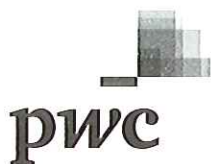

***Kaga Electronics Co., Ltd.
and Subsidiaries***

*Consolidated Financial Statements for the
Years Ended March 31, 2013 and 2012,
and Independent Auditors' Report*



Independent Auditor's Report

To the Board of Directors of
Kaga Electronics Co., Ltd.

We have audited the accompanying consolidated financial statements of Kaga Electronics Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 comply with ethical requirements and 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, while the purpose of the financial statements audit is not to express 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.



To the Board of Directors of
Kaga Electronics Co., Ltd.
Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata
September 6, 2013

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2012	2013	2013
CURRENT ASSETS:			
Cash and deposits ※2	¥ 9,775	¥ 12,258	\$ 130,336
Notes and accounts receivable-trade ※4	55,979	54,580	580,333
Short-term investment securities	74	111	1,189
Merchandise and finished goods	17,104	14,075	149,663
Work in process	334	637	6,782
Raw materials and supplies	4,115	4,065	43,229
Deferred tax assets	861	482	5,131
Others	6,272	3,823	40,657
Allowance for doubtful accounts	(144)	(90)	(964)
Total current assets	94,374	89,945	956,360
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	4,818	5,227	55,578
Accumulated depreciation	(1,872)	(2,100)	(22,335)
Buildings and structures, net	2,945	3,126	33,243
Machinery, equipment and vehicles	3,408	4,166	44,298
Accumulated depreciation	(1,916)	(2,451)	(26,066)
Machinery, equipment and vehicles, net	1,492	1,714	18,231
Tools, furniture and fixtures	3,752	4,036	42,917
Accumulated depreciation	(2,826)	(3,230)	(34,352)
Tools, furniture and fixtures, net	926	805	8,565
Land ※2	4,077	4,305	45,778
Construction in progress	45	606	6,452
Total property, plant and equipment	9,487	10,559	112,270
INTANGIBLE ASSETS			
Goodwill	253	799	8,504
Software	800	435	4,624
Others	1,191	991	10,540
Total intangible assets	2,245	2,226	23,671
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1, 2	4,032	4,491	47,760
Deferred tax assets	341	472	5,024
Guarantee deposits	2,068	2,100	22,329
Insurance funds	1,322	1,295	13,775
Others	2,521	1,843	19,604
Allowance for doubtful accounts	(1,678)	(1,046)	(11,124)
Total investments and other assets	8,607	9,157	97,371
Total noncurrent assets	20,340	21,943	233,313
Total assets	¥ 114,714	¥ 111,888	\$ 1,189,674

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES	2012	2013	2013
CURRENT LIABILITIES:			
Notes and accounts payable-trade ※2, 4	¥ 41,748	¥ 37,423	\$ 397,907
Short-term loans payable ※2, 5	11,084	9,567	101,727
Accrued expenses	2,444	2,683	28,537
Income taxes payable	1,082	1,055	11,221
Provision for directors' bonuses	52	74	791
Others	3,061	2,551	27,127
Total current liabilities	59,474	53,355	567,313
NONCURRENT LIABILITIES:			
Long-term loans payable ※2	2,833	5,121	54,450
Deferred tax liabilities	228	559	5,946
Provision for retirement benefits (Note 12)	1,579	1,643	17,477
Provision for directors' retirement benefits	1,399	1,398	14,872
Asset retirement obligations	245	227	2,423
Others	1,017	775	8,247
Total noncurrent liabilities	7,303	9,726	103,417
Total liabilities	66,777	63,082	670,730
NET ASSETS:			
Shareholders' equity			
Capital stock	12,133	12,133	129,011
Capital surplus	13,912	13,912	147,926
Retained earnings	25,038	24,384	259,270
Treasury stock	(1,333)	(535)	(5,691)
Total shareholders' equity	49,751	49,895	530,517
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	(653)	(180)	(1,915)
Deferred gains or losses on hedges	(24)	(6)	(66)
Foreign currency translation adjustment	(2,663)	(1,052)	(11,186)
Total valuation and translation adjustments	(3,341)	(1,238)	(13,167)
Subscription rights to shares	0	—	—
Minority interests	1,526	149	1,593
Total net assets	47,936	48,806	518,943
Total liabilities and net assets	¥ 114,714	¥ 111,888	\$ 1,189,674

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Net sales	¥ 229,856	¥ 216,405	\$ 2,300,966
Cost of sales ※2	201,350	188,943	2,008,966
Gross profit	28,506	27,462	291,999
Selling, general and administrative expenses ※1, 2	26,438	26,202	278,600
Operating income	2,067	1,260	13,399
NON-OPERATING INCOME			
Interest income	59	49	527
Dividend income	67	71	761
Commission fee	205	212	2,254
Amortization of negative goodwill	90	112	1,197
Foreign exchange gains	—	81	870
House rent income	107	107	1,141
Others	318	320	3,407
Total non-operating income	850	955	10,160
NON-OPERATING EXPENSES			
Interest expenses	145	135	1,444
Loss on investments in partnership	72	79	845
Foreign exchange losses	80	—	—
Others	49	69	734
Total non-operating expenses	348	284	3,024
Ordinary income	2,569	1,931	20,534
EXTRAORDINARY INCOME			
Gain on sales of noncurrent assets ※3	17	39	416
Gain on sales of investment securities	255	86	917
Gain on bargain purchase ※5	—	522	5,551
Gain on sales of subsidiaries' and affiliates' stocks	—	6	63
Insurance income	1,295	385	4,102
Others	0	18	200
Total extraordinary income	1,567	1,058	11,252
EXTRAORDINARY LOSS			
Loss on retirement of noncurrent assets ※4	42	25	276
Loss on valuation of investment securities	23	72	771
Impairment loss	69	152	1,616
Loss on disaster	1,044	—	—
Litigation settlement	—	80	850
Business structure improvement expenses	—	55	590
Special retirement expenses	—	166	1,773
Others	154	2	26
Total extraordinary loss	¥ 1,334	¥ 555	\$ 5,905

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income Years Ended March 31, 2012 and 2013

Income before income taxes	¥ 2,802	¥ 2,434	\$ 25,880
Income taxes-current	1,784	1,594	16,952
Income taxes-deferred	95	559	5,951
Total income taxes (Note 13)	1,879	2,154	22,904
Income before minority interests	922	279	2,976
Minority interests in income (loss)	8	(164)	(1,752)
Net income	914	444	4,729
Minority interests in income (loss)	8	(164)	(1,752)
Income before minority interests	922	279	2,976
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	(408)	478	5,084
Deferred gains on hedges	(25)	18	196
Foreign currency translation adjustment	(91)	1,604	17,060
Total other comprehensive income ※6	(525)	2,101	22,341
Comprehensive income	¥ 397	¥ 2,381	\$ 25,318
Comprehensive income attributable to			
Owners of the parent	¥ 390	¥ 2,547	\$ 27,087
Minority interests	6	(166)	(1,769)

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. And Subsidiaries

Consolidated Statements of Shareholders' equity Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2013</u>	<u>2013</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Capital stock – beginning balance	¥ 12,133	¥ 12,133	\$ 129,011
Changes of items during the period	—	—	—
Total changes of items during the period	—	—	—
Capital stock - ending balance	<u>12,133</u>	<u>12,133</u>	<u>129,011</u>
CAPITAL SURPLUS			
Capital surplus - beginning balance	13,912	13,912	147,926
Changes of items during the period	—	(0)	(0)
Disposal of treasury stock	—	(0)	(0)
Total changes of items during the period	—	(0)	(0)
Capital surplus - ending balance	<u>13,912</u>	<u>13,912</u>	<u>147,926</u>
RETAINED EARNINGS			
Retained earnings-beginning balance	24,952	25,038	266,229
Changes of items during the period	(827)	(827)	(8,802)
Dividends from surplus	914	444	4,729
Net income	—	(271)	(2,884)
Disposal of treasury stock	—	(271)	(2,884)
Total changes of items during the period	86	(654)	(6,958)
Retained earnings-ending balance	<u>25,038</u>	<u>24,384</u>	<u>259,270</u>
TREASURY STOCK			
Treasury stock - beginning balance	(1,332)	(1,333)	(14,174)
Changes of items during the period	(0)	(0)	(3)
Purchase of treasury stock	—	798	8,487
Disposal of treasury stock	—	797	8,483
Total changes of items during the period	(0)	797	8,483
Treasury stock - ending balance	<u>(1,333)</u>	<u>(535)</u>	<u>(5,691)</u>
TOTAL SHAREHOLDERS' EQUITY			
Shareholders' equity - beginning balance	49,665	49,751	528,993
Changes of items during the period	(827)	(827)	(8,802)
Dividends from surplus	914	444	4,729
Net income	(0)	(0)	(3)
Purchase of treasury stock	—	526	5,601
Disposal of treasury stock	—	526	5,601
Total changes of items during the period	85	143	1,524
Shareholders' equity - ending balance	<u>¥ 49,751</u>	<u>¥ 49,895</u>	<u>\$ 530,517</u>

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Shareholders' equity Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2013</u>	<u>2013</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES			
Valuation difference on available-for-sale securities - beginning balance	¥ (246)	¥ (653)	\$ (6,943)
Changes of items during the period			
Net changes of items other than shareholders' equity	(406)	472	5,028
Total changes of items during the period	<u>(406)</u>	<u>472</u>	<u>5,028</u>
Valuation difference on available-for-sale securities - ending balance	(653)	(180)	(1,915)
DEFERRED GAINS OR LOSSES ON HEDGES			
Deferred gains or losses on hedges - beginning balance	0	(24)	(264)
Changes of items during the period			
Net changes of items other than shareholders' equity	(25)	18	197
Total changes of items during the period	<u>(25)</u>	<u>18</u>	<u>197</u>
Deferred gains or losses on hedges - ending balance	<u>(24)</u>	<u>(6)</u>	<u>(66)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Foreign currency translation adjustment - beginning balance	(2,571)	(2,663)	(28,318)
Changes of items during the period			
Net changes of items other than shareholders' equity	(92)	1,611	17,132
Total changes of items during the period	<u>(92)</u>	<u>1,611</u>	<u>17,132</u>
Foreign currency translation adjustment - ending balance	<u>(2,663)</u>	<u>(1,052)</u>	<u>(11,186)</u>
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME			
Accumulated other comprehensive income - beginning balance	(2,817)	(3,341)	(35,526)
Changes of items during the period			
Net changes of items other than shareholders' equity	(523)	2,102	22,358
Total changes of items during the period	<u>(523)</u>	<u>2,102</u>	<u>22,358</u>
Accumulated other comprehensive income - ending balance	<u>¥ (3,341)</u>	<u>¥ (1,238)</u>	<u>\$ (13,167)</u>

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Shareholders' equity Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2012</u>	<u>2013</u>	<u>2013</u>
SUBSCRIPTION RIGHTS TO SHARES			
Subscription rights to shares - beginning balance	¥ 0	¥ 0	\$ 1
Changes of items during the period			
Net changes of items other than shareholders' equity	—	(0)	(1)
Total changes of items during the period	—	(0)	(1)
Subscription rights to shares - ending balance	0	—	—
MINORITY INTERESTS			
Minority interests - beginning balance	1,664	1,526	16,226
Changes of items during the period			
Net changes of items other than shareholders' equity	(138)	(1,376)	(14,632)
Total changes of items during the period	(138)	(1,376)	(14,632)
Minority interests - ending balance	1,526	149	1,593
NET ASSETS			
Net assets - beginning balance	48,512	47,936	509,693
Changes of items during the period			
Dividends from surplus	(827)	(827)	(8,802)
Net income	914	444	4,729
Purchase of treasury stock	(0)	(0)	(3)
Disposal of treasury stock	—	526	5,601
Net changes of items other than shareholders' equity	(661)	726	7,725
Total changes of items during the period	(575)	869	9,249
Net assets - ending balance	¥ 47,936	¥ 48,806	\$ 518,943

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 2,802	¥ 2,434	\$ 25,880
Depreciation and amortization	2,181	2,303	24,494
Impairment loss	69	152	1,616
Amortization of goodwill	87	72	765
Gain on bargain purchase	—	(522)	(5,551)
Increase in provision for retirement benefits	24	62	663
Increase (decrease) in provision for directors' retirement benefits	104	(0)	(2)
(Decrease) increase in provision for directors' bonuses	(86)	22	237
Increase (decrease) in allowance for doubtful accounts	107	(569)	(6,055)
Interest and dividend income	(127)	(121)	(1,289)
Interest expense	146	135	1,444
Gain on sales of property, plant and equipment	(15)	(38)	(411)
Loss on retirement of noncurrent assets	42	25	276
Gain on sales of investment securities	(233)	(86)	(915)
Loss on valuation of investment securities	23	72	771
(Increase) decrease in notes and accounts receivable-trade	(2,561)	7,424	78,940
(Increase) decrease in inventories	(2,522)	4,014	42,687
Increase (decrease) in notes and accounts payable-trade	1,235	(8,912)	(94,760)
Decrease in accounts receivable-other	1,734	945	10,054
(Decrease) increase in accrued expenses	(144)	137	1,463
(Increase) decrease in advance payments	(123)	724	7,701
(Increase) decrease in consumption taxes refund receivable	(257)	267	2,844
Decrease in other current assets	65	150	1,600
Increase (decrease) in other current liabilities	26	(375)	(3,997)
Others, net	(124)	(424)	(4,511)
Subtotal	2,456	7,895	83,950
Interest and dividend income received	123	121	1,290
Interest expense paid	(145)	(136)	(1,452)
Insurance income for disaster	518	1,198	12,746
Income taxes paid	(2,230)	(1,966)	(20,912)
Others, net	237	(70)	(752)
Net cash provided by operating activities	¥ 958	¥ 7,041	\$ 74,869

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
NET CASH USED IN INVESTING ACTIVITIES			
Payments into time deposits	¥ —	¥ (267)	\$ (2,848)
Purchase of property, plant and equipment	(2,274)	(2,529)	(26,892)
Proceeds from sales of property, plant and equipment	39	47	507
Purchase of intangible assets	(637)	(312)	(3,319)
Purchase of investment securities	(88)	(557)	(5,922)
Proceeds from sales of investment securities	558	435	4,626
Purchase of investments in subsidiaries	(21)	(87)	(928)
Payments for merger ※2	—	(350)	(3,724)
Payments of short-term loans receivable	(1)	(1,205)	(12,812)
Collection of short-term loans receivable	9	5	57
Purchase of insurance funds	(298)	(73)	(783)
Proceeds from cancellation of insurance funds	27	100	1,066
Payments for guarantee deposits	(77)	(49)	(527)
Proceeds from collection of guarantee deposits	77	39	414
Other payments	(76)	(138)	(1,477)
Other proceeds	117	33	356
Net cash used in investing activities	(2,645)	(4,910)	(52,209)
NET CASH USED IN FINANCING ACTIVITIES			
Increase (decrease) in short-term loans payable	2,607	(2,126)	(22,608)
Proceeds from long-term loans payable	1	5,000	53,163
Repayment of long-term loans payable	(1,828)	(2,305)	(24,508)
Purchase of treasury stock	(0)	(0)	(3)
Cash dividends paid	(828)	(828)	(8,806)
Cash dividends paid to minority shareholders	(103)	(38)	(409)
Others, net	(89)	(105)	(1,120)
Net cash used in financing activities	(242)	(403)	(4,293)
Effect of exchange rate change on cash and cash equivalents	(171)	456	4,848
Net increase (decrease) in cash and cash equivalents	(2,100)	2,183	23,215
Cash and cash equivalents-beginning balance	11,796	9,695	103,088
Cash and cash equivalents-ending balance ※1	¥ 9,695	¥ 11,878	\$ 126,303

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2012 and 2013

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to \$1, the rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements include the accounts of the Company and all of its subsidiaries (48 in 2013 and 49 in 2012) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The Group doesn't have any unconsolidated subsidiary or affiliated company to which the equity method is applied. Two affiliated companies to which the equity method is not applied are immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The fiscal year-end of some of the Company's consolidated subsidiaries (11 in 2013) is December 31. The consolidated financial statements incorporate the accounts of these companies with adjustments for significant transactions arising during the period from January 1 to March 31.

- b. Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.
- c. Inventories*—The Company and domestic subsidiaries state specific merchandise inventories ordered by customers should be at the lower of cost, determined by the specific identification method, or market and that other merchandise inventories should be at the lower of cost, determined principally by the moving-average method, or market.
- The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market.

- d. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which 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 as 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.

- e. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	4 to 50 years
Machinery, equipment and vehicles	5 to 12 years
Tools, furniture and fixtures	2 to 20 years

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

- g. **Goodwill**—Purchased goodwill is amortized on a straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged or credited to income directly in the year of acquisition.

- h. **Software**—Software is recorded in other assets and is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

- i. **Retirement and Pension Plans**—The Company mainly adopts defined benefit pension plans. The Company and certain consolidated subsidiaries also have defined contribution pension plans. While other consolidated subsidiaries have unfunded retirement benefit plans.

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

- j. **Leases**—The Company applies the lease accounting standard, which requires all finance lease transactions be capitalized in the balance sheet. However, the Company accounts for the leases which existed before March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions. This treatment is also permitted by the lease accounting standard.

- k. **Allowance for doubtful accounts**—The company and its consolidated subsidiaries provide for doubtful accounts principally at an amount based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.

- l. Provision for directors' bonuses*—Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.
- m. Provision for directors' retirement benefits*—The Company accrues liabilities related to retirement benefits for directors and corporate auditors, which is, in general, based upon the amounts required by the internal regulations.
- n. 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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.
- o. Foreign Currency Financial Statements*—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date of the subsidiaries except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

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

- p. Derivatives and Hedging Activities*—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

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

Foreign currency forward contracts are utilized to hedge foreign exchange exposure of export sales and procurement of inventories from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the forward contract rates if the forward contracts qualify for hedge accounting. Forward contracts that hedge forecasted transactions are measured and recorded at fair value but unrealized gains/losses are deferred until the underlying transactions are completed.

- q. Accounting for consumption tax*—Consumption tax on goods and services is not included in the revenue and expense amounts.
- r. Changes in Accounting Policies (Changes in Accounting Policies for Items that are Difficult to Categorize as Changes in Accounting Estimates)*—In accordance with revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have revised their depreciation method applicable to property, plant and equipment acquired on or after April 1, 2012, in accordance with the post-revision Corporation Tax Act, for the year ended March 31, 2013. The impact of these changes was insignificant.

- s. **Accounting Standards issued but Not Yet Effective**—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 followed by partial amendments from time to time through 2009.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the "Equity" section of the consolidated balance sheet, after adjusting for tax effects, and the funded status of a benefit plan shall be recognized as a liability or asset. In addition, the revised accounting standard allows the choice of attributing expected benefit to periods on a benefit formula basis in addition to the previous requirements, which required to attribute on a straight-line basis in principle. Certain amendments were also made with respect to determining a discount rate.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, except for the amendments relating to the method of attributing expected benefit to periods, which are effective for the beginning of annual periods beginning on or after April 1, 2014. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company is currently evaluating the impact of this accounting standard on its consolidated financial statements.

- t. **Reclassification of presentation**—The item "Insurance income for disaster" that was included in "Others, net" under Cash flows from operating activities for the year ended March 31, 2012 has been separately presented for the year ended March 31, 2013 due to an increase in its materiality.

The item "Insurance income for disaster" that was included in "Others, net" under Cash flows from operating activities for the year ended March 31, 2012 is ¥518 million.

3. NOTES TO CONSOLIDATED BALANCE SHEETS

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Capital stock	¥ 0	¥ 0	\$ 0
Bonds	0	0	0

※2. *Assets pledged as collateral*

At March 31, 2013, time deposits of ¥14 million (\$148 thousand), investment securities of ¥3 million (\$32 thousand) were deposited with vendors as collateral for trade payables of ¥36 million (\$385 thousand).

At March 31, 2012, time deposits of ¥14 million, investment securities of ¥2 million were deposited with vendors as collateral for trade payables of ¥7 million and land of ¥2,803 million was pledged as collateral for long-term debt of ¥2,465 million.

3. *Contingent liabilities*

Contingent liabilities at March 31, 2013 for guaranteed employees' loans amounted to ¥61 million (\$650 thousand).

Contingent liabilities at March 31, 2012 for guaranteed employees' loans amounted to ¥74 million.

※4. *Notes receivable and payable*

The Company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date on March 31, 2013 and March 31, 2012 was not a business day for financial institutions, the following notes due on closing date are included in the year-end balances.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Notes receivable - trade	¥ 668	¥ 703	\$ 7,480
Notes payable - trade	147	230	2,446

※5. *Commitment line contract*

The Company is under a commitment line contract to the four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Total limit of contract	¥ 10,000	¥ 10,000	\$106,326
Loan balances	6,700	5,000	53,163
Available amounts	¥ 3,300	¥ 5,000	\$ 53,163

4. NOTES TO CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

※1. *Selling, general and administrative expenses*

Major items and the amounts under "Selling, general and administrative expenses" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Salaries and bonuses	¥ 10,559	¥ 10,595	\$ 112,654
Retirement benefit expenses	655	663	7,051
Provision for directors' retirement benefits	105	99	1,058
Provision for directors' bonuses	51	77	820
Provision of allowance for doubtful accounts	73	8	94

※2. *Research and development costs*

Research and development costs charged to income were ¥611 million (\$6,503 thousand) and ¥967 million for the years ended March 31, 2013 and 2012, respectively.

※3. *Gain on sales of noncurrent assets*

Details of gain on sales of noncurrent assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Buildings and structures	¥ —	¥ 0	\$ 4
Machinery, equipment and vehicles	8	38	410
Tools, furniture and fixtures	8	0	1
Software	—	0	0
Total	¥ 17	¥ 39	\$ 416

※4. *Loss on retirement of noncurrent assets*

Details of loss on retirement of noncurrent assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Buildings and structures	¥ 31	¥ 2	\$ 26
Machinery, equipment and vehicles	0	0	5
Tools, furniture and fixtures	10	22	244
Software	0	0	0
Total	¥ 42	¥ 25	\$ 276

※5. *Gain on bargain purchase*

The gain on bargain purchase resulted from the share exchange for the purpose of becoming a wholly-owned subsidiary with ADM INC. on March 15, 2013.

※6. *Amount of recycling and income tax effect associated with other comprehensive income*

	Millions of Yen		Thousands of U.S. dollars
	2012	2013	2013
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 64	¥ 617	\$ 6,560
Amount of recycling	(235)	(96)	(1,025)
Net gain before income tax effect	(170)	520	5,535
Income tax effect	(238)	(42)	(450)
Net unrealized gain or loss on securities, net of Tax	(408)	478	5,084
Deferred gains or losses on hedges			
Amount arising during the period	(32)	(9)	(97)
Amount of recycling	(1)	32	341
Net gain before income tax effect	(33)	22	244
Income tax effect	7	(4)	(48)
Deferred gains or losses on hedges	(25)	18	196
Foreign currency translation adjustment			
Amount arising during the period	(162)	1,604	17,060
Amount of recycling	71	—	—
Net gain before income tax effect	(91)	1,604	17,060
Foreign currency translation adjustment	(91)	1,604	17,060
Total other comprehensive income	¥ (525)	¥ 2,101	\$ 22,341

5. NOTES TO CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the year ended March 31, 2012

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2011	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2012
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury Stocks				
Common stock (Note 1)	1,104,656	545	—	1,105,201

Note :

1: The breakdown of the increase of common stock is as follows:

Increase as a result of fractional share repurchases: 545 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2011	Common stock	413	15	March 31, 2011	June 30, 2011
Board of Directors' meeting held on October 28, 2011	Common stock	413	15	September 30, 2011	December 2, 2011

(2) Dividends whose effective date is after March 31, 2012 and record date is included in the year ended March 31, 2012

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2012	Common stock	413	Retained earnings	15	March 31, 2012	June 29, 2012

For the year ended March 31, 2013

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2013
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury Stocks				
Common stock (Note 1)	1,105,201	490	661,860	443,831

Note :

1: The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 490 shares

Decrease as a result of share exchange: 661,860 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2012	Common stock	413 (US\$4,401 thousand)	15 (US\$0.15)	March 31, 2012	June 29, 2012
Board of Directors' meeting held on November 7, 2012	Common stock	413 (US\$4,401 thousand)	15 (US\$0.15)	September 30, 2012	December 7, 2012

(2) Dividends whose effective date is after March 31, 2013 and record date is included in the year ended March 31, 2013.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 27, 2013	Common stock	423 (US\$4,506 thousand)	Retained earnings	15 (US\$0.15)	March 31, 2013	June 28, 2013

6. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2013 and 2012 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Cash and deposits	¥ 9,775	¥ 12,258	\$ 130,336
Time deposits with a deposit period of 3 months or more	(80)	(379)	(4,032)
Cash and cash equivalents	¥ 9,695	¥ 11,878	\$ 126,303

※2 Detail of acquired assets and liabilities

The detail of acquired assets and liabilities related to the acquisition of AS DEVICE CO.,LTD. by AD DEVICE.,CO.LTD. was shown as below:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 4,650	\$ 49,452
Noncurrent assets	0	6
Goodwill	718	7,635
Current liabilities	(4,779)	(50,813)
Noncurrent liabilities	—	—
Consideration transferred	590	6,280
Cash and cash equivalents balances acquired	240	2,555
Net cash outflow on the acquisition	¥ 350	\$ 3,724

7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Unrealized gains included in net income for the year	¥ 3	¥ 37	\$ 394

(2) Investment securities with a readily determinable fair value

March 31, 2012

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 645	¥ 448	¥ 196
Subtotal	¥ 645	¥ 448	¥ 196
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,888	¥ 2,500	¥ (611)
Government and corporate bonds	320	500	(179)
Others	288	348	(60)
Subtotal	¥ 2,498	¥ 3,349	¥ (851)
Total	¥ 3,143	¥ 3,798	¥ (654)

※The amount of Non-marketable equity securities, ¥676 million, and Investments in associated companies, ¥212 million, are not included because they don't have readily determinable fair values.

March 31, 2013

Millions of Yen			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,526	¥ 1,192	¥ 334
Subtotal	¥ 1,526	¥ 1,192	¥ 334
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,451	¥ 1,749	¥ (298)
Government and corporate bonds	261	300	(39)
Others	36	42	(5)
Subtotal	¥ 1,749	¥ 2,092	¥ (343)
Total	¥ 3,276	¥ 3,285	¥ (9)

Thousands of U.S. Dollars			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 16,234	\$ 12,681	\$ 3,553
Subtotal	\$ 16,234	\$ 12,681	\$ 3,553
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	\$ 15,433	\$ 18,604	\$ (3,170)
Government and corporate bonds	2,776	3,195	(419)
Others	389	449	(60)
Subtotal	\$ 18,598	\$ 22,249	\$ (3,651)
Total	\$ 34,833	\$ 34,930	\$ (97)

※The amount of Non-marketable equity securities, ¥1,066 million (\$11,340 thousand), and Investments in associated companies, ¥149 million (\$1,586 thousand), are not included because they don't have readily determinable fair values.

(3) Investment securities sold during 2013 and 2012

March 31, 2012

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		¥ 431	¥ 255	¥ (0)
Total		¥ 431	¥ 255	¥ (0)

March 31, 2013

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		¥ 181	¥ 43	¥ —
Government and corporate bonds		140	42	—
Others		263	23	0
Total		¥ 584	¥ 109	¥ 0

		Thousands of U.S. Dollars		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		\$ 1,926	\$ 467	\$ —
Government and corporate bonds		1,488	449	—
Others		2,799	250	2
Total		\$ 6,214	\$ 1,168	\$ 2

(4) The impairment losses of Investment securities are as follows:

		Millions of Yen	Thousands of U.S. Dollars
		2012	2013
		¥ 23	¥ 72
			\$ 771

8. INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Merchandise	¥ 16,306	¥ 12,688	\$ 134,910
Finished products	756	1,338	14,227
Work in process	334	637	6,782
Semi-processed products	40	49	525
Raw materials	4,075	4,024	42,786
Supplies	39	41	443
Total	¥ 21,554	¥ 18,779	\$ 199,676

9. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2012. As a result, the Group recognized an impairment loss of ¥152 million (\$1,616 thousand) for certain software, tools, furniture and fixtures for the year ended March 31, 2013. And the Group recognized an impairment loss of ¥69 million for certain goodwill, buildings and structures for the year ended March 31, 2012. The carrying amount of the relevant buildings and structures, tools, furniture and fixtures, goodwill was written down to its recoverable amount. The recoverable amount of the project's group was measured at its net selling price.

12. RETIREMENT AND PENSION PLANS

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Projected benefit obligation	¥(4,348)	¥(4,735)	\$ (50,355)
Fair value of plan assets	2,202	2,504	26,627
Unrecognized actuarial loss	194	263	2,798
Unrecognized prior service cost	373	324	3,452
Net liability	¥(1,579)	¥(1,643)	\$ (17,477)

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Service cost	¥ 630	¥ 586	\$ 6,238
Interest cost	58	56	597
Expected return on plan assets	(35)	(40)	(435)
Recognized actuarial loss	22	35	376
Amortization of prior service cost	64	64	690
Redundancy pay	1	0	2
Others	6	7	83
Net periodic benefit costs	¥ 748	¥ 710	\$ 7,553

Assumptions used for the years ended March 31, 2013 and 2012 are set forth as follows:

	2012	2013
Discount rate	1.80%	1.57%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

13. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deferred tax assets:			
Loss from revaluation of investment securities	¥ 212	¥ 236	\$ 2,514
Retirement benefits for directors and corporate auditors	503	502	5,344
Allowance for doubtful accounts	463	313	3,334
Accrued bonuses	302	314	3,348
Retirement benefit for employees	571	595	6,330
Operating losses of subsidiaries	580	371	3,945
Tax loss carryforwards	3,412	4,307	45,799
Unrealized loss on available-for-sale securities	20	—	—
Devaluation of inventories	92	245	2,614
Impairment loss	187	228	2,424
Excess depreciation	458	446	4,746
Others	832	945	10,049
Sub-total	<u>7,637</u>	<u>8,507</u>	<u>90,452</u>
Less valuation allowance	<u>(5,449)</u>	<u>(6,696)</u>	<u>(71,196)</u>
Deferred tax assets—total	<u>2,188</u>	<u>1,811</u>	<u>19,256</u>
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(626)	(788)	(8,386)
Unrealized gain on property and equipment	(176)	(176)	(1,877)
Unrealized gain on available-for-sale securities	(77)	(119)	(1,266)
Advanced depreciation on fixed assets	(270)	(253)	(2,697)
Others	(66)	(80)	(853)
Deferred tax liabilities—total	<u>(1,217)</u>	<u>(1,418)</u>	<u>(15,081)</u>
Net deferred tax assets	<u>¥ 971</u>	<u>¥ 392</u>	<u>\$ 4,174</u>

(2) A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2013 and 2012 is as follows:

	2012	2013
Normal effective statutory tax rate	41%	38%
Expenses not deductible for income tax purposes	5	5
Tax benefits not recognized on operating losses of subsidiaries	17	54
Difference in tax rates of foreign subsidiaries	(4)	(11)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	3	12
Effect of amortization of goodwill	1	(8)
Others, net	<u>5</u>	<u>(1)</u>
Actual effective tax rate	<u>67%</u>	<u>88%</u>

(3) At March 31, 2013, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥12,002 million (\$127,613 thousand) which are available to be offset against future taxable income of the Company and such subsidiaries in future years. These loss carryforwards, if not utilized, will expire as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2014	¥ 1,125	\$ 11,965
2015	2,603	27,685
2016	60	647
2017	358	3,812
2018	2,605	27,698
2019 and thereafter	<u>5,248</u>	<u>55,804</u>
Total	<u>¥ 12,002</u>	<u>\$ 127,613</u>

14. LEASES

Capital leases that do not transfer ownership of the leased assets to lessees.

• Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As discussed in Note 2.j, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the accounting standard permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the accounting standard effective from April 1, 2008 and accounted for such leases as operating lease transactions.

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

	Millions of Yen					
	2012			2013		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥ 92	¥ 172	¥ 265	¥ 92	¥ 128	¥ 220
Accumulated depreciation	(60)	(146)	(206)	(69)	(115)	(185)
Accumulated impairment loss	—	(12)	(12)	—	(12)	(12)
Net leased property	<u>¥ 32</u>	<u>¥ 13</u>	<u>¥ 45</u>	<u>¥ 23</u>	<u>¥ —</u>	<u>¥ 23</u>

	Thousands of U.S. Dollars		
	2013		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	\$ 985	\$ 1,361	\$ 2,347
Accumulated depreciation	(739)	(1,229)	(1,969)
Accumulated impairment loss	—	(131)	(131)
Net leased property	<u>\$ 246</u>	<u>\$ —</u>	<u>\$ 246</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Due within one year	¥ 27	¥ 14	\$ 152
Due after one year	<u>36</u>	<u>22</u>	<u>240</u>
Total	<u>¥ 64</u>	<u>¥ 36</u>	<u>\$ 393</u>

Allowance for impairment loss on leased property of ¥12 million (\$131 thousand) as of March 31, 2013 and ¥12 million as of March 31, 2012 is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Depreciation expense	¥ 53	¥ 23	\$ 249
Interest expense	3	1	20
Total	¥ 56	¥ 25	\$ 269
Lease payments	¥ 58	¥ 30	\$ 323
Reversal of allowance for impairment loss on leased property	12	—	—

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed using the straight-line method with the lease term regarded as the useful life and the residual value at zero and the interest method, respectively.

The imputed interest expense portion, which is computed using the interest method, is excluded from the above obligations under finance leases.

The minimum rental commitments under noncancelable operating leases at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Due within one year	¥ 1,007	¥ 1,009	\$ 10,737
Due after one year	1,256	1,250	13,300
Total	¥ 2,264	¥ 2,260	\$ 24,037

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

(3) Risk Management for Financial Instruments

Credit risk management

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

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. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) 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. Please see Note 16 for the detail of fair value for derivatives.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

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

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 7.

Long-term loans payables

The fair value of long-term loans payable is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 16.

(a) Fair Value of Financial Instruments

March 31, 2012	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and deposits	¥ 9,775	¥ 9,775	¥ —
Notes and accounts receivables-trade	55,979	55,979	—
Short-term investment securities	74	74	—
Investment securities	3,143	3,143	—
Guarantee deposits	1,169	929	(239)
Total	¥ 70,143	¥ 69,903	¥ (239)
Notes and accounts payables-trade	¥ 41,748	¥ 41,748	¥ —
Short-term loans payable	11,084	11,084	—
Accrued expenses	2,443	2,443	—
Income taxes payable	1,082	1,082	—
Long-term loans payable	2,833	2,839	(6)
Total	¥ 59,193	¥ 59,199	¥ (6)
Derivatives	¥ (51)	¥ (51)	¥ —

March 31, 2013	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and deposits	¥ 12,258	¥ 12,258	¥ —
Notes and accounts receivables-trade	54,580	54,580	—
Allowance for doubtful accounts ※	(90)	(90)	—
	54,489	54,489	—
Short-term investment securities	111	111	—
Investment securities	3,276	3,276	—
Guarantee deposits	1,161	957	(203)
Total	¥ 71,296	¥ 71,093	¥ (203)
Notes and accounts payables-trade	¥ 37,423	¥ 37,423	¥ —
Short-term loans payable	9,567	9,567	—
Accrued expenses	2,683	2,683	—
Income taxes payable	1,055	1,055	—
Long-term loans payable	5,121	5,126	(5)
Total	¥ 55,851	¥ 55,856	¥ (5)
Derivatives	¥ (29)	¥ (29)	¥ —

Note: Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and deposits	\$ 130,336	\$ 130,336	\$ —
Notes and accounts receivables-trade	580,333	580,333	—
Allowance for doubtful accounts ※	(964)	(964)	—
	579,368	579,368	—
Short-term investment securities	1,189	1,189	—
Investment securities	34,833	34,833	—
Guarantee deposits	12,346	10,185	(2,160)
Total	<u>\$ 758,074</u>	<u>\$ 755,913</u>	<u>\$ (2,160)</u>
Notes and accounts payables-trade	\$ 397,907	\$ 397,907	\$ —
Short-term loans payable	101,727	101,727	—
Accrued expenses	28,537	28,537	—
Income taxes payable	11,221	11,221	—
Long-term loans payable	54,450	54,511	(61)
Total	<u>\$ 593,845</u>	<u>\$ 593,906</u>	<u>\$ (61)</u>
Derivatives	<u>\$ (316)</u>	<u>\$ (316)</u>	<u>\$ —</u>

Note: Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade

(b) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥ 889	¥ 1,215	\$ 12,927
Guarantee deposits that do not have a quoted market price in an active market	898	938	9,983

(5) *Redemption Schedule Of Monetary Assets And Securities With Contractual Maturities*

March 31, 2012

	Millions of Yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 9,775	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	55,979	—	—	—
Investment securities with maturities	—	163	43	320
Guarantee deposits	9	909	11	239

March 31, 2013

	Millions of Yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 12,258	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	54,580	—	—	—
Investment securities with maturities	—	—	92	168
Guarantee deposits	10	755	0	222

	Thousands of U.S. Dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$ 130,336	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	580,333	—	—	—
Investment securities with maturities	—	—	980	1,795
Guarantee deposits	109	8,036	0	2,367

16. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with assets and liabilities denominated in foreign currencies.

It is the Group's policy to use derivatives for the purpose of reducing market risks associated with assets and liabilities. The Group does not enter into derivative contracts for trading or speculative purposes.

Derivatives are subject to market and credit risk. The Group, however, does not anticipate any credit risk, because the counterparties to those derivatives are limited to major financial institutions.

Each business department executes foreign exchange forward contracts, which are limited to the normal course of business. The administrative department controls the position of derivative transactions. The manager of the accounting department periodically provides detailed reports of derivative transactions to management.

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2012</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,440	¥ —	¥ 1,455
Selling Euro	Receivables	73	—	73
Buying US\$	Payables	297	—	299
Buying Euro	Payables	0	—	0

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2013</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 969	¥ —	¥ 985
Buying US\$	Payables	1,420	—	1,406
Buying Euro	Payables	3	—	3

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 10,310	\$ —	\$ 10,482
Buying US\$	Payables	15,100	—	14,958
Buying Euro	Payables	39	—	38

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Interest related transactions:

For the year ended March 31, 2012

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest swaps	Interest rate and currency swaps U.S. dollars Receipt, yen Payment Floating Receipt, Fixed Payment	Long-term loans payable	¥ 583	¥ 250	(Note)

For the year ended March 31, 2013

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest swaps	Interest rate and currency swaps U.S. dollars Receipt, yen Payment Floating Receipt, Fixed Payment	Long-term loans payable	¥ 250	¥ —	(Note)

Hedge Accounting Method	Type of Transaction	Hedged Item	Thousands of U.S. dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest swaps	Interest rate and currency swaps U.S. dollars Receipt, yen Payment Floating Receipt, Fixed Payment	Long-term loans payable	\$ 2,658	\$ —	(Note)

Note: The above interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense. In addition, the fair value of such interest rate and currency swap is included in that of hedged items.

17. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2012

Not applicable

For the year ended March 31, 2013

Principal transactions between the Company and its related party for the year ended March 31, 2013 is summarized as follows:

SANKYO CO., LTD. ("SANKYO")

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Sales of finished products	¥ 6,363	\$ 67,655
Accounts receivable	5,202	55,317

Notes:

1. SANKYO acquired a portion of the Company's shares as of September 10, 2012.
Accordingly, SANKYO became a major stockholder as the ownership percentage exceeded 10% after the acquisition. The transactions with SANKYO since September 10, 2012 are shown above.
2. Trade condition and policy
Sales contracts are entered into between SANKYO and the Company, and the sales price of products is determined based on the discussions between those two parties.

18. BUSINESS COMBINATIONS

(A) Business combinations under the acquisition method

(1) Overview of business combination

(a) Name of the acquiree and its business description

Name of the acquiree: AS DEVICE CO., LTD.

Business description: sales of TOSHIBA semiconductors, liquid crystal displays, and storage products

(b) Primary reasons for business combination

To expand the automotive market business

(c) Date of business combination

July 1, 2012

(d) Type of business combination

AS DEVICE CO., LTD. was merged into AD DEVICE CO., LTD.

(e) Name of acquirer

AD DEVICE CO., LTD.

(f) Percentage of voting equity interests acquired

100%

(g) Primary reasons for how to determine an acquirer:

AD DEVICE CO., LTD. was determined the acquirer as they transferred the cash.

(2) Period of acquiree's financial results included in the consolidated financial statements

The period from July 1, 2012 to December 31, 2012

(3) Acquisition cost of the acquired company

	Millions of Yen	Thousands of U.S. Dollars
Consideration transferred	¥ 590	\$ 6,280

- (4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period
- (a) Amount of goodwill recognized
¥718 million (\$7,635 thousand)
- (b) Basis for recognition of goodwill
Goodwill was comprised of the future economic benefits arising from net assets acquired in the business combination.
- (c) Amortization method and period
Straight-line method over 10 years
- (5) Amounts of acquired assets and liabilities assumed as of the date of the business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 4,650	\$ 49,452
Noncurrent assets	0	6
Goodwill	718	7,635
Assets Total	5,369	57,094
Current liabilities	4,779	50,813
Liabilities Total	¥ 4,779	\$ 50,813

(B) Business combinations involving entities under common control

- (1) Overview of business combination
- (a) Name of the acquiree and its business description
Name of the acquiree: ADM INC.
Business description: sales and purchase of electronic device products
- (b) Primary reasons for business combination
To improve the information sharing process, decision-making process and resource utilization efficiency
- (c) Date of business combination
March 15, 2013
- (d) Type of business combination
The Company acquired the shares of ADM INC. from the minority stockholders and ADM INC. became a wholly owned subsidiary.
- (e) Name of acquiree after business combination
No change
- (2) Overview of accounting treatment
This transaction was accounted for as a business combination involving entities under common control, in accordance with ASBJ Statement No.21 (December 26, 2008), "Accounting Standard for Business Combinations" and ASBJ Guidance No.10 (December 26, 2008), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Acquisition cost of the acquired subsidiary's share

		Millions of Yen	Thousands of U.S. Dollars
Consideration transferred	Common stock for ADM INC.	¥ 526	\$ 5,601
Expense for acquisition	Advisory expense etc.	43	458
Acquisition cost		¥ 569	\$ 6,060

(4) Exchange rate of stock, estimation of stock exchange rate and number of shares granted

(a) Exchange rate of stock

	The Company (Parent company of stock exchange)	ADM INC. (Subsidiary of stock exchange)
Distribute stock (Exchange rate of stock)	1	0.5

(b) Estimation of stock exchange rate

The Company and ADM INC. each selected a third party organization for estimating the exchange rate of stock in order to secure fairness and validity. The Company and ADM INC. selected Nomura Securities Co., Ltd. and Frontier Management Inc. as the third party organizations, respectively.

In addition to the results of the estimation of stock exchange rate evaluated by each third party organization, they had several discussions, taking into consideration the financial situation, recent stock price movements, etc. As a result, both the Company and ADM INC. reached the conclusion that the above stock exchange rates are fairly reasonable and were approved by the board of directors of the Company and ADM INC.

(c) Number of grant shares

Common stock of the Company 661,860 shares

(5) Amount of gain on bargain purchase and basis for recognizing

(a) Amount of gain on bargain purchase

¥522 million (\$5,551 thousand)

(b) Basis for recognizing

Gain on bargain purchase was recognized as the amount of the acquisition cost was less than the amount of minority interest decreased by this step acquisition.

19. SEGMENT INFORMATION

For the years ended March 31, 2013 and 2012

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has four reporting segments that are made up of different categories of products and services: electronic components, information equipment, software and other. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The other segment includes the fix and support of electronic components, sales of sports goods and other activities.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(Changes in Accounting Policies for Items that are Difficult to Categorize as Changes in Accounting Estimates)

As mentioned in "Changes in Accounting Policies", in accordance with revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have revised their depreciation method applicable to property, plant and equipment acquired on or after April 1, 2012, in accordance with the post-revision Corporation Tax Act, for the year ended March 31, 2013. Therefore, methods of depreciation have been changed by revisions to the Corporation Tax Act. The impact of these changes on the profit in each segment for the consolidated fiscal year is insignificant.

(3) Information about sales, profit (loss), assets and other items is as follows:

Millions of Yen							
2012							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electric Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	¥ 166,468	¥ 49,360	¥ 3,854	¥ 10,173	¥ 229,856	¥ —	¥ 229,856
Inter segment sales or transfers	1,625	798	3,453	2,551	8,429	(8,429)	—
Total sales	<u>¥ 168,094</u>	<u>¥ 50,159</u>	<u>¥ 7,308</u>	<u>¥ 12,724</u>	<u>¥ 238,286</u>	<u>¥ (8,429)</u>	<u>¥ 229,856</u>
Segment profit (loss)	¥ 2,021	¥ (533)	¥ 402	¥ 319	¥ 2,210	¥ (142)	¥ 2,067
Segment assets	104,294	14,411	4,569	6,751	130,025	(15,311)	114,714
Others:							
Depreciation	924	133	361	121	1,541	(5)	1,536
Increase in-property, plant and equipment and intangible assets	1,306	86	388	1,155	2,937	(26)	2,911

Millions of Yen							
2013							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electric Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	¥ 164,164	¥ 38,305	¥ 2,874	¥ 11,060	¥ 216,405	¥ —	¥ 216,405
Inter segment sales or transfers	1,396	650	3,265	1,964	7,276	(7,276)	—
Total sales	<u>¥ 165,560</u>	<u>¥ 38,955</u>	<u>¥ 6,139</u>	<u>¥ 13,025</u>	<u>¥ 223,682</u>	<u>¥ (7,276)</u>	<u>¥ 216,405</u>
Segment profit (loss)	¥ 2,040	¥ (836)	¥ (61)	¥ 157	¥ 1,299	¥ (39)	¥ 1,260
Segment assets	99,087	11,156	4,241	6,498	120,984	(9,095)	111,888
Others:							
Depreciation	808	94	554	113	1,570	(3)	1,567
Increase in-property, plant and equipment and intangible assets	2,097	131	269	371	2,870	(28)	2,841

Thousands of U.S. Dollars							
2013							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electric Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 1,745,501	\$ 407,290	\$ 30,567	\$ 117,606	\$ 2,300,966	\$ —	\$ 2,300,966
Inter segment sales or transfers	14,849	6,914	34,715	20,889	77,369	(77,369)	—
Total sales	<u>\$ 1,760,350</u>	<u>\$ 414,205</u>	<u>\$ 65,283</u>	<u>\$ 138,496</u>	<u>\$ 2,378,335</u>	<u>\$ (77,369)</u>	<u>\$ 2,300,966</u>
Segment profit (loss)	\$ 21,694	\$ (8,894)	\$ (655)	\$ 1,672	\$ 13,817	\$ (418)	\$ 13,399
Segment assets	1,053,563	118,621	45,099	69,099	1,286,383	(96,709)	1,189,674
Others:							
Depreciation	8,591	1,007	5,896	1,202	16,698	(33)	16,665
Increase in-property, plant and equipment and intangible assets	22,306	1,401	2,861	3,951	30,520	(308)	30,212

Note: The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Elimination of inter-segment trade	¥ (62)	¥ 27	\$ 294
Amortization of goodwill	(79)	(67)	(712)
Total	<u>¥ (142)</u>	<u>¥ (39)</u>	<u>\$ (418)</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Elimination of inter-segment trade	¥ (17,995)	¥ (11,639)	\$ (123,763)
Reconciliations	2,684	2,544	27,053
Total	<u>¥ (15,311)</u>	<u>¥ (9,095)</u>	<u>\$ (96,709)</u>

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Elimination of inter-segment trade	¥ (5)	¥ (3)	\$ (33)
Total	<u>¥ (5)</u>	<u>¥ (3)</u>	<u>\$ (33)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Elimination of inter-segment trade	¥ (26)	¥ (28)	\$ (308)
Total	¥ (26)	¥ (28)	\$ (308)

Associated Information

For the year ended March 31, 2012

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2012				
Japan	North America	Europe	East Asia	Total
¥ 164,532	¥ 2,394	¥ 4,241	¥ 58,687	¥ 229,856

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

(b) Property, plant and equipment

Millions of Yen				
2012				
Japan	North America	Europe	East Asia	Total
¥ 7,357	¥ 33	¥ 74	¥ 2,021	¥ 9,487

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: United States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, and Thailand

3. Information about major customers

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2013

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2013				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 152,303	¥ 2,428	¥ 3,392	¥ 58,281	¥ 216,405

Thousands of U.S. Dollars				
2013				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,619,386	\$ 25,817	\$ 36,072	\$ 619,689	\$ 2,300,966

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

(b) Property, plant and equipment

Millions of Yen				
2013				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 7,766	¥ 35	¥ 75	¥ 2,681	¥ 10,559

Thousands of U.S. Dollars				
2013				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 82,579	\$ 379	\$ 800	\$ 28,511	\$ 112,270

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: United States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, and India

3. Information about major customers

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

Information of impairment loss on fixed assets of reportable segments

For the year ended March 31, 2012

Not applicable

For the year ended March 31, 2013

		Millions of Yen				
		2013				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥	—	¥ 130	¥ —	¥ 21	¥ 152

		Thousands of U.S. Dollars				
		2013				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	\$	—	\$ 1,383	\$ —	\$ 233	\$ 1,616

Information of amortization of goodwill and balance of goodwill of reportable segments

For the year ended March 31, 2012

		Millions of Yen					
		Reportable Segment					
		Electric Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	¥	60	¥ 23	¥ 4	¥ —	¥ 88	¥ 79
Balance of goodwill at the end of fiscal year		115	54	—	—	169	83

For the year ended March 31, 2013

		Millions of Yen					
		Reportable Segment					
		Electric Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	¥	87	¥ 30	¥ —	¥ —	¥ 117	¥ 67
Balance of goodwill at the end of fiscal year		759	24	—	—	783	16

		Thousands of U.S. Dollars					
		Reportable Segment					
		Electric Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	\$	929	\$ 320	\$ —	\$ —	\$ 1,249	\$ 712
Balance of goodwill at the end of fiscal year		8,070	255	—	—	8,326	178

Information of gain on bargain purchase by reportable segments

For the year ended March 31, 2012

Not applicable

For the year ended March 31, 2013

In the Electric Components segment the Company accounted for ¥522 million (\$5,551 thousand) of gain on bargain purchase as a subsidiary, ADM INC., became a wholly owned subsidiary through a stock exchange on March 15, 2013.

20. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2012	2013	2013
Net assets per share	¥ 1,681.73	¥ 1,721.86	\$ 18.31
Net income per share	33.13	16.09	0.17

Notes 1. Diluted net income per share is not reported because there is no dilutive effect at March 31, 2012. Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2013.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Net income per share			
Net income	¥ 914	¥ 444	\$ 4,729
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	914	444	4,729
Average number of common stock outstanding during the fiscal year (Share)	27,597,270	27,647,603	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	Share subscription rights which belongs to a subsidiary (No. of Share subscription rights: 4,060)		—

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Net assets per share			
Total net assets	¥ 47,936	¥ 48,806	\$ 518,943
Amount deducted from total net assets	1,526	149	1,593
(Share subscription rights)	(0)	(—)	(—)
(Minority interest in consolidated subsidiaries)	(1,526)	(149)	(1,593)
Net assets corresponding to common stock at the end of the fiscal year	46,410	48,656	517,349
Number of common stock used for the calculation of net assets per share (Share)	27,596,917	28,258,287	

21. SIGNIFICANT SUBSEQUENT EVENT

Business combination involving entities under common control:

KAGA DEVICES CO., LTD. and ADM INC. agreed to a business combination, with an approval by each company's the board of directors' meeting held on August 26, 2013. The business combination will be conducted on October 1, 2013.

(1) Overview of business combination

(a) Name of acquirer and acquiree with their business description

Name of acquirer: KAGA DEVICES CO., LTD.

Business description: sales of electronic components and devices

Name of acquiree: ADM INC.

Business description: sales and purchase of electronic device products

(b) Date of business combination

October 1, 2013

(c) Type of business combination

ADM INC. will be merged into KAGA DEVICES CO., LTD.

(d) Name of acquired company after business combination

KAGA DEVICES CO., LTD.

(e) Other items regarding overview of transaction

The purpose of this business combination is a part of the organization restructuring to obtain efficiency and rationalization for group management

(2) Overview of accounting treatment

This transaction will be accounted for as a business combination involving entities under common control, in accordance with ASBJ Statement No.21 (December 26, 2008), "Accounting Standard for Business Combinations" and ASBJ Guidance No.10 (December 26, 2008), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

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