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

*Consolidated Financial Statements for the  
Year Ended March 31, 2014  
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, 2014, 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.  
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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, 2014, 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, 2014 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.

*Shinichi Watanabe, Coopers & Lybrand*

September 5, 2014

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheets At March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2013	2014	2014
<b>CURRENT ASSETS:</b>			
Cash and bank deposits ※2	¥ 12,258	¥ 14,192	\$ 137,899
Notes and accounts receivable-trade ※4	54,580	60,667	589,467
Short-term investment securities	111	114	1,112
Merchandise and finished goods	14,075	16,378	159,140
Work in process	637	848	8,244
Raw materials and supplies	4,065	3,991	38,785
Deferred tax assets	482	993	9,653
Others	3,823	5,836	56,707
Allowance for doubtful accounts	(90)	(93)	(911)
Total current assets	89,945	102,930	1,000,099
<b>NONCURRENT ASSETS:</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and structures	5,227	8,089	78,598
Accumulated depreciation	(2,100)	(2,351)	(22,846)
Buildings and structures, net ※2	3,126	5,737	55,751
Machinery, equipment and vehicles	4,166	4,615	44,840
Accumulated depreciation	(2,451)	(2,903)	(28,210)
Machinery, equipment and vehicles, net	1,714	1,711	16,630
Tools, furniture and fixtures	4,036	4,442	43,165
Accumulated depreciation	(3,230)	(3,438)	(33,405)
Tools, furniture and fixtures, net	805	1,004	9,759
Land ※2	4,305	4,038	39,242
Construction in progress	606	133	1,293
Total property, plant and equipment	10,559	12,625	122,677
<b>INTANGIBLE ASSETS</b>			
Goodwill	799	715	6,951
Software	435	486	4,724
Others	991	332	3,227
Total intangible assets	2,226	1,533	14,903
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities ※1, 2	4,491	5,377	52,253
Deferred tax assets	472	562	5,468
Guarantee deposits	2,100	821	7,983
Insurance funds	1,295	1,357	13,186
Others	1,843	1,836	17,846
Allowance for doubtful accounts	(1,046)	(1,017)	(9,884)
Total investments and other assets	9,157	8,938	86,853
Total noncurrent assets	21,943	23,098	224,433
Total assets	¥ 111,888	¥ 126,028	\$ 1,224,532

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheets At March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable-trade ※2, 4	¥ 37,423	¥ 41,695	\$ 405,129
Short-term loans payable ※2, 5	9,567	12,172	118,269
Accrued expenses	2,683	3,133	30,442
Income taxes payable	1,055	1,525	14,823
Provision for directors' bonuses	74	174	1,695
Others	2,551	4,708	45,753
Total current liabilities	53,355	63,410	616,113
<b>NONCURRENT LIABILITIES:</b>			
Long-term loans payable ※2	5,121	4,681	45,481
Deferred tax liabilities	559	686	6,673
Provision for retirement benefits	1,643	—	—
Provision for directors' retirement benefits	1,398	1,437	13,965
Net defined benefit liabilities	—	1,954	18,988
Asset retirement obligations	227	123	1,198
Others	775	909	8,838
Total noncurrent liabilities	9,726	9,792	95,146
Total liabilities	63,082	73,202	711,260
<b>NET ASSETS:</b>			
Shareholders' equity			
Capital stock	12,133	12,133	117,892
Capital surplus	13,912	13,912	135,177
Retained earnings	24,384	27,414	266,365
Treasury stock	(535)	(536)	(5,211)
Total shareholders' equity	49,895	52,923	514,223
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(180)	161	1,565
Deferred gains or losses on hedges	(6)	0	6
Foreign currency translation adjustment	(1,052)	5	54
Remeasurements of defined benefit plans	—	(304)	(2,963)
Total accumulated other comprehensive income	(1,238)	(137)	(1,337)
Minority interests	149	39	385
Total net assets	48,806	52,825	513,272
Total liabilities and net assets	¥ 111,888	¥ 126,028	\$ 1,224,532

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

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Income and Comprehensive Income For the Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Net sales	¥ 216,405	¥ 257,852	\$ 2,505,371
Cost of sales ※2	188,943	225,330	2,189,371
Gross profit	27,462	32,522	315,999
Selling, general and administrative expenses ※1, 2	26,202	27,416	266,383
Operating income	1,260	5,106	49,616
NON-OPERATING INCOME			
Interest income	49	68	667
Dividend income	71	79	768
Commission fee	212	219	2,131
Amortization of negative goodwill	112	29	290
Foreign exchange gains	81	255	2,479
House rent income	107	121	1,180
Others	320	251	2,446
Total non-operating income	955	1,025	9,965
NON-OPERATING EXPENSES			
Interest expenses	135	132	1,283
Loss on investments in partnership	79	80	786
Others	69	71	696
Total non-operating expenses	284	284	2,766
Ordinary income	1,931	5,847	56,816
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	39	613	5,964
Gain on sales of investment securities	86	5	50
Gain on bargain purchase	522	—	—
Gain on sales of subsidiaries' and affiliates' stocks	6	—	—
Insurance income	385	—	—
Others	18	—	—
Total extraordinary income	1,058	619	6,014
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	25	28	281
Loss on valuation of investment securities	72	46	447
Impairment loss	152	177	1,728
Loss on liquidation of subsidiaries and associates	—	67	652
Office transfer expenses	—	412	4,009
Litigation settlement	80	—	—
Business structure improvement expenses	55	—	—
Special retirement expenses	166	—	—
Others	2	74	721
Total extraordinary loss	¥ 555	¥ 807	\$ 7,841

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Income and Comprehensive Income For the Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Income before income taxes	¥ 2,434	¥ 5,659	\$ 54,989
Income taxes-current	1,594	2,220	21,572
Income taxes-deferred	559	(447)	(4,351)
Total income taxes	2,154	1,772	17,220
Income before minority interests	279	3,887	37,769
Minority interests in income (loss)	(164)	9	92
Net income	444	3,877	37,676
Minority interests in income (loss)	(164)	9	92
Income before minority interests	279	3,887	37,769
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	478	341	3,321
Deferred gains on hedges	18	6	67
Foreign currency translation adjustment	1,604	1,054	10,246
Total other comprehensive income ※5	2,101	1,403	13,635
Comprehensive income	¥ 2,381	¥ 5,290	\$ 51,404
Comprehensive income attributable to			
Owners of the parent	¥ 2,547	¥ 5,283	\$ 51,333
Minority interests	(166)	7	70

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

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2013 and 2014

Fiscal year ended March 31, 2013

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	¥ 12,133	¥ 13,912	¥ 25,038	¥ (1,333)	¥ 49,751
Changes of items during period					
Dividends from surplus			(827)		(827)
Net income			444		444
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)	(271)	798	526
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(654)	797	143
Total	¥ 12,133	¥ 13,912	¥ 24,384	¥ (535)	¥ 49,895

	Millions of Yen						
	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	¥ (653)	¥ (24)	¥ (2,663)	¥ (3,341)	¥ 0	¥ 1,526	¥ 47,936
Changes of items during period							
Dividends from surplus							(827)
Net income							444
Purchase of treasury stock							(0)
Disposal of treasury stock							526
Net changes of items other than shareholders' equity	472	18	1,611	2,102	(0)	(1,376)	726
Total changes of items during period	472	18	1,611	2,102	(0)	(1,376)	869
Total	¥ (180)	¥ (6)	¥ (1,052)	¥ (1,238)	¥ —	¥ 149	¥ 48,806



# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2013 and 2014

Fiscal year ended March 31, 2014

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 13,912	¥ 24,384	¥ (535)	¥ 49,895
Changes of items during period					
Dividends from surplus			(847)		(847)
Net income			3,877		3,877
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,029	(1)	3,028
Total	¥ 12,133	¥ 13,912	¥ 27,414	¥ (536)	¥ 52,923

	Millions of Yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	¥ (180)	¥ (6)	¥ (1,052)	¥ —	¥ (1,238)	¥ —	¥ 149	¥ 48,806
Changes of items during period								
Dividends from surplus								(847)
Net income								3,877
Purchase of treasury stock								(1)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	341	6	1,057	(304)	1,100	—	(110)	990
Total changes of items during period	341	6	1,057	(304)	1,100	—	(110)	4,019
Total	¥ 161	¥ 0	¥ 5	¥ (304)	¥ (137)	¥ —	¥ 39	¥ 52,825

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2013 and 2014

Fiscal year ended March 31, 2014

Thousands of U.S. Dollars (Note 1)					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 117,892	\$ 135,177	\$ 236,926	\$ (5,200)	\$ 484,795
Changes of items during period					
Dividends from surplus			(8,236)		(8,236)
Net income			37,676		37,676
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	29,439	(11)	29,428
Total	\$ 117,892	\$ 135,177	\$ 266,365	\$ (5,211)	\$ 514,223

Thousands of U.S. Dollars (Note 1)								
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	(\$ 1,750)	\$ (60)	\$(10,222)	\$ —	\$ (12,032)	\$ —	\$ 1,456	\$474,219
Changes of items during period								
Dividends from surplus								(8,236)
Net income								37,676
Purchase of treasury stock								(11)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	3,315	66	10,276	(2,963)	10,695	—	(1,070)	9,624
Total changes of items during period	3,315	66	10,276	(2,963)	10,695	—	(1,070)	39,053
Total	\$ 1,565	\$ 6	\$ 54	\$ (2,963)	\$ (1,337)	\$ —	\$ 385	\$513,272

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

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Cash Flows For the Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Income before income taxes	¥ 2,434	¥5,659	\$ 54,989
Depreciation and amortization	2,303	2,418	23,495
Impairment loss	152	177	1,728
Amortization of goodwill	72	128	1,253
Gain on bargain purchase	(522)	—	—
Increase (decrease) in provision for retirement benefits	62	(1,630)	(15,841)
Increase in net defined benefit liability	—	1,467	14,255
(Decrease) increase in provision for directors' retirement benefits	(0)	38	374
Increase in provision for directors' bonuses	22	94	919
(Decrease) increase in allowance for doubtful accounts	(569)	13	131
Interest and dividend income	(121)	(147)	(1,436)
Interest expenses	135	132	1,283
Gain on sales of property, plant and equipment	(38)	(609)	(5,922)
Loss on retirement of property, plant and equipment	25	28	281
Gain on sales of investment securities	(86)	(0)	(8)
Loss on valuation of investment securities	72	46	447
Decrease (increase) in notes and accounts receivable-trade	7,424	(5,326)	(51,755)
Decrease (increase) in inventories	4,014	(1,708)	(16,604)
(Decrease) increase in notes and accounts payable-trade	(8,912)	2,998	29,134
Decrease in accounts receivable-other	945	48	473
Increase in accrued expenses	137	320	3,116
Decrease (increase) in advance payments	724	(389)	(3,782)
Decrease (increase) in consumption taxes refund receivable	267	(359)	(3,489)
Decrease in other current assets	150	2	23
(Decrease) increase in other current liabilities	(375)	1,460	14,190
Others, net	(424)	382	3,714
Subtotal	7,895	5,246	50,972
Interest and dividend income received	121	145	1,415
Interest expenses paid	(136)	(132)	(1,284)
Insurance income for disaster	1,198	—	—
Income taxes paid	(1,966)	(1,810)	(17,587)
Others, net	(70)	(114)	(1,115)
Net cash provided by operating activities	¥ 7,041	¥ 3,334	\$ 32,399

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Cash Flows For the Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
Payments into time deposits	¥ (267)	¥ (430)	\$ (4,186)
Purchase of property, plant and equipment	(2,529)	(2,997)	(29,124)
Proceeds from sales of property, plant and equipment	47	1,228	11,936
Purchase of intangible assets	(312)	(259)	(2,523)
Purchase of investment securities	(557)	(830)	(8,070)
Proceeds from sales of investment securities	435	548	5,330
Purchase of investments in subsidiaries	(87)	(184)	(1,787)
Payments for merger	(350)	—	—
Payments of short-term loans receivable	(1,205)	(4)	(42)
Collection of short-term loans receivable	5	1	14
Purchase of insurance funds	(73)	(61)	(601)
Payments of long-term loans receivable	—	(37)	(359)
Proceeds from cancellation of insurance funds	100	—	—
Payments for guarantee deposits	(49)	(263)	(2,560)
Proceeds from collection of guarantee deposits	39	137	1,337
Other payments	(138)	(222)	(2,162)
Other proceeds	33	35	349
Net cash used in investing activities	(4,910)	(3,339)	(32,451)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>			
(Decrease) increase in short-term loans payable	(2,126)	3,221	31,296
Proceeds from long-term loans payable	5,000	1,000	9,716
Repayment of long-term loans payable	(2,305)	(2,223)	(21,603)
Purchase of treasury stock	(0)	(1)	(11)
Cash dividends paid	(828)	(847)	(8,233)
Cash dividends paid to minority shareholders	(38)	(5)	(51)
Others, net	(105)	(119)	(1,160)
Net cash (used in) provided by financing activities	(403)	1,024	9,953
Effect of exchange rate change on cash and cash equivalents	456	463	4,504
Net increase in cash and cash equivalents	2,183	1,482	14,406
Cash and cash equivalents-beginning balance	9,695	11,878	115,418
Cash and cash equivalents-ending balance ※1	¥ 11,878	¥ 13,361	\$ 129,825

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

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements For the Years Ended March 31, 2013 and 2014

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The 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 ¥102.92 to \$1, the rate of exchange at March 31, 2014. 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 2014 and 2013) (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 (12 in 2014) 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. **Goodwill**—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.

- g. **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

- h. **Retirement and Pension Plans**—To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line method. Past service cost is primarily amortized on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit plans presented in accumulated other comprehensive income of the net asset section, after being adjusted for tax effects.

- i. **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.

- j. **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.

- k. **Provision for directors' bonuses**—Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

- l. 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 rules.
- m. Translation of Foreign Currencies***—Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are charged or credited to income.  
Assets and liabilities of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and minority interests in net assets.
- n. Derivatives and Hedging Activities***
1. Hedge accounting method  
Deferred hedge accounting is applied for derivative instruments. The short-cut method, “Furiate-Shori,” is applied for forward exchange contracts which qualify for such treatment.
  2. Hedging instruments and hedged items
    - Hedging instruments: Foreign currency forward contract transactions and NDF transactions
    - Hedged items: Assets and liabilities denominated in foreign currencies
  3. Hedging policy  
The company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are hedged.
  4. Assessment of hedge effectiveness  
Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates.
- o. Accounting for consumption tax***—Consumption tax on goods and services is not included in the revenue and expense amounts.
- p. Changes in Accounting Policies (With regard to application of the Retirement Benefits Accounting Standard)***—The company began applying the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012, or “Accounting Standard”) and “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, or “Guidance”) from the end of fiscal year ended March 31, 2014. Consequently, the Group recorded the amount of retirement benefit obligations less pension assets as net defined benefit liabilities, and recorded unrecognized actuarial differences and unrecognized prior service costs in net defined benefit liabilities.

The Accounting Standard and the Guidance are adopted in accordance with the transitional accounting as stipulated in Article 37 of the Accounting Standard, and the financial impact of this change in the consolidated fiscal year has been added to or deducted from the “remeasurements of defined benefit plans” under “Accumulated other comprehensive income”.

As a result, net defined benefit liability is recorded with the amount of ¥1,954 million (\$18,988 thousand), and accumulated other comprehensive income decreased by ¥304 million (\$2,963 thousand). The adoption of this change has decreased net assets per share of common stock by 10.79 yen (0.10 U.S. Dollars).

- q. Accounting Standards issued but not adopted*—"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012)

(1) Overview

These accounting standards have been revised to mainly change the treatment of unrecognized actuarial differences and unrecognized prior service cost, to change the calculation formula for retirement benefit obligations and current service cost and to enhance disclosures.

(2) Adoption date

The amendments relating to calculation of retirement benefit obligations and service costs prescribed within these standards are adopted from the beginning of the fiscal year ending March 31, 2015. Retroactive application has not been applied to prior year financial statements as the accounting standards stipulate transitional treatment.

(3) Effects of adopting the Accounting Standards

Retained earnings are estimated to increase by ¥292 million (\$2,845 thousand) in the balance sheet as of the adoption date of this accounting standard. The effect on the Company's consolidated statement of income will be insignificant.



### 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
	2013	2014	2014
Capital stock	¥ 0	¥ 0	\$ 0
Bonds	0	0	0

#### ※2. *Assets pledged as collateral*

At March 31, 2013, time deposits of ¥14 million and investment securities of ¥3 million were deposited with vendors as collateral for trade payables of ¥36 million.

At March 31, 2014, time deposits of ¥14 million (\$136 thousand) and investment securities of ¥3 million (\$36 thousand) were deposited with vendors as collateral for trade payables of ¥24 million (\$238 thousand) and buildings and structures of ¥2,552 million (\$24,798 thousand) and land of ¥3,030 million (\$29,445 thousand) are pledged as collateral for long-term debt of ¥1,609 million (\$15,633 thousand).

#### ※3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥49 million (\$482 thousand) and ¥61 million at March 31, 2014 and 2013, respectively.

#### ※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 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
	2013	2014	2014
Notes receivable - trade	¥ 703	¥ —	\$ —
Notes payable - trade	230	—	—

#### ※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
	2013	2014	2014
Total limit of contract	¥ 10,000	¥ 10,000	\$ 97,162
Loan balances	5,000	5,500	53,439
Available amounts	¥ 5,000	¥ 4,500	\$ 43,723

#### 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
	<u>2013</u>	<u>2014</u>	<u>2014</u>
Salaries and bonuses	¥ 10,595	¥ 11,281	\$ 109,618
Retirement benefit expenses	663	650	6,318
Provision for directors’ retirement benefits	99	85	830
Provision for directors’ bonuses	77	182	1,771
Provision of allowance for doubtful accounts	8	(25)	(246)

##### ※2. *Research and development costs*

Research and development costs charged to income are ¥465 million (\$4,525 thousand) and ¥611 million for the years ended March 31, 2014 and 2013, respectively.

##### ※3. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2013</u>	<u>2014</u>	<u>2014</u>
Buildings and structures	¥ 0	¥ —	\$ —
Machinery, equipment and vehicles	38	6	62
Tools, furniture and fixtures	0	0	5
Software	0	—	—
Land	—	606	5,896
Total	<u>¥ 39</u>	<u>¥ 613</u>	<u>\$ 5,963</u>

##### ※4. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2013</u>	<u>2014</u>	<u>2014</u>
Buildings and structures	¥ 2	¥ 16	\$ 164
Machinery, equipment and vehicles	0	4	44
Tools, furniture and fixtures	22	5	51
Software	0	2	22
Total	<u>¥ 25</u>	<u>¥ 28</u>	<u>\$ 281</u>

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 617	¥ 486	\$ 4,731
Amount of recycling	(96)	10	101
Net gain before income tax effect	520	497	4,832
Income tax effect	(42)	(155)	(1,511)
Net unrealized gain or loss on securities, net of Tax	478	341	3,321
Deferred gains or losses on hedges			
Amount arising during the period	(9)	1	14
Amount of recycling	32	9	89
Net gain before income tax effect	22	10	103
Income tax effect	(4)	(3)	(36)
Deferred gains or losses on hedges	18	6	67
Foreign currency translation adjustment			
Amount arising during the period	1,604	1,135	11,030
Amount of recycling	—	(80)	(783)
Net gain before income tax effect	1,604	1,054	10,246
Foreign currency translation adjustment	1,604	1,054	10,246
Total other comprehensive income	¥ 2,101	¥ 1,403	\$ 13,635

## 5. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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)	1,105,201	490	661,860	443,831

Note :

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	15	March 31, 2012	June 29, 2012
Board of Directors' meeting held on November 7, 2012	Common stock	413	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	Retained earnings	15	March 31, 2013	June 28, 2013

For the year ended March 31, 2014

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

	Number of shares as of April 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2014
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury Stocks				
Common stock (Note)	443,831	1,216	45	445,002

Note :

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

Increase as a result of fractional share repurchases: 1,216 shares

Decrease as a result of the disposition of fractional shares: 45 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 27, 2013	Common stock	423 (US\$4,118 thousand)	15 (US\$0.14)	March 31, 2013	June 28, 2013
Board of Directors' meeting held on October 31, 2013	Common stock	423 (US\$4,118 thousand)	15 (US\$0.14)	September 30, 2013	December 6, 2013

(2) Dividends whose effective date is after March 31, 2014 and record date is included in the year ended March 31, 2014.

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, 2014	Common stock	565 (US\$5,491 thousand)	Retained earnings	20 (US\$0.19)	March 31, 2014	June 30, 2014

6. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2014 and 2013 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and bank deposits	¥ 12,258	¥ 14,192	\$ 137,899
Time deposits with a deposit period of 3 months or more	(379)	(830)	(8,073)
Cash and cash equivalents	<u>¥ 11,878</u>	<u>¥ 13,361</u>	<u>\$ 129,825</u>

## 7. LEASES

Finance 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.i, 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. The Company applied the accounting standard effective from April 1, 2008 and accounted for such leases as operating lease transactions.

Leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen					
	2013			2014		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥ 92	¥ 128	¥ 220	¥ 92	¥ 35	¥ 128
Accumulated depreciation	(69)	(115)	(185)	(78)	(22)	(101)
Accumulated impairment loss	—	(12)	(12)	—	(12)	(12)
Net leased property	<u>¥ 23</u>	<u>¥ —</u>	<u>¥ 23</u>	<u>¥ 13</u>	<u>¥ —</u>	<u>¥ 13</u>

  

	Thousands of U.S. Dollars		
	2014		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	\$ 900	\$ 343	\$ 1,243
Accumulated depreciation	(765)	(223)	(988)
Accumulated impairment loss	—	(120)	(120)
Net leased property	<u>\$ 135</u>	<u>\$ —</u>	<u>\$ 135</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥ 14	¥ 14	\$ 145
Due after one year	<u>22</u>	<u>7</u>	<u>74</u>
Total	<u>¥ 36</u>	<u>¥ 22</u>	<u>\$ 220</u>

Allowance for impairment loss on leased property of ¥12 million (\$120 thousand) as of March 31, 2014 and ¥12 million as of March 31, 2013 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
	2013	2014	2014
Depreciation expense	¥ 23	¥ 9	\$ 90
Interest expense	<u>1</u>	<u>1</u>	<u>12</u>
Total	<u>¥ 25</u>	<u>¥ 10</u>	<u>\$ 102</u>
Lease payments	¥ 30	¥ 15	\$ 152
Reversal of allowance for impairment loss on leased property	—	—	—

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.

Future lease payments under noncancelable operating leases at March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥ 1,009	¥ 384	\$ 3,735
Due after one year	<u>1,250</u>	<u>37</u>	<u>359</u>
Total	<u>¥ 2,260</u>	<u>¥ 421</u>	<u>\$ 4,095</u>

## 8. 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)*

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 10 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 9.

*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 10.



(a) Fair Value of Financial Instruments

March 31, 2013	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 12,258	¥ 12,258	¥ —
Notes and accounts receivables-trade	54,580		
Allowance for doubtful accounts ※1	(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 ※2	¥ (29)	¥ (29)	¥ —

Notes:

1. Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade
2. The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 14,192	¥ 14,192	¥ —
Notes and accounts receivables-trade	60,667		
Allowance for doubtful accounts ※1	(93)		
	60,574	60,574	—
Short-term investment securities	114	114	—
Investment securities	4,387	4,387	—
Guarantee deposits	444	330	(114)
Total	¥ 79,712	¥ 79,598	¥ (114)
Notes and accounts payables-trade	¥ 41,695	¥ 41,695	¥ —
Short-term loans payable	12,172	12,172	—
Income taxes payable	1,525	1,525	—
Long-term loans payable	4,681	4,690	(9)
Total	¥ 60,074	¥ 60,084	¥ (9)
Derivatives ※2	¥ 1	¥ 1	¥ —

Notes:

1. Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade
2. The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	\$ 137,899	\$ 137,899	\$ —
Notes and accounts receivables-trade	589,467		
Allowance for doubtful accounts ※1	(911)		
	588,555	588,555	—
Short-term investment securities	1,112	1,112	—
Investment securities	42,626	42,626	—
Guarantee deposits	4,318	3,208	(1,110)
Total	<u>\$ 774,511</u>	<u>\$ 773,401</u>	<u>\$ (1,110)</u>
Notes and accounts payables-trade	\$ 405,129	\$ 405,129	\$ —
Short-term loans payable	118,269	118,269	—
Income taxes payable	14,823	14,823	—
Long-term loans payable	45,481	45,573	(91)
Total	<u>\$ 583,703</u>	<u>\$ 583,795</u>	<u>\$ (91)</u>
Derivatives ※2	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ —</u>

Notes:

1. Allowance for doubtful accounts is deducted from Notes and accounts receivables-trade
2. The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,215	¥ 990	\$ 9,627
Guarantee deposits that do not have a quoted market price in an active market	938	377	3,665

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

March 31, 2013

	Millions of Yen			
	Within 1 year	Over 1 year	Over 5 years	Over 10 years
		within 5 years	within 10 years	
Cash and bank deposits	¥ 12,258	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	54,580	—	—	—
Investment securities with maturities	—	—	92	168
Guarantee deposits	10	755	0	222
Total	¥ 66,848	¥ 755	¥ 92	¥ 391

March 31, 2014

		Millions of Yen			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥	14,192	¥ —	¥ —	¥ —
Notes and accounts receivable-trade		60,667	—	—	—
Investment securities with maturities		200	—	104	—
Guarantee deposits		7	3	129	222
Total	¥	75,068	¥ 3	¥ 234	¥ 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 bank deposits	\$	137,899	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		589,467	—	—	—
Investment securities with maturities		1,943	—	1,014	—
Guarantee deposits		73	37	1,259	2,163
Total	\$	729,382	\$ 37	\$ 2,274	\$ 2,163

(6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2014 and 2013 is as follows;*

March 31, 2013

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	7,356	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		2,211	1,436	1,430	1,428	825	—
Total	¥	9,567	¥ 1,436	¥ 1,430	¥ 1,428	¥ 825	¥ —

March 31, 2014

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	10,744	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,428	1,428	2,428	825	—	—
Total	¥	12,172	¥ 1,428	¥ 2,428	¥ 825	¥ —	¥ —

		Thousands of U.S. Dollars					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$	104,394	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		13,874	13,874	23,591	8,015	—	—
Total	\$	118,269	\$ 13,874	\$ 23,591	\$ 8,015	\$ —	\$ —

## 9. MARKETABLE AND INVESTMENT SECURITIES

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

### (1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Unrealized gains included in net income for the year	¥ 37	¥ 2	\$ 25

### (2) Investment securities with a readily determinable fair value

#### 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)

※The amount of Non-marketable equity securities, ¥1,066 million and Investments in associated companies, ¥149 million, are not included in the above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

#### March 31, 2014

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 2,414	¥ 1,683	¥ 731
Others	198	197	1
Subtotal	¥ 2,613	¥ 1,880	¥ 732
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,170	¥ 1,447	¥ (277)
Government and corporate bonds	304	310	(6)
Others	298	311	(12)
Subtotal	¥ 1,773	¥ 2,069	¥ (295)
Total	¥ 4,387	¥ 3,950	¥ 436

	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	\$ 23,464	\$ 16,357	\$ 7,106
Others	1,929	1,917	12
Subtotal	\$ 25,394	\$ 18,274	\$ 7,119
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	\$ 11,372	\$ 14,064	\$ (2,692)
Government and corporate bonds	2,958	3,017	(59)
Others	2,900	3,023	(122)
Subtotal	\$ 17,231	\$ 20,105	\$ (2,874)
Total	\$ 42,626	\$ 38,380	\$ 4,245

※The amount of Non-marketable equity securities, ¥841 million (\$8,178 thousand), and Investments in associated companies, ¥149 million (\$1,448 thousand), are not included in the above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2014 and 2013

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

March 31, 2014

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 318	¥ 5	¥ (4)
Total	¥ 318	¥ 5	¥ (4)

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 3,097	\$ 50	\$ (41)
Total	\$ 3,097	\$ 50	\$ (41)

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
	¥ 72	¥ 46	\$ 447

## 10. DERIVATIVES

### *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, 2013</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 969	¥ —	¥ 985
Buying US\$	Payables	1,420	—	1,406
Buying Euro	Payables	3	—	3
Total		<u>¥ 2,393</u>	<u>¥ —</u>	<u>¥ 2,396</u>
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2014</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 915	¥ —	¥ 921
Buying US\$	Payables	2,648	—	2,654
Buying RMB	Payables	102	—	103
Buying Euro	Payables	5	—	5
Total		<u>¥ 3,671</u>	<u>¥ —</u>	<u>¥ 3,685</u>
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 8,892	\$ —	\$ 8,952
Buying US\$	Payables	25,731	—	25,794
Buying RMB	Payables	1,000	—	1,007
Buying Euro	Payables	51	—	51
Total		<u>\$ 35,675</u>	<u>\$ —</u>	<u>\$ 35,806</u>

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, 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)

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.

For the year ended March 31, 2014

Not applicable

## 11. RETIREMENT BENEFITS

For the year ended March 31, 2013

### (1) Outline of retirement benefits 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.

### (2) The liability for employees' retirement benefits at March 31, 2013 consisted of the following:

	<u>Millions of Yen</u> <u>2013</u>
Projected benefit obligation	¥(4,735)
Fair value of plan assets	2,504
Unrecognized actuarial loss	263
Unrecognized prior service cost	<u>324</u>
Net liability	<u>¥(1,643)</u>

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

	<u>Millions of Yen</u> <u>2013</u>
Service cost	¥ 586
Interest cost	56
Expected return on plan assets	(40)
Recognized actuarial loss	35
Amortization of prior service cost	64
Redundancy pay	0
Others	<u>7</u>
Net periodic benefit costs	<u>¥ 710</u>

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

	<u>2013</u>
Allocation method of benefit obligation	Straight line method
Discount rate	1.57%
Expected rate of return on plan assets	2.0%
Recognition period of actuarial gain/loss	10 years
Amortization period of prior service cost	10 years



For the year ended March 31, 2014

(1) Outline of retirement benefits 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 defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated by simplified methods.

(2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation during the year ended March 31, 2014 (excluding plans applying the simplified method) are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Retirement benefit obligation at the beginning of the period	¥3,469	\$ 33,706
Service cost	264	2,571
Interest cost	54	526
Recognized actual loss	(43)	(427)
Benefits paid	(31)	(304)
Others	<u>2</u>	<u>25</u>
Retirement benefit obligation at the end of the period	<u>¥ 3,715</u>	<u>\$ 36,099</u>

(b) Changes in the plan assets during the year ended March 31, 2014 (excluding plans applying the simplified method) are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Plan assets at fair value at the beginning of the period	¥2,393	\$ 23,257
Expected return on plan assets	48	468
Recognized actual loss	(40)	(393)
Contributions by the employer	348	3,382
Benefits paid	(31)	(304)
Others	<u>2</u>	<u>26</u>
Plan assets at fair value at the end of the period	<u>¥ 2,720</u>	<u>\$ 26,436</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method during the year ended March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Net defined benefit liabilities at the beginning of period	¥1,156	\$ 11,233
Retirement benefit expenses	116	1,130
Retirement benefits paid	(292)	(2,840)
Contribution to plan	<u>(20)</u>	<u>(197)</u>
Net defined benefit liabilities at end of period	<u>¥ 959</u>	<u>\$ 9,325</u>

(d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Retirement benefit obligation of funded plans	¥3,855	\$ 37,465
Plan assets	(2,821)	(27,412)
	1,034	10,053
Retirement benefit obligation of unfunded plans	919	8,935
Net assets and liabilities recorded in the consolidated balance sheet	¥ 1,954	\$ 18,988
Net defined benefit liabilities	1,954	18,988
Net assets and liabilities recorded in the consolidated balance sheet	¥ 1,954	\$ 18,988

(e) Components of retirement benefit expenses during the year ended March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 267	\$ 2,600
Interest cost	54	526
Expected return on plan assets	(46)	(454)
Recognized actual loss	44	434
Amortization of prior service cost	64	630
Redundancy pay	5	49
Others	19	191
Retirement benefit expenses for defined benefit pension plans	¥ 409	\$ 3,979

(f) Accumulated adjustments of defined benefit plans of March 31, 2014 are as follows:

Components of remeasurements of accumulated defined benefit plans (before taxes)

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized prior service cost	¥ 243	\$ 2,365
Unrecognized actuarial gain or loss	230	2,238
Total	¥ 473	\$ 4,604

(g) Items for plan assets

Components of plan asset

Ratio of primary components of total plan assets

	2014
General accounts	96.44%
Other	3.56%
Total	100%

Determining expected long-term rate of return

In determining the long-term rate of return of plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(h) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method as of March 31, 2014

	<u>2014</u>
Discount rate	1.43%
Expected long-term rate of return	1.6%

(3) Defined contribution pension plans

Required contributions to defined contribution pension plans of consolidated subsidiaries amounted to ¥176 million (\$1,713 thousand) in the year

## 12. 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, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 236	¥ 232	\$ 2,261
Retirement benefits for directors and corporate auditors	502	514	5,000
Allowance for doubtful accounts	313	376	3,662
Accrued bonuses	314	472	4,591
Retirement benefit for employees	595	—	—
Net defined benefit liability	—	699	6,798
Operating losses of subsidiaries	371	339	3,303
Tax loss carryforwards	4,307	4,449	43,227
Devaluation of inventories	245	272	2,644
Impairment loss	228	259	2,520
Excess depreciation	446	334	3,248
Others	945	1,071	10,406
Sub-total	8,507	9,022	87,665
Less valuation allowance	(6,696)	(6,497)	(63,130)
Deferred tax assets—total	1,811	2,525	24,534
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(788)	(971)	(9,436)
Unrealized gain on property and equipment	(176)	(101)	(982)
Unrealized gain on available-for-sale securities	(119)	(275)	(2,675)
Advanced depreciation on fixed assets	(253)	(238)	(2,313)
Others	(80)	(70)	(687)
Deferred tax liabilities—total	(1,418)	(1,656)	(16,094)
Net deferred tax assets	¥ 392	¥ 868	\$ 8,440

(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, 2014 and 2013 is as follows:

	2013	2014
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible for income tax purposes	5.4	2.7
Tax benefits not recognized on operating losses of subsidiaries	54.2	(1.2)
Difference in tax rates of foreign subsidiaries	(11.0)	(9.3)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	11.6	4.2
Effect of amortization of goodwill	(8.3)	0.2
Others, net	(1.4)	(3.2)
Actual effective tax rate	88.5%	31.3%

(3) Amendments to deferred tax assets and deferred tax liabilities due to a change in the corporate tax rate  
In accordance with the Act for Partial Amendment of the Income Tax Act (Act No. 10, 2014) promulgated on March 31, 2014, the Special Reconstruction Corporation Tax will not be imposed, effective from the fiscal year beginning on or after April 1, 2014. Accordingly the statutory tax rate used for calculating deferred tax assets and liabilities, has been changed from 38.0% for the prior fiscal year to 35.6% for the temporary differences to be eliminated in the fiscal year beginning on April 1, 2014. The impact of these changes is insignificant.

### 13. BUSINESS COMBINATIONS

Business combinations involving entities under common control

KAGA DEVICES CO., LTD. and ADM INC. were merged with an effective date of October 1, 2013.

(1) Overview of transaction

(a) Name of the parties and their business description

Name of the merger company: KAGA DEVICES CO., LTD.

Business description: sales of electronic parts and products

Name of the merged company: ADM INC.

Business description: sales and purchase of electronic products and parts

(b) Date of business combination

October 1, 2013

(c) Type of business combination

ADM INC. was merged into KAGA DEVICES CO., LTD.

(d) Name of merger company after business combination

KAGA DEVICES CO., LTD.

(e) Item for the overview of another transaction

To improve strength efficiency and rationalization for group management

(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."

### 14. SEGMENT INFORMATION

(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."

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

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	¥ 165,560	¥ 38,955	¥ 6,139	¥ 13,025	¥ 223,682	¥ (7,276)	¥ 216,405
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

  

Millions of Yen							
2014							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electric Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	¥ 194,782	¥ 46,505	¥ 3,306	¥ 13,258	¥ 257,852	¥ —	¥ 257,852
Inter segment sales or transfers	1,439	1,144	5,430	2,047	10,061	(10,061)	—
Total sales	¥ 196,221	¥ 47,649	¥ 8,737	¥ 15,306	¥ 267,914	¥ (10,061)	¥ 257,852
Segment profit (loss)	¥ 3,805	¥ 866	¥ 79	¥ 410	¥ 5,161	¥ (54)	¥ 5,106
Segment assets	109,007	15,614	3,138	7,110	134,871	(8,842)	126,028
Others:							
Depreciation	1,051	78	727	105	1,962	(4)	1,957
Increase in-property, plant and equipment and intangible assets	2,695	105	195	278	3,274	(17)	3,257

Thousands of U.S. Dollars							
2014							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electric Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 1,892,560	\$ 451,856	\$ 32,128	\$ 128,825	\$ 2,505,371	\$ —	\$ 2,505,371
Inter segment sales or transfers	13,981	11,121	52,767	19,892	97,763	(97,763)	—
Total sales	<u>\$ 1,906,542</u>	<u>\$ 462,977</u>	<u>\$ 84,896</u>	<u>\$ 148,718</u>	<u>\$ 2,603,135</u>	<u>\$ (97,763)</u>	<u>\$ 2,505,371</u>
Segment profit (loss)	\$ 36,970	\$ 8,421	\$ 770	\$ 3,983	\$ 50,146	\$ (529)	\$ 49,616
Segment assets	1,059,150	151,710	30,496	69,089	1,310,447	(85,914)	1,224,532
Others:							
Depreciation	10,212	764	7,066	1,020	19,063	(42)	19,020
Increase in-property, plant and equipment and intangible assets	26,193	1,022	1,898	2,705	31,819	(171)	31,647

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Elimination of inter-segment trade	¥ 27	¥ (37)	\$ (367)
Amortization of goodwill	(67)	(16)	(162)
Total	<u>¥ (39)</u>	<u>¥ (54)</u>	<u>\$ (529)</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Elimination of inter-segment trade	¥ (11,639)	¥ (11,563)	\$ (112,351)
Reconciliations	2,544	2,720	26,436
Total	<u>¥ (9,095)</u>	<u>¥ (8,842)</u>	<u>\$ (85,914)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Elimination of inter-segment trade	¥ (3)	¥ (4)	\$ (42)
Total	<u>¥ (3)</u>	<u>¥ (4)</u>	<u>\$ (42)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Elimination of inter-segment trade	¥ (28)	¥ (17)	\$ (171)
Total	¥ (28)	¥ (17)	\$ (171)

**Associated Information**

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				
Japan	North America	Europe	East Asia	Total
¥ 152,303	¥ 2,428	¥ 3,392	¥ 58,281	¥ 216,405

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

(b) Property, plant and equipment

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

- 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.

For the year ended March 31, 2014

(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				
2014				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 180,170	¥ 3,918	¥ 2,430	¥ 71,333	¥ 257,852

Thousands of U.S. Dollars				
2014				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,750,584	\$ 38,076	\$ 23,614	\$ 693,096	\$ 2,505,371

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

(b) Property, plant and equipment

Millions of Yen				
2014				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 9,742	¥ 36	¥ 74	¥ 2,771	¥ 12,625

Thousands of U.S. Dollars				
2014				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 94,661	\$ 358	\$ 725	\$ 26,932	\$ 122,677

- 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, 2013

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

For the year ended March 31, 2014

		Millions of Yen				
		2014				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		¥ 116	¥ 19	¥ 5	¥ 36	¥ 177
		Thousands of U.S. Dollars				
		2014				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		\$ 1,134	\$ 186	\$ 49	\$ 358	\$ 1,728

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

For the year ended March 31, 2013

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

For the year ended March 31, 2014

		Millions of Yen				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Amortization of goodwill for fiscal year		¥ 118	¥ 23	¥ —	¥ —	¥ 142
Balance of goodwill at the end of fiscal year		714	0	—	—	715

		Thousands of U.S. Dollars				
		Reportable Segment				
		Electric Components	Information Equipment	Soft-ware	Other	Total
Amortization of goodwill for fiscal year		\$ 1,151	\$ 228	\$ —	\$ —	\$ 1,380
Balance of goodwill at the end of fiscal year		6,946	5	—	—	6,951

**Information of gain on bargain purchase by reportable segments**

For the year ended March 31, 2013

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

For the year ended March 31, 2014

Not applicable

## 15. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2013

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

(Amount unit: Millions of yen)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage For Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of account	Amount as of March 31, 2013
Major stockholder	SANKYO CO., LTD.	Shibuya -ku, Tokyo	¥14,840	Manufacturing and sales of game machines	Owned directly 12.36%	Sales of finished products of the Company	Sales of finished products of the Company ※2	¥6,363	Accounts receivable	¥5,202

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.

For the year ended March 31, 2014

Principal transactions between the Company and its related party for the year ended March 31, 2014 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S.dollars)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage For Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of account	Amount as of March 31, 2014
Major stockholder	SANKYO CO., LTD.	Shibuya -ku, Tokyo	¥14,840 (\$144,189)	Manufacturing and sales of game machines	Owned directly 13.57%	Sales of finished products of the Company	Sales of finished products of the Company ※	¥9,627 (\$93,539)	Accounts receivable	¥2,519 (\$24,480)

Notes:

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.

## 16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2013	2014	2014
Net assets per share	¥ 1,721.86	¥ 1,868.07	\$ 18.15
Net income per share	16.09	137.22	1.33

Notes 1. Diluted net income per share has not been presented because there were no potentially dilutive Shares.

2. As described in "Changes in Accounting Policies", "Accounting Standard for Retirement Benefits" is applicable and in accordance with article 37 of Statement No.26. The adoption of this change has decreased net assets per share of common stock by 10.79 yen (0.10 U.S. Dollars).

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net income per share			
Net income	¥ 444	¥ 3,877	\$ 37,676
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	444	3,877	37,676
Average number of common stock outstanding during the fiscal year (Share)	27,647,603	28,257,761	
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.	—	—	

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net assets per share			
Total net assets	¥ 48,806	¥ 52,825	\$ 513,272
Amount deducted from total net assets (Minority interest in consolidated subsidiaries)	149	39	385
	(149)	(39)	(385)
Net assets corresponding to common stock at the end of the fiscal year	48,656	52,786	512,886
Number of common stock used for the calculation of net assets per share (Share)	28,258,287	28,257,116	

## 17. SIGNIFICANT SUBSEQUENT EVENT

Not applicable

## 18. CONSOLIDATED SUPPLEMENTARY SCHEDULE

### (1) Schedule of bonds

Issuer	Name of bond	Issuance date	Millions of Yen		Thousands of U.S. Dollars	Interest rate(%)	Collateral	Maturity
			Balance as of April 1, 2013	Balance as of March 31, 2014	Balance as of March 31, 2014			
DREAMS CORPORATION	1 <sup>st</sup> Unsecured straight bond	January 4, 2008	¥ 28	¥ 13	\$ 132	1.25	Unsecured	December 30, 2014
			(14)	(13)	(132)			
	2 <sup>nd</sup> Unsecured straight bond	April 1, 2008	28	13	132	1.28	Unsecured	March 31, 2015
			(14)	(13)	(132)			
Total	—	—	¥ 56	¥ 27	\$ 264	—	—	—
			(28)	(27)	(264)			

Notes:

- Amounts shown in ( ) are maturity which is scheduled within one year.
- The repayment schedule of bonds for 5 years subsequent to March 31, 2014 is summarized as follows:

Millions of Yen				
Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
¥ 27	—	—	—	—

  

Thousands of U.S. Dollars				
Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
\$ 264	—	—	—	—

- The above bonds are included in “Others” of current liabilities in Consolidated Balance Sheets.

### (2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	Balance as of April 1, 2013	Balance as of March 31, 2014	Balance as of March 31, 2014		
Short-term loans payable	¥ 7,356	¥ 10,744	\$ 104,394	0.47	—
Current portion of long-term loans payable	2,211	1,428	13,874	0.99	—
Current portion of lease obligations	82	101	982	4.23	—
Long-term loans payable (excluding current portion)	5,121	4,681	45,481	0.90	2015 to 2017
Lease obligations (excluding current portion)	289	263	2,558	3.61	2015 to 2021
Other interest-bearing debt	—	—	—	—	—
Total	¥ 15,060	¥ 17,217	\$ 167,291	—	—

Notes:

- Interest rates are stated at weighted average interest rates on the average balance of borrowings for the year.
- The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2014 is summarized as follows:

Millions of Yen				
Category	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 1,428	¥ 2,428	¥ 825	¥ —
Lease obligations	96	78	60	18
Total	¥ 1,524	¥ 2,506	¥ 885	¥ 18

  

Thousands of U.S. Dollars				
Category	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 13,874	\$ 23,591	\$ 8,015	\$ —
Lease obligations	933	759	588	181
Total	\$ 14,808	\$ 24,350	\$ 8,604	\$ 181

(3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations are abbreviated, as the amount of “asset retirement obligations” is less than the 1 percent of total amount of liabilities and net assets.

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