note 2)	
	2015	2014	2015	2014
PER SHARE OF COMMON STOCK (Notes 1.r and 19):				
Net income	¥ 43.75	¥ 36.92	$ 0.36	$ 0.31
Cash dividends applicable to the year	14.00	5.00	0.12	0.04

See notes to consolidated financial statements.

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2015	2014	2015	2014
NET INCOME	¥ 3,826	¥ 3,229	$ 31,883	$ 26,908
OTHER COMPREHENSIVE INCOME (Note 18):				
Net unrealized gain on available-for-sale securities	5	21	41	175
Foreign currency translation adjustments	5,545	2,391	46,208	19,925
Defined retirement benefit plans	1,071		8,925	
Total other comprehensive income	6,621	2,412	55,174	20,100
COMPREHENSIVE INCOME (Note 18)	¥ 10,447	¥ 5,641	$ 87,057	$ 47,008
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 18):				
Owners of the parent	¥ 10,447	¥ 5,641	$ 87,057	$ 47,008

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2015

		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 Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 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 (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				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

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31 , 2015

	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 Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2013	$ 332,417	$ 360,433	$254,442	$ (767)	$ 242	$(100,750)		$ 846,017
Net loss			26,908					26,908
Treasury stock acquired—net (922 shares)								
Change of scope of consolidation			(242)					(242)
Net change in the year					175	19,925	(34,517)	(14,417)
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 332,417	$ 360,433	$281,108	$ (767)	$ 417	$ (80,825)	$ (34,517)	$ 858,266
Cumulative effect of accounting change			20,258					20,258
BALANCE, APRIL 1, 2014 (as restated)	332,417	360,433	301,366	(767)	417	(80,825)	(34,517)	878,524
Net income			31,883					31,883
Cash dividends, $0.04 per share			(3,641)					(3,641)
Treasury stock acquired—net (709 shares)				(8)				(8)
Net change in the year					41	46,208	8,925	55,174
BALANCE, MARCH 31, 2015	$ 332,417	$ 360,433	$329,608	$ (775)	$ 458	$ (34,617)	$ (25,592)	$ 961,932

See notes to consolidated financial statements.

(Concluded)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2015	2014	2015	2014
OPERATING ACTIVITIES:				
Income before income taxes	¥ 4,797	¥ 3,678	$39,975	$30,650
Adjustments for:				
Income taxes—paid	(700)	(362)	(5,833)	(3,017)
Income taxes—refunded	41	270	342	2,250
Depreciation and amortization	7,132	6,526	59,433	54,383
Loss on impairment of long-lived assets and intangible assets	1,104	366	9,200	3,050
Provision for (reversal of) allowance for doubtful receivables—net	251	(149)	2,092	(1,242)
Gain on sales of property, plant and equipment	(1,212)	(131)	(10,100)	(1,092)
Loss on disposal of property, plant and equipment	98	85	817	708
Foreign exchange loss	1,014	393	8,450	3,275
Special retirement benefits to employees		(54)		(450)
Subsidy income	(744)		(6,200)	
Business restructuring cost	(102)	(552)	(850)	(4,600)
Loss on valuation of investment securities	421	76	3,508	633
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(5,668)	(1,213)	(47,233)	(10,108)
(Increase) decrease in inventories	(6,651)	2,319	(55,425)	19,325
Increase in interest and dividend receivable	(22)		(183)	
(Increase) decrease in other assets	(1,138)	1,774	(9,484)	14,784
Increase (decrease) in notes and accounts payable	669	(3,320)	5,575	(27,667)
Decrease in other liabilities	(19)	(1,323)	(159)	(11,024)
Decrease in asset for retirement benefits		877		7,309
Increase (decrease) in liability for retirement benefits	555	(521)	4,625	(4,342)
Total adjustments	(4,971)	5,061	(41,425)	42,175
Net cash (used in) provided by operating activities	(174)	8,739	(1,450)	72,825
INVESTING ACTIVITIES:				
Investment in time deposits—net	(8,240)	(246)	(68,667)	(2,050)
Proceeds from sales of property, plant and equipment	2,565	1,410	21,375	11,750
Purchases of property, plant and equipment	(11,988)	(10,304)	(99,900)	(85,867)
Other—net	(207)	(887)	(1,725)	(7,391)
Net cash used in investing activities	(17,870)	(10,027)	(148,917)	(83,558)
FORWARD	¥(18,044)	¥ (1,288)	$ (150,367)	$(10,733)

(Continued)

Mitsumi Electric Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2015	2014	2015	2014
FORWARD	¥(18,044)	¥ (1,288)	$ (150,367)	$ (10,733)
FINANCING ACTIVITIES:				
Increase in short-term bank loans - net	2,972		24,767	
Dividends paid	(439)	(5)	(3,658)	(42)
Other-net	(1)		(9)	
Net cash provided by (used in) financing activities	2,532	(5)	21,100	(42)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,788	1,312	31,567	10,933
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,724)	19	(97,700)	158
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,414	45,365	378,450	378,042
CHANGE OF SCOPE OF CONSOLIDATION		30		250
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 33,690	¥ 45,414	$ 280,750	$ 378,450

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, 2015, include the accounts of Mitsumi Electric Co., Ltd., the parent company (the "Company"), and its 18 significant (18 in 2014) subsidiaries (together, the "Companies"). From the year ended March 31, 2014, one subsidiary, Mitsumi Automotive de Mexico, S.A. de C.V., became significant and 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 recorded in equity through other comprehensive income; 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. 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:

	2015	2014
Buildings and structures	2.7%	3.3%
Machinery and equipment	5.5%	4.6%

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.

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.

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. ***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.

m. *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 ($104,825 thousand), ¥2,279 million ($18,992 thousand) 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 ($85,833 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 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 18).

(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, 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, liability for retirement benefits as of April 1, 2014, decreased by ¥2,431 million ($20,258 thousand), and retained earnings as of April 1, 2014, increased by ¥2,431 million ($20,258 thousand), and the effect of this change regarding operating income and income before income taxes for the year ended March 31, 2015, was immaterial. In addition, the effect of this change regarding basic net income per share for the year ended March 31, 2015, was immaterial.

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.

n. 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.

o. 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.

p. 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.

q. 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 87,450 thousand and 87,451 thousand for the years ended March 31, 2015 and 2014, 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.

r. 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.

s. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements— 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 minority 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 current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority 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 shall be 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 current accounting standard will be 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 current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be 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 current 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 current 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 expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015. The effects of applying the revised accounting standards and guidance in future applicable periods have not been determined.

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 2015 and 2014 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120 = $1, the approximate rate of exchange as of March 31, 2015. 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, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	2014
Current :				
Nonmarketable convertible bond	¥ 120		$ 1,000	
Total	¥ 120		$ 1,000	
Non-current :				
Marketable equity securities	¥ 70	¥ 52	$ 583	$ 433
Nonmarketable equity securities	239	715	1,992	5,959
Nonmarketable convertible bond	120	103	1,000	858
Total	¥ 429	¥870	$ 3,575	$7,250

The costs and aggregate fair values of investment securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥29	¥41		¥70
March 31, 2014				
Available-for-sale:				
Equity securities	¥ 29	¥23		¥52

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$242	$341		$583
March 31, 2014				
Available-for-sale:				
Equity securities	$242	$191		$433

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 31, 2015 was as follows:

March 31, 2015	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 11	¥ 5	
Total	¥ 11	¥ 5	

March 31, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 92	$ 42	
Total	$ 92	$ 42	

The loss on valuation of investment securities (available-for-sale equity securities) for the years ended March 31, 2015 and 2014, were ¥421million ($3,508 thousands) and ¥ 76 million ($633 thousands), respectively.

4. INVENTORIES

Inventories as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	2014
Finished products	¥ 4,244	¥ 2,833	$ 35,366	$ 23,608
Work in process	13,281	8,058	110,675	67,150
Raw materials, purchased components, and supplies	17,993	16,737	149,942	139,475
Total	¥ 35,518	¥ 27,628	$ 295,983	$ 230,233

5. SHORT-TERM BANK LOANS

Short-term bank loans as of March 31, 2015 and 2014, consisted of short-term notes to banks and bank overdraft, bearing an average interest rate of 0.6% and 0.7% per annum as of March 31, 2015 and 2014, respectively.

6. 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, 2015 and 2014, were as follows:

	Millions of Yen	
	2015	2014
Balance at beginning of year (as previously reported)	¥ 31,448	¥ 29,105
Cumulative effect of accounting change	(2,431)	
Balance at beginning of year (as restated)	29,017	29,105
Current service cost	1,760	1,657
Interest cost	410	462
Actuarial losses	990	1,566
Benefits paid	(1,369)	(1,361)
Others	180	19
Balance at end of year	¥ 30,988	¥ 31,448

	Thousands of U.S. Dollars	
	2015	2014
Balance at beginning of year (as previously reported)	$ 262,066	$ 242,542
Cumulative effect of accounting change	(20,258)	
Balance at beginning of year (as restated)	241,808	242,542
Current service cost	14,667	13,808
Interest cost	3,417	3,850
Actuarial losses	8,250	13,050
Benefits paid	(11,408)	(11,342)
Others	1,499	158
Balance at end of year	$ 258,233	$ 262,066

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen	
	2015	2014
Balance at beginning of year	¥ 26,989	¥ 25,058
Expected return on plan assets	519	484
Actuarial losses	1,613	812
Contributions from the employer	1,620	1,609
Benefits paid	(1,063)	(974)
Others	14	
Balance at end of year	¥ 29,692	¥ 26,989

	Thousands of U.S. Dollars	
	2015	2014
Balance at beginning of year	$ 224,908	$ 208,817
Expected return on plan assets	4,325	4,033
Actuarial losses	13,442	6,767
Contributions from the employer	13,500	13,408
Benefits paid	(8,858)	(8,117)
Others	116	
Balance at end of year	$ 247,433	$ 224,908

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

	Millions of Yen	
	2015	2014
Funded defined benefit obligation	¥ 29,119	¥ 29,900
Plan assets	(29,692)	(26,989)
	(573)	2,911
Unfunded defined benefit obligation	1,869	1,548
Net liability arising from defined benefit obligation	¥ 1,296	¥ 4,459

	Millions of Yen	
	2015	2014
Liability for retirement benefits	¥ 2,128	¥ 4,459
Asset for retirement benefits	(832)	
Net liability arising from defined benefit obligation	¥ 1,296	¥ 4,459

	Thousands of U.S. Dollars	
	2015	2014
Funded defined benefit obligation	$ 242,658	$ 249,166
Plan assets	(247,433)	(224,908)
	(4,775)	24,258
Unfunded defined benefit obligation	15,575	12,900
Net liability arising from defined benefit obligation	$ 10,800	$ 37,158

	Thousands of U.S. Dollars	
	2015	2014
Liability for retirement benefits	$ 17,733	$ 37,158
Asset for retirement benefits	(6,933)	
Net liability arising from defined benefit obligation	$ 10,800	$ 37,158

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen	
	2015	2014
Service cost	¥ 1,760	¥ 1,657
Interest cost	410	462
Expected return on plan assets	(519)	(484)
Amortization of prior service cost	(123)	(122)
Recognized actuarial losses	707	505
Amortization of transitional obligation	366	366
Net periodic benefit costs	¥ 2,601	¥ 2,384

	Thousands of U.S. Dollars	
	2015	2014
Service cost	$ 14,667	$ 13,808
Interest cost	3,417	3,850
Expected return on plan assets	(4,325)	(4,033)
Amortization of prior service cost	(1,025)	(1,017)
Recognized actuarial losses	5,892	4,208
Amortization of transitional obligation	3,050	3,050
Net periodic benefit costs	$ 21,676	$ 19,866

The net periodic benefit costs above exclude special retirement benefits to employees of ¥129 million ($1,075 thousand) in 2015 and ¥8 million ($67 thousand) in 2014. Also special retirement benefits to employees of ¥244 million ($2,033 thousand) are included in business restructuring cost in 2014.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015.

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Actuarial losses	¥ 1,249	$ 10,408
Prior service cost	(123)	(1,025)
Transitional obligation	366	3,050
Total	¥ 1,492	$ 12,433

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen	
	2015	2014
Unrecognized prior service cost	¥ (871)	¥ (993)
Unrecognized actuarial (gains) losses	3,606	4,855
Unrecognized transitional obligation		366
Total	¥ 2,735	¥ 4,228

	Thousands of U.S. Dollars	
	2015	2014
Unrecognized prior service cost	$ (7,258)	$ (8,275)
Unrecognized actuarial (gains) losses	30,050	40,458
Unrecognized transitional obligation		3,050
Total	$ 22,792	$ 35,233

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt investments	39%	57%
Alternative investments	25	14
Equity investments	21	20
Assets in general account of insurance companies	7	4
Others	8	5
Total	100%	100%

Total plan assets includes those in the employee retirement benefit trust of 5% in 2015 and 4% in 2014. 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, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate (weighted average)	0.9%	1.3%
Expected rate of return on plan assets	2.0	2.0
Amortization period of transitional obligation	15 years	15 years
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.

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. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2015
Gain on sales of property, plant and equipment of ¥1,036 million ($8,633 thousand), is due to the sale of land, buildings and structures in Japan for ¥221 million ($1,841 thousand) and the sales of the factory etc. in China for ¥815 million ($6,792 thousand).

9. SUBSIDY INCOME

For the year ended March 31, 2015
Subsidy income of ¥1,435 million ($11,958 thousand), is the receipt of subsidies for plant relocation associated with urban redevelopment in China.

10. INSURANCE INCOME

For the year ended March 31, 2014
Insurance income of ¥1,769 million ($14,742 thousand), is the receipt of insurance for loss due to the Anti-Japan demonstration in China in 2013.

11. LONG-LIVED ASSETS AND INTANGIBLE ASSETS

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 ($9,200 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, 2015.

March 31, 2015	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 4	$ 33
Machinery and equipment	701	5,842
Furniture and fixtures	299	2,492
Construction in progress	76	633
Software	24	200
Total	¥ 1,104	$9,200

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, 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 ($3,050 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, 2014.

March 31, 2014	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 28	$233
Machinery and equipment	132	1,100
Furniture and fixtures	132	1,100
Construction in progress	42	350
Software and other assets	32	267
Total	¥ 366	$3,050

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. BUSINESS RESTRUCTURING COST

For the year ended March 31, 2014
Business restructuring cost of ¥273 million ($2,275 thousand), is the cost of restructuring the semiconductor manufacturing base of the Company.

13. 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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	2014
Deferred tax assets—current:				
Accrued bonuses	¥ 414	¥ 438	$ 3,450	$ 3,650
Loss on valuation of inventories	353	433	2,942	3,608
Foreign tax credits	10	46	83	383
Accrued expenses	226	287	1,883	2,392
Tax loss carryforwards		42		350
Others	230	145	1,917	1,209
Total deferred tax assets	1,233	1,391	10,275	11,592
Less valuation allowance	(1,065)	(1,271)	(8,875)	(10,592)
Deferred tax assets—net of valuation allowance	168	120	1,400	1,000
Deferred tax liabilities	(9)	(11)	(75)	(92)
Net current deferred tax assets	¥ 159	¥ 109	$ 1,325	$ 908
Deferred tax liabilities—current:				
Reserve for reduction of fixed assets	¥ (9)	¥ (11)	$ (75)	$ (92)
Others	(5)	(7)	(42)	(58)
Total deferred tax liabilities—current	(14)	(18)	(117)	(150)
Deferred tax assets	9	11	75	92
Net current deferred tax liabilities	¥ (5)	¥ (7)	$ (42)	(58)

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	2014
Deferred tax assets—non-current:				
Loss on impairment of long-lived assets	¥ 1,825	¥ 2,500	$ 15,208	$ 20,833
Tax loss carryforwards	10,059	11,412	83,825	95,100
Depreciation and amortization	747	772	6,225	6,433
Net defined benefit liability	361	1,338	3,008	11,150
Loss on valuation of shares in subsidiary	475	523	3,958	4,358
Loss on valuation of investment in subsidiary	483	533	4,025	4,442
Others	1,659	1,011	13,826	8,425
Total deferred tax assets	15,609	18,089	130,075	150,741
Less valuation allowance	(15,129)	(17,566)	(126,075)	(146,383)
Deferred tax assets—net of valuation allowance	480	523	4,000	4,358
Deferred tax liabilities	(141)	(165)	(1,175)	(1,375)
Net noncurrent deferred tax assets	¥ 339	¥ 358	$ 2,825	$ 2,983
Deferred tax liabilities—non-current:				
Undistributed earnings of subsidiaries	¥ (1,695)	¥ (1,116)	$ (14,125)	$ (9,300)
Loss on valuation of shares in subsidiary	(194)	(214)	(1,617)	(1,783)
Asset for retirement benefit	(275)		(2,292)	
Reserve for reduction of fixed assets	(141)	(164)	(1,175)	(1,367)
Others	(27)	(34)	(224)	(283)
Total deferred tax liabilities—non-current	(2,332)	(1,528)	(19,433)	(12,733)
Deferred tax assets	141	165	1,175	1,375
Net noncurrent deferred tax liabilities	¥ (2,191)	¥ (1,363)	$ (18,258)	$ (11,358)

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, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Dividend income and other non-taxable income	(13.0)	(0.1)
Per capita rate of resident tax	0.8	0.9
Valuation allowance	4.9	(7.2)
Lower income tax rates in foreign subsidiaries	(9.6)	(19.1)
Foreign tax, etc.	2.6	2.6
Undistributed earnings of subsidiaries	12.1	1.7
Tax loss carryforwards	(7.1)	
Subsidy income at subsidiary	(10.7)	
Other—net	4.6	(4.6)
Actual effective tax rate	20.2%	12.2%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥187 million ($1,558 thousand), and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥3 million ($25 thousand), and decrease that for defined retirement benefit plan by ¥54 million ($450 thousand), and to decrease deferred income taxes by ¥130 million ($1,083 thousand).

The Companies have tax loss carryforwards for corporate tax purposes of approximately ¥37,587 million ($313,225 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
2016	¥ 1,125	$ 9,375
2017	1,972	16,433
2018	1,904	15,867
2019	874	7,283
2020	8,319	69,325
2021	9,708	80,900
2022 and thereafter	13,685	114,042
Total	¥ 37,587	$ 313,225

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for financial instruments

The Companies use financial instruments, short-term funds, including bank loans, transfer of receivables and electronic commercial paper and 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 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 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, 2015, 11.9% of total receivables are from one major customer of the Companies.

Fair value of financial instruments

	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	

	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 receivable	171	171	
Accounts receivable	36,521	36,521	
Investment securities	52	52	
Total	¥83,062	¥ 83,062	
Short-term bank loans	¥ 6,278	¥ 6,278	
Notes payable	1,349	1,349	
Accounts payable	16,961	16,961	
Total	¥ 24,588	¥ 24,588	

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 280,750	$ 280,750	
Short-term investments	77,742	77,742	
Notes receivable	525	525	
Accounts receivable	372,850	372,850	
Investment securities	583	583	
Total	$ 732,450	$ 732,450	
Short-term bank loans	$ 85,642	$ 85,642	
Notes payable	15,483	15,483	
Accounts payable	161,750	161,750	
Total	$ 262,875	$ 262,875	

March 31, 2014	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 378,450	$ 378,450	
Short-term investments	7,533	7,533	
Notes receivable	1,425	1,425	
Accounts receivable	304,342	304,342	
Investment securities	433	433	
Total	$ 692,183	$ 692,183	
Short-term bank loans	$ 52,317	$ 52,317	
Notes payable	11,242	11,242	
Accounts payable	141,342	141,342	
Total	$ 204,901	$ 204,901	

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 3.

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

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, 2015	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	¥408	$ 3,400

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	$ 7,225

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2015	Millions of Yen			
	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	¥ 33,690			
Short-term investments	9,329			
Notes receivable	63			
Accounts receivable	44,742			
Prepaid expenses and other current assets	120			
Investment securities		¥ 120		
Total	¥ 87,944	¥ 120		

March 31, 2015	Thousands of U.S. Dollars			
	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	$ 280,750			
Short-term investments	77,742			
Notes receivable	525			
Accounts receivable	372,850			
Prepaid expenses and other current assets	1,000			
Investment securities		$ 1,000		
Total	$ 732,867	$ 1,000		

15. SEGMENT INFORMATION

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

1. Description of reportable segments

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

2. Related information

(1) Information about products and services

	Millions of Yen					
	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

	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

	Thousands of U.S. Dollars					
	2015					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	$ 238,742	$ 57,425	$ 625,491	$ 197,175	$ 156,550	$1,275,383

	Thousands of U.S. Dollars					
	2014					
	Semiconductor devices	Optical devices	Mechanical parts	High-frequency parts	Power supply parts	Total
Sales to external customers	$ 212,625	$ 95,800	$ 654,625	$ 171,492	$ 176,800	$ 1,311,342

(2) Information about geographical areas

(a) Sales

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

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

Thousands of U.S. Dollars				
2015				
Japan	Asia	Europe	North America	Total
$ 491,167	$ 709,883	$ 36,116	$ 38,217	$ 1,275,383

Thousands of U.S. Dollars				
2014				
Japan	Asia	Europe	North America	Total
$ 589,583	$ 656,409	$ 29,192	$ 36,158	$ 1,311,342

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

(b) Property, plant, and equipment

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

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

Thousands of U.S. Dollars			
2015			
Japan	Asia	Others	Total
$ 161,775	$ 96,275	$ 5,183	$ 263,233

Thousands of U.S. Dollars			
2014			
Japan	Asia	Others	Total
$ 144,059	$ 85,250	$ 2,342	$ 231,651

(3) Information about major customers

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

	Millions of Yen	
	2014	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	¥ 31,148	Not applicable

	Thousands of U.S. Dollars	
	2015	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	$ 181,867	Not applicable

	Thousands of U.S. Dollars	
	2014	
Name of customer	Sales	Related segment name
Nintendo Co., Ltd.	$ 259,567	Not applicable

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

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥11,564 million ($96,367 thousand) and ¥10,626 million ($88,550 thousand) for the years ended March 31, 2015 and 2014, respectively.

17. DERIVATIVES

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

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

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

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

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	2014
Unrealized gain on available-for-sale securities:				
Loss arising during the year	¥ (147)	¥ (44)	$ (1,225)	$ (367)
Reclassification adjustments to profit or loss	151	76	1,258	634
Amount before income tax effect	4	32	33	267
Income tax effect	1	(11)	8	(92)
Total	¥ 5	¥ 21	$ 41	$ 175
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ 5,545	¥ 2,391	$ 46,208	$ 19,925
Amount before income tax effect	5,545	2,391	46,208	19,925
Total	¥ 5,545	¥2,391	$46,208	$ 19,925
Defined retirement benefit plans				
Adjustments arising during the year	¥ 623		$5,192	
Reclassification adjustments to profit or loss	869		7,241	
Amount before income tax effect	1,492		12,433	
Income tax effect	(421)		(3,508)	
Total	¥ 1,071		$ 8,925	
Total other comprehensive income	¥ 6,621	¥2,412	$55,174	$ 20,100

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 3,826	87,451	¥ 43.75	$0.36
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥ 3,229	87,452	¥ 36.92	$ 0.31

Diluted net income per share is not disclosed because there are no dilutive securities for the years ended March 31, 2015 and 2014.

As noted in Note 1.n, the Company applied the revised accounting standard and guidance for retirement benefits effective April 1, 2014, and changed the methods of attributing the expected benefit to periods and determining the discount rate.
As a result, basic EPS for the year ended March 31, 2015, increased by ¥27.79 ($0.23).

20. SUBSEQUENT EVENT

The following appropriation of retained earnings as of March 31, 2015, was approved at the Company's shareholders' meeting held on June 24, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14 ($0.12) per share	¥ 1,224	$ 10,200

* * * * * *

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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, 2015, and the related consolidated statements of income, 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, 2015, 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 24, 2015