

KAGA ELECTRONICS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
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, 2015, 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, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 17 to the financial statements which describe the execution of a memorandum of understanding related to the management integration between the Company and UKC Holdings Corporation, following the resolution at the board of directors' meeting, on November 18, 2015. Our opinion is not qualified in respect of this matter.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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

December 28, 2015

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets At March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
CURRENT ASSETS:			
Cash and bank deposits ※2	¥ 14,192	¥ 18,130	\$ 150,873
Notes and accounts receivable-trade	60,667	58,167	484,047
Short-term investment securities	114	127	1,062
Merchandise and finished goods	16,378	17,276	143,766
Work in process	848	401	3,344
Raw materials and supplies	3,991	5,024	41,814
Deferred tax assets	993	929	7,732
Others	5,836	4,497	37,422
Allowance for doubtful accounts	(93)	(131)	(1,092)
Total current assets	<u>102,930</u>	<u>104,424</u>	<u>868,969</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	8,089	7,834	65,194
Accumulated depreciation	<u>(2,351)</u>	<u>(2,379)</u>	<u>(19,800)</u>
Buildings and structures, net ※2	5,737	5,455	45,394
Machinery, equipment and vehicles	4,615	5,689	47,342
Accumulated depreciation	<u>(2,903)</u>	<u>(3,403)</u>	<u>(28,321)</u>
Machinery, equipment and vehicles, net	1,711	2,285	19,021
Tools, furniture and fixtures	4,442	4,159	34,610
Accumulated depreciation	<u>(3,438)</u>	<u>(3,222)</u>	<u>(26,813)</u>
Tools, furniture and fixtures, net	1,004	936	7,796
Land ※2	4,038	4,041	33,630
Construction in progress	133	6	52
Total property, plant and equipment	<u>12,625</u>	<u>12,725</u>	<u>105,895</u>
INTANGIBLE ASSETS			
Goodwill	715	607	5,058
Software	486	479	3,991
Others	332	44	369
Total intangible assets	<u>1,533</u>	<u>1,131</u>	<u>9,418</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1, 2	5,377	6,351	52,850
Deferred tax assets	562	274	2,287
Guarantee deposits	821	846	7,040
Insurance funds	1,357	1,280	10,653
Others	1,836	2,084	17,346
Allowance for doubtful accounts	<u>(1,017)</u>	<u>(1,169)</u>	<u>(9,729)</u>
Total investments and other assets	<u>8,938</u>	<u>9,667</u>	<u>80,449</u>
Total noncurrent assets	<u>23,098</u>	<u>23,524</u>	<u>195,764</u>
Total assets	<u>¥ 126,028</u>	<u>¥ 127,948</u>	<u>\$ 1,064,733</u>

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets At March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
LIABILITIES			
CURRENT LIABILITIES:			
Notes and accounts payable-trade ※2	¥ 41,695	¥ 40,543	\$ 337,387
Short-term loans payable ※2, 4	12,172	5,925	49,310
Accrued expenses	3,133	3,377	28,104
Income taxes payable	1,525	1,286	10,705
Provision for directors' bonuses	174	189	1,575
Others	4,708	3,289	27,373
Total current liabilities	63,410	54,612	454,457
NONCURRENT LIABILITIES:			
Long-term loans payable ※2	4,681	8,253	68,677
Deferred tax liabilities	686	1,231	10,243
Provision for directors' retirement benefits	1,437	1,501	12,496
Net defined benefit liabilities	1,954	1,643	13,675
Asset retirement obligations	123	140	1,172
Others	909	963	8,017
Total noncurrent liabilities	9,792	13,733	114,283
Total liabilities	73,202	68,345	568,741
NET ASSETS:			
Shareholders' equity			
Capital stock	12,133	12,133	100,969
Capital surplus	13,912	13,912	115,773
Retained earnings	27,414	31,029	258,216
Treasury stock	(536)	(537)	(4,475)
Total shareholders' equity	52,923	56,538	470,484
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	161	790	6,578
Deferred gains or losses on hedges	0	23	198
Foreign currency translation adjustment	5	2,462	20,490
Remeasurements of defined benefit plans	(304)	(250)	(2,080)
Total accumulated other comprehensive income	(137)	3,026	25,187
Minority interests	39	38	320
Total net assets	52,825	59,603	495,992
Total liabilities and net assets	¥ 126,028	¥ 127,948	\$ 1,064,733

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, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Net sales	¥ 257,852	¥ 255,143	\$ 2,123,190
Cost of sales ※2	225,330	222,405	1,850,755
Gross profit	32,522	32,738	272,435
Selling, general and administrative expenses ※1, 2	27,416	26,376	219,492
Operating income	5,106	6,362	52,942
NON-OPERATING INCOME			
Interest income	68	150	1,251
Dividend income	79	95	790
Commission fee	219	292	2,430
Amortization of negative goodwill	29	—	—
Foreign exchange gains	255	560	4,662
House rent income	121	116	966
Others	251	308	2,564
Total non-operating income	1,025	1,522	12,665
NON-OPERATING EXPENSES			
Interest expenses	132	117	974
Loss on investments in partnership	80	25	211
Others	71	77	642
Total non-operating expenses	284	219	1,828
Ordinary income	5,847	7,664	63,779
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	613	6	50
Gain on sales of investment securities	5	28	240
Others	—	1	16
Total extraordinary income	619	36	307
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	28	25	214
Loss on valuation of investment securities	46	257	2,140
Impairment loss	177	25	209
Loss on liquidation of subsidiaries and associates	67	—	—
Office transfer expenses	412	4	38
Litigation settlement	—	64	532
Others	74	42	355
Total extraordinary loss	¥ 807	¥ 419	\$ 3,491

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income For the Years Ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Income before income taxes	¥ 5,659	¥ 7,281	\$ 60,595
Income taxes-current	2,220	2,329	19,386
Income taxes-deferred	(447)	525	4,374
Total income taxes	1,772	2,855	23,760
Income before minority interests	3,887	4,426	36,835
Minority interests in income	9	10	86
Net income	3,877	4,416	36,748
Minority interests in income	9	10	86
Income before minority interests	3,887	4,426	36,835
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	341	630	5,245
Deferred gains on hedges	6	23	193
Foreign currency translation adjustment	1,054	2,457	20,450
Remeasurements of defined benefit plans, net of tax	—	54	457
Total other comprehensive income ※5	1,403	3,166	26,346
Comprehensive income	¥ 5,290	¥ 7,592	\$ 63,181
Comprehensive income attributable to			
Owners of the parent	¥ 5,283	¥ 7,580	\$ 63,081
Minority interests	7	12	100

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, 2014 and 2015

Fiscal year ended March 31, 2014

	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	¥ 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						Total net assets
	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	Minority interests	
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, 2014 and 2015

Fiscal year ended March 31, 2015

	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	¥ 27,414	¥ (536)	¥ 52,923
Cumulative effects of changes in accounting policies			188		188
Restated balance	12,133	13,912	27,602	(536)	53,112
Changes of items during period					
Dividends from surplus			(988)		(988)
Net income			4,416		4,416
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,427	(1)	3,425
Total	¥ 12,133	¥ 13,912	¥ 31,029	¥ (537)	¥ 56,538

	Millions of Yen					
	Accumulated other comprehensive income					Total net assets
	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	
Balance at the beginning of current period	¥ 161	¥ 0	¥ 5	¥ (304)	¥ (137)	¥ 52,825
Cumulative effects of changes in accounting policies						188
Restated balance	161	0	5	(304)	(137)	53,014
Changes of items during period						
Dividends from surplus						(988)
Net income						4,416
Purchase of treasury stock						(1)
Net changes of items other than shareholders' equity	629	23	2,456	54	3,164	(1)
Total changes of items during period	629	23	2,456	54	3,164	(1)
Total	¥ 790	¥ 23	¥ 2,462	¥ (250)	¥ 3,026	¥ 59,603

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2014 and 2015

Fiscal year ended March 31, 2015

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	\$ 100,969	\$ 115,773	\$ 228,129	\$ (4,463)	\$ 440,408
Cumulative effects of changes in accounting policies			1,568		1,568
Restated balance	100,969	115,773	229,697	(4,463)	441,977
Changes of items during period					
Dividends from surplus			(8,229)		(8,229)
Net income			36,748		36,748
Purchase of treasury stock				(11)	(11)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	28,518	(11)	28,507
Total	\$ 100,969	\$ 115,773	\$ 258,216	\$ (4,475)	\$ 470,484

	Accumulated other comprehensive income						Total net assets
	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	Minority interests	
Balance at the beginning of current period	\$ 1,340	\$ 5	\$ 46	\$ (2,537)	\$ (1,145)	\$ 330	\$439,593
Cumulative effects of changes in accounting policies							1,568
Restated balance	1,340	5	46	(2,537)	(1,145)	330	441,162
Changes of items during period							
Dividends from surplus							(8,229)
Net income							36,748
Purchase of treasury stock							(11)
Net changes of items other than shareholders' equity	5,238	193	20,444	457	26,332	(9)	26,322
Total changes of items during period	5,238	193	20,444	457	26,332	(9)	54,829
Total	\$ 6,578	\$ 198	\$ 20,490	\$ (2,080)	\$ 25,187	\$ 320	\$ 495,992

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, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 5,659	¥ 7,281	\$ 60,595
Depreciation and amortization	2,418	1,907	15,869
Impairment loss	177	25	209
Amortization of goodwill	128	127	1,058
Decrease in provision for retirement benefits	(1,630)	—	—
Increase in net defined benefit liability	1,467	82	687
Increase in provision for directors' retirement benefits	38	64	536
Increase in provision for directors' bonuses	94	16	135
Increase in allowance for doubtful accounts	13	141	1,173
Interest and dividend income	(147)	(245)	(2,042)
Interest expenses	132	117	974
Gain on sales of property, plant and equipment	(609)	(4)	(37)
Loss on retirement of property, plant and equipment	28	25	214
Gain on sales of investment securities	(0)	(21)	(177)
Loss on valuation of investment securities	46	257	2,140
(Increase) decrease in notes and accounts receivable-trade	(5,326)	4,182	34,801
(Increase) decrease in inventories	(1,708)	79	662
Increase (decrease) in notes and accounts payable-trade	2,998	(3,141)	(26,143)
Decrease (increase) in accounts receivable-other	48	(308)	(2,565)
Increase in accrued expenses	320	129	1,078
(Increase) decrease in advance payments	(389)	478	3,983
(Increase) decrease in consumption taxes refund receivable	(359)	96	799
Decrease in other current assets	2	1,485	12,359
Increase (decrease) in other current liabilities	1,460	(1,319)	(10,980)
Others, net	382	284	2,370
Subtotal	5,246	11,741	97,704
Interest and dividend income received	145	241	2,013
Interest expenses paid	(132)	(118)	(982)
Income taxes paid	(1,810)	(2,687)	(22,365)
Others, net	(114)	(49)	(413)
Net cash provided by operating activities	¥ 3,334	¥ 9,127	\$ 75,956

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
NET CASH USED IN INVESTING ACTIVITIES			
Payments into time deposits	¥ (430)	¥ (0)	\$ (1)
Purchase of property, plant and equipment	(2,997)	(1,360)	(11,317)
Proceeds from sales of property, plant and equipment	1,228	374	3,119
Purchase of intangible assets	(259)	(294)	(2,454)
Purchase of investment securities	(830)	(994)	(8,277)
Proceeds from sales of investment securities	548	624	5,193
Purchase of investments in subsidiaries	(184)	(11)	(93)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(10)	(88)
Payments of short-term loans receivable	(4)	(14)	(118)
Collection of short-term loans receivable	1	12	101
Purchase of insurance funds	(61)	(23)	(192)
Payments of long-term loans receivable	(37)	(0)	(3)
Proceeds from cancellation of insurance funds	—	100	838
Payments for guarantee deposits	(263)	(21)	(180)
Proceeds from collection of guarantee deposits	137	16	140
Other payments	(222)	(237)	(1,978)
Other proceeds	35	374	3,115
Net cash used in investing activities	(3,339)	(1,465)	(12,198)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Increase (decrease) in short-term loans payable	3,221	(6,832)	(56,852)
Proceeds from long-term loans payable	1,000	5,000	41,607
Repayment of long-term loans payable	(2,223)	(1,436)	(11,953)
Purchase of treasury stock	(1)	(1)	(11)
Cash dividends paid	(847)	(987)	(8,213)
Cash dividends paid to minority shareholders	(5)	(0)	(1)
Others, net	(119)	(174)	(1,448)
Net cash provided by (used in) financing activities	1,024	(4,431)	(36,874)
Effect of exchange rate change on cash and cash equivalents	463	977	8,131
Net increase in cash and cash equivalents	1,482	4,207	35,014
Cash and cash equivalents-beginning balance	11,878	13,361	111,189
Cash and cash equivalents-ending balance ※1	¥ 13,361	¥ 17,569	\$ 146,204

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, 2014 and 2015

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 ¥120.17 to \$1, the rate of exchange at March 31, 2015. 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 (49 in 2015 and 48 in 2014) (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.

Goodwill 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 2015 and 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 value and that other merchandise inventories should be at the lower of cost, determined principally by the moving-average method, or market value.
- The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market value.

- 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 component of net assets.

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 the benefit formula basis. 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 exchange rates prevailing 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 exchange rates prevailing 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
The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.
 2. Hedging instruments and hedged items
(Hedging instruments)
Foreign currency forward contract transactions
NDF transactions
Interest rate swaps
(Hedged items)
Assets and liabilities denominated in foreign currencies
Interest rates on long-term loans payable
 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. Interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable 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. Also, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.
- 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**
The main clause of Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; "Accounting Standard") and the main clause of Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; "Guidance") were adopted in the consolidated fiscal year and the method of calculating retirement benefit obligation and service costs changed. Specifically, the method used for determining the portion of projected benefit obligation to be attributed to individual periods changed from the straight-line method to the benefit formula basis. In addition, the method for determining the discount rates to be applied in calculating the retirement benefit obligation changed from the method of using a period approximating employees' average remaining years of service to a single weighted-average discount rate that reflects the estimated amounts and periods over which the benefit will be paid.
The Accounting Standard and Guidance were adopted according to the transitional treatment set forth in Article 37 of the Accounting Standard, and the effects of the change in calculation methods of the retirement benefit obligation and service costs were adjusted against retained earnings as at the beginning of the current fiscal year.
As a result, net defined benefit liability decreased by ¥292 million (\$2,468 thousand) and retained earnings increased by ¥188 million (\$1,568 thousand). The effect on operating income, ordinary income, and income before income taxes and minority interests for the consolidated fiscal year is negligible.
The effect on net assets per share increased by ¥6.67 (\$0.05) and the effect on net income per share for the consolidated fiscal year is negligible.

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
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Capital stock	¥ 0	¥ 0	\$ 0
Bonds	0	0	0

※2. *Assets pledged as collateral and liabilities with collateral*

Details of assets pledged as collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Time deposits	¥ 14	¥ 14	\$ 116
Investment securities	3	4	40
Buildings and structures	2,552	2,421	20,152
Land	3,030	3,030	25,218
Total	¥ 5,600	¥ 5,471	\$ 45,528

Details of liabilities with collateral

	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Accounts payable – trade	¥ 24	¥ 6	\$ 58
Long-term loans including current portion of long-term loans payable	1,609	1,181	9,827
Total	¥ 1,633	¥ 1,187	\$ 9,885

※3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥32 million (\$267 thousand) and ¥49 million at March 31, 2015 and 2014, respectively.

Contingent liabilities for guaranteed financing of SICOXS Corporation from an independent administrative institution is ¥57 million (\$216 thousand) at March 31, 2015.

※4. *Commitment line contract*

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Total limit of contract	¥ 10,000	¥ 10,000	\$ 83,215
Loan balances	5,500	—	—
Available amounts	¥ 4,500	¥ 10,000	\$ 83,215

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>2014</u>	<u>2015</u>	<u>2015</u>
Salaries and bonuses	¥ 11,281	¥ 11,061	\$ 92,049
Retirement benefit expenses	650	688	5,732
Provision for directors' retirement benefits	85	90	755
Provision for directors' bonuses	182	188	1,564
Provision of allowance for doubtful accounts	(25)	275	2,289

※2. *Research and development costs*

Research and development costs charged to income are ¥458 million (\$3,815 thousand) and ¥465 million for the years ended March 31, 2015 and 2014, 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>2014</u>	<u>2015</u>	<u>2015</u>
Buildings and structures	¥ —	¥ 1	\$ 10
Machinery, equipment and vehicles	6	2	22
Tools, furniture and fixtures	0	2	18
Land	606	—	—
Total	<u>¥ 613</u>	<u>¥ 6</u>	<u>\$ 50</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>2014</u>	<u>2015</u>	<u>2015</u>
Buildings and structures	¥ 16	¥ 10	\$ 91
Machinery, equipment and vehicles	4	8	74
Tools, furniture and fixtures	5	4	35
Software	2	1	13
Total	<u>¥ 28</u>	<u>¥ 25</u>	<u>\$ 214</u>

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 486	¥ 880	\$ 7,325
Amount of reclassification	10	(20)	(171)
Net gain before income tax effect	497	859	7,154
Income tax effect	(155)	(229)	(1,909)
Net unrealized gain or loss on securities, net of Tax	341	630	5,245
Deferred gains or losses on hedges			
Amount arising during the period	1	35	296
Amount of reclassification	9	(1)	(12)
Net gain before income tax effect	10	34	284
Income tax effect	(3)	(10)	(91)
Deferred gains or losses on hedges	6	23	193
Foreign currency translation adjustment			
Amount arising during the period	1,135	2,457	20,450
Amount of reclassification	(80)	—	—
Foreign currency translation adjustment	1,054	2,457	20,450
Remeasurements of defined benefit plans			
Amount arising during the period	—	0	0
Amount of reclassification	—	104	867
Net gain before income tax effect	—	104	867
Income tax effect	—	(49)	(410)
Remeasurements of defined benefit plans	—	54	457
Total other comprehensive income	¥ 1,403	¥ 3,166	\$ 26,346

5. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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	15	March 31, 2013	June 28, 2013
Board of Directors' meeting held on October 31, 2013	Common stock	423	15	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	Retained earnings	20	March 31, 2014	June 30, 2014

For the year ended March 31, 2015

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

	Number of shares as of April 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2015
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	445,002	1,038	—	446,040

Note :

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

Increase as a result of fractional share repurchases: 1,038 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, 2014	Common stock	565 (US\$4,702 thousand)	20 (US\$0.16)	March 31, 2014	June 30, 2014
Board of Directors' meeting held on October 31, 2014	Common stock	423 (US\$3,527 thousand)	15 (US\$0.12)	September 30, 2014	December 5, 2014

(2) Dividends whose effective date is after March 31, 2015 and record date is included in the year ended March 31, 2015.

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 26, 2015	Common stock	706 (US\$5,878 thousand)	Retained earnings	25 (US\$0.20)	March 31, 2015	June 29, 2015

6. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2015 and 2014 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash and bank deposits	¥ 14,192	¥ 18,130	\$ 150,873
Time deposits with a deposit period of 3 months or more	(830)	(561)	(4,669)
Cash and cash equivalents	<u>¥ 13,361</u>	<u>¥ 17,569</u>	<u>\$ 146,204</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 described 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 lessees and whose lease inception dates were 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.

(1) Leased property whose lease inception date was before March 31, 2008 was as follows:

	Millions of Yen					
	2014			2015		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥ 92	¥ 35	¥ 128	¥ 92	¥ 35	¥ 128
Accumulated depreciation	(78)	(22)	(101)	(88)	(22)	(111)
Accumulated impairment loss	—	(12)	(12)	—	(12)	(12)
Net leased property	<u>¥ 13</u>	<u>¥ —</u>	<u>¥ 13</u>	<u>¥ 4</u>	<u>¥ —</u>	<u>¥ 4</u>

	Thousands of U.S. Dollars		
	2015		
	Machinery, Equipment and Vehicles	Tools, furniture and fixtures	Total
Acquisition cost	\$ 771	\$ 293	\$ 1,065
Accumulated depreciation	(732)	(191)	(923)
Accumulated impairment loss	—	(102)	(102)
Net leased property	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ 38</u>

(2) Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥ 14	¥ 7	\$ 64
Due after one year	<u>7</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 22</u>	<u>¥ 7</u>	<u>\$ 64</u>
Allowance for impairment loss on leased property	<u>¥ 12</u>	<u>¥ 12</u>	<u>\$ 102</u>

(3) Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Depreciation expense	¥ 9	¥ 9	\$ 77
Interest expense	<u>1</u>	<u>0</u>	<u>5</u>
Total	<u>¥ 10</u>	<u>¥ 9</u>	<u>\$ 82</u>
Lease payments	¥ 15	¥ 15	\$ 129
Reversal of allowance for impairment loss on leased property	—	—	—

(4) Computation of depreciation

Depreciation is computed using the straight-line method over the lease term assuming a residual value of zero.

(5) Computation of interest expenses

The excess amount of the sum of minimum lease payment over the acquisition cost is regarded as accumulated interest expenses, and is allocated to each period based on the interest method.

Future lease payments under noncancelable operating leases at March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥ 384	¥ 128	\$ 1,069
Due after one year	<u>37</u>	<u>27</u>	<u>225</u>
Total	<u>¥ 421</u>	<u>¥ 155</u>	<u>\$ 1,295</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 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 the above accounts approximate 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, 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.

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 18,130	¥ 18,130	¥ —
Notes and accounts receivables-trade	58,167		
Allowance for doubtful accounts ※1	(131)		
	58,036	58,036	—
Short-term investment securities	127	127	—
Investment securities	5,410	5,410	—
Guarantee deposits	444	342	(101)
Total	¥ 82,150	¥ 82,048	¥ (101)
Notes and accounts payables-trade	¥ 40,543	¥ 40,543	¥ —
Short-term loans payable	5,925	5,925	—
Accrued expenses	3,377	3,377	—
Income taxes payable	1,286	1,286	—
Long-term loans payable	8,253	8,276	(23)
Total	¥ 59,386	¥ 59,410	¥ (23)
Derivatives ※2	¥ 30	¥ 30	¥ —

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	\$ 150,873	\$ 150,873	\$ —
Notes and accounts receivables-trade	484,047		
Allowance for doubtful accounts ※1	(1,092)		
	482,954	482,954	—
Short-term investment securities	1,062	1,062	—
Investment securities	45,027	45,027	—
Guarantee deposits	3,698	2,852	(845)
Total	<u>\$ 683,616</u>	<u>\$ 682,770</u>	<u>\$ (845)</u>
Notes and accounts payables-trade	\$ 337,387	\$ 337,387	\$ —
Short-term loans payable	49,310	49,310	—
Accrued expenses	28,104	28,104	—
Income taxes payable	10,705	10,705	—
Long-term loans payable	68,677	68,876	(198)
Total	<u>\$ 494,186</u>	<u>\$ 494,384</u>	<u>\$ (198)</u>
Derivatives ※2	<u>\$ 254</u>	<u>\$ 254</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
	2014	2015	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥ 990	¥ 940	\$ 7,823
Guarantee deposits that do not have a quoted market price in an active market	377	401	3,342

(5) *Redemption Schedule of Monetary Assets and Securities with Contractual Maturities*

March 31, 2014

	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	¥ 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

March 31, 2015

		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	¥	18,130	¥ —	¥ —	¥ —
Notes and accounts receivable-trade		58,167	—	—	—
Investment securities with maturities		—	—	10	105
Guarantee deposits		8	3	129	222
Total	¥	76,306	¥ 3	¥ 139	¥ 327

		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	\$	150,873	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		484,047	—	—	—
Investment securities with maturities		—	—	83	874
Guarantee deposits		69	25	1,078	1,853
Total	\$	634,989	\$ 25	\$ 1,162	\$ 2,727

(6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2015 and 2014 is as follows:*

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	¥ —	¥ —

March 31, 2015

		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	¥	4,497	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,428	2,428	1,448	1,247	1,247	1,882
Total	¥	5,925	¥ 2,428	¥ 1,448	¥ 1,247	¥ 1,247	¥ 1,882

		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	\$	37,427	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		11,883	20,204	12,053	10,376	10,376	15,665
Total	\$	49,310	\$ 20,204	\$ 12,053	\$ 10,376	\$ 10,376	\$ 15,665

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrealized gains included in net income for the year	¥ 2	¥ 13	\$ 109

(2) Investment securities with a readily determinable fair value

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

※Non-marketable equity securities of ¥841 million and Investments in associated companies of ¥149 million are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

March 31, 2015

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 3,318	¥ 1,795	¥ 1,523
Government and corporate bonds	105	102	2
Others	370	354	16
Subtotal	¥ 3,793	¥ 2,251	¥ 1,542
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	¥ 1,160	¥ 1,380	¥ (220)
Government and corporate bonds	10	10	(0)
Others	447	468	(21)
Subtotal	¥ 1,617	¥ 1,859	¥ (242)
Total	¥ 5,410	¥ 4,110	¥ 1,300

		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	\$ 27,612	\$ 14,938	\$ 12,674
Government and corporate bonds	874	852	21
Others	3,082	2,946	136
Subtotal	<u>\$ 31,569</u>	<u>\$ 18,737</u>	<u>\$ 12,832</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	\$ 9,653	\$ 11,486	\$ (1,833)
Government and corporate bonds	83	83	(0)
Others	3,721	3,902	(180)
Subtotal	<u>\$ 13,458</u>	<u>\$ 15,472</u>	<u>\$ 2,014</u>
Total	<u>\$ 45,027</u>	<u>\$ 34,209</u>	<u>\$ 10,818</u>

※Non-marketable equity securities of ¥844 million (\$7,031 thousand), and Investments in associated companies of ¥95million (\$791 thousand) are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2015 and 2014

March 31, 2014

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

March 31, 2015

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 73	¥ 19	¥ —
Government and corporate bonds	100	—	4
Others	168	9	2
Total	<u>¥ 342</u>	<u>¥ 28</u>	<u>¥ 7</u>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 611	\$ 162	\$ —
Government and corporate bonds	836	—	40
Others	1,398	77	22
Total	<u>\$ 2,846</u>	<u>\$ 240</u>	<u>\$ 62</u>

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

	Millions of Yen	Thousands of U.S. Dollars
	2014	2015
	¥ 46	¥ 257
		\$ 2,140

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, 2014</u>	<u>Hedged Item</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>

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2015</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,147	¥ —	¥ 1,149
Buying US\$	Payables	2,924	—	2,962
Buying Euro	Payables	12	—	12
Total		<u>¥ 4,084</u>	<u>¥ —</u>	<u>¥ 4,124</u>

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 9,549	\$ —	\$ 9,565
Buying US\$	Payables	24,339	—	24,655
Buying Euro	Payables	103	—	101
Total		<u>\$ 33,992</u>	<u>\$ —</u>	<u>\$ 34,322</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, 2014

Not applicable.

For the year ended March 31, 2015

			Millions of Yen, Thousands of U.S. Dollars		
Hedge Accounting Method	Type of Transaction	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 1,550 (\$ 12,898)	¥ 1,550 (\$ 12,898)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

11. RETIREMENT BENEFITS

(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 using simplified methods.

(2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation during the year ended March 31, 2015 and 2014 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Retirement benefit obligation at the beginning of the year	¥ 3,469	¥ 3,715	\$ 30,917
Cumulative effects of changes in accounting policies	—	(292)	(2,436)
Restated balance	3,469	3,422	28,480
Service cost	264	283	2,359
Interest cost	54	35	295
Actuarial gain (loss)	(43)	0	5
Benefits paid	(31)	(91)	(765)
Others	2	6	52
Retirement benefit obligation at the end of the year	<u>¥ 3,715</u>	<u>¥ 3,656</u>	<u>\$ 30,427</u>

(b) Changes in the plan assets during the year ended March 31, 2015 and 2014 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Plan assets at fair value at the beginning of the year	¥ 2,393	¥ 2,720	\$ 22,641
Expected return on plan assets	48	43	364
Actuarial loss	(40)	(0)	(0)
Contributions by the employer	348	344	2,863
Benefits paid	(31)	(91)	(765)
Others	2	2	22
Plan assets at fair value at the end of the year	<u>¥ 2,720</u>	<u>¥ 3,019</u>	<u>\$ 25,126</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method during the year ended March 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Net defined benefit liabilities at the beginning of the year	¥ 1,156	¥ 959	\$ 7,987
Retirement benefit expenses	116	153	1,280
Retirement benefits paid	(292)	(88)	(737)
Contribution to plan	(20)	(18)	(155)
Net defined benefit liabilities at the end of the year	<u>¥ 959</u>	<u>¥ 1,006</u>	<u>\$ 8,374</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, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Retirement benefit obligation of funded plans	¥ 3,855	¥ 3,792	\$ 31,559
Plan assets	(2,821)	(3,124)	(25,997)
	1,034	668	5,562
Retirement benefit obligation of unfunded plans	919	975	8,113
Net assets and liabilities recorded in the consolidated balance sheet	¥ 1,954	¥ 1,643	\$ 13,675
Net defined benefit liabilities	1,954	1,643	13,675
Net assets and liabilities recorded in the consolidated balance sheet	¥ 1,954	¥ 1,643	\$ 13,675

(e) Components of retirement benefit expenses during the year ended March 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Service cost	¥ 267	¥ 286	\$ 2,382
Interest cost	54	35	295
Expected return on plan assets	(46)	(43)	(358)
Amortization of actuarial loss	44	39	332
Amortization of prior service cost	64	64	540
Redundancy pay	5	3	32
Others	19	29	242
Retirement benefit expenses for defined benefit pension plans	¥ 409	¥ 416	\$ 3,466

(f) Remeasurements of defined benefit plans, net of tax during the year ended March 31, 2015 and 2014 are as follows:

Components of remeasurements of defined benefit plans, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Prior service cost	¥ —	¥ 64	\$ 327
Actuarial loss	—	39	540
Total	¥ —	¥ 104	\$ 867

(g) Remeasurements of defined benefit plans as of March 31, 2015 and 2014 are as follows:

Components of remeasurements of accumulated defined benefit plans before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrecognized prior service cost	¥ 243	¥ 178	\$ 1,485
Unrecognized actuarial gain or loss	230	191	1,589
Total	¥ 473	¥ 369	\$ 3,075

(h) Items for plan assets

Components of plan assets

Ratio of primary components of total plan assets

	2014	2015
General accounts	96.44%	96.00%
Other	3.56%	4.00%
Total	100%	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.

(i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	2014	2015
Discount rate	1.43%	0.73%
Expected long-term rate of return	1.60%	1.80%

(3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
	¥ 176	¥ 168	\$ 1,405

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, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 232	¥ 286	\$ 2,387
Retirement benefits for directors and corporate auditors	514	491	4,088
Allowance for doubtful accounts	376	379	3,156
Accrued bonuses	472	582	4,848
Net defined benefit liability	699	538	4,479
Operating losses of subsidiaries	339	333	2,778
Tax loss carryforwards	4,449	3,091	25,725
Devaluation of inventories	272	231	1,930
Impairment loss	259	216	1,804
Excess depreciation	334	188	1,568
Others	1,071	803	6,683
Sub-total	9,022	7,144	59,449
Less valuation allowance	(6,497)	(5,134)	(42,725)
Deferred tax assets—total	2,525	2,009	16,723
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(971)	(1,161)	(9,668)
Unrealized gain on property and equipment	(101)	(91)	(763)
Unrealized gain on available-for-sale securities	(275)	(504)	(4,195)
Advanced depreciation on fixed assets	(238)	(204)	(1,704)
Others	(70)	(76)	(639)
Deferred tax liabilities—total	(1,656)	(2,039)	(16,971)
Net deferred tax assets	¥ 868	¥ (29)	\$ (247)

(Note) Net deferred tax assets recorded in the consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Current assets-Deferred tax assets	¥ 993	¥ 929	\$ 7,732
Non-current assets-Deferred tax assets	562	274	2,287
Current liabilities-Deferred tax liabilities	(0)	(2)	(23)
Non-current liabilities-Deferred tax liabilities	(686)	(1,231)	(10,243)

(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, 2015 and 2014 is as follows:

	2014	2015
Normal effective statutory tax rate	38.0%	35.6%
Expenses not deductible for income tax purposes	2.7	1.5
Tax benefits not recognized on operating losses of subsidiaries	(1.2)	2.4
Difference in tax rates of foreign subsidiaries	(9.3)	(8.6)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	4.2	4.8
Others, net	(3.0)	3.4
Actual effective tax rate	31.3%	39.2%

(3) Change in corporate tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015 and, as a result, tax rates became or will become lower for fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to calculate the Company's deferred tax assets and liabilities changed from 35.6% to 33.1% for the temporary differences expected to be realized or settled for the fiscal year beginning on April 1, 2015, and to 32.3% for the temporary differences expected to be realized or settled for fiscal years beginning on or after April 1, 2016.

The effect of the announced reduction of the corporate tax rate was to increase deferred tax assets (after offsetting deferred tax liabilities), valuation difference on available-for-sale securities and deferred gains on hedges by ¥55 million (\$459 thousand), ¥50 million (\$421 thousand) and ¥0 million (\$7 thousand), respectively, and decrease deferred income tax and accumulated remeasurements of the net defined benefit liability by ¥15 million (\$131 thousand) and ¥12 million (\$101 thousand), respectively, as of and for the fiscal year ended March 31, 2015.

13. BUSINESS COMBINATIONS

No significant items to be reported.

14. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which separate 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 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, the manufacture and sale of amusement equipment, 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							
2014							
	Reportable Segment				Total	Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other			
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	¥ 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

Millions of Yen							
2015							
	Reportable Segment				Total	Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other			
Sales:							
Sales to external customers	¥ 197,188	¥ 42,024	¥ 2,889	¥ 13,040	¥ 255,143	¥ —	¥ 255,143
Inter segment sales or transfers	1,134	611	4,145	2,301	8,192	(8,192)	—
Total sales	¥ 198,322	¥ 42,635	¥ 7,035	¥ 15,342	¥ 263,336	¥ (8,192)	¥ 255,143
Segment profit	¥ 4,852	¥ 707	¥ 442	¥ 169	¥ 6,171	¥ 190	¥ 6,362
Segment assets	112,749	15,106	2,601	7,362	137,819	(9,870)	127,948
Others:							
Depreciation	1,085	82	342	93	1,603	(21)	1,581
Increase in-property, plant and equipment and intangible assets	1,824	42	123	240	2,230	(575)	1,655

Thousands of U.S. Dollars							
2015							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 1,640,911	\$ 349,710	\$ 24,048	\$ 108,520	\$ 2,123,190	\$ —	\$ 2,123,190
Inter segment sales or transfers	9,440	5,084	34,496	19,152	68,174	(68,174)	—
Total sales	<u>\$ 1,650,351</u>	<u>\$ 354,795</u>	<u>\$ 58,545</u>	<u>\$ 127,673</u>	<u>\$ 2,191,365</u>	<u>\$ (68,174)</u>	<u>\$ 2,123,190</u>
Segment profit	\$ 40,377	\$ 5,887	\$ 3,682	\$ 1,411	\$ 51,359	\$ 1,583	\$ 52,942
Segment assets	938,248	125,707	21,648	61,266	1,146,871	(82,137)	1,064,733
Others:							
Depreciation	9,031	684	2,848	775	13,340	(178)	13,161
Increase in-property, plant and equipment and intangible assets	15,181	354	1,024	2,003	18,563	(4,791)	13,722

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Elimination of inter-segment trade	¥ (37)	¥ 190	\$ 1,583
Amortization of goodwill	(16)	—	—
Total	<u>¥ (54)</u>	<u>¥ 190</u>	<u>\$ 1,583</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Elimination of inter-segment trade	¥ (11,563)	¥ (12,615)	\$ (104,976)
Reconciliations	2,720	2,744	22,838
Total	<u>¥ (8,842)</u>	<u>¥ (9,870)</u>	<u>\$ (82,137)</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
	2014	2015	2015
Elimination of inter-segment trade	¥ (4)	¥ (21)	\$ (178)
Total	<u>¥ (4)</u>	<u>¥ (21)</u>	<u>\$ (178)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Elimination of inter-segment trade	¥ (17)	¥ (575)	\$ (4,791)
Total	¥ (17)	¥ (575)	\$ (4,791)

Associated Information

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				
Japan	North America	Europe	East Asia	Total
¥ 180,170	¥ 3,918	¥ 2,430	¥ 71,333	¥ 257,852

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

(b) Property, plant and equipment

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

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, 2015

(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				
2015				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 173,048	¥ 5,363	¥ 2,506	¥ 74,225	¥ 255,143

Thousands of U.S. Dollars				
2015				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 1,440,033	\$ 44,630	\$ 20,857	\$ 617,668	\$ 2,123,190

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

(b) Property, plant and equipment

Millions of Yen				
2015				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
¥ 9,406	¥ 41	¥ 71	¥ 3,206	¥ 12,725

Thousands of U.S. Dollars				
2015				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Total</u>
\$ 78,275	\$ 344	\$ 596	\$ 26,678	\$ 105,895

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, 2014

Millions of Yen					
2014					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ 116	¥ 19	¥ 5	¥ 36	¥ 177

For the year ended March 31, 2015

Millions of Yen					
2015					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ —	¥ 12	¥ —	¥ 12	¥ 25

Thousands of U.S. Dollars					
2015					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	\$ —	\$ 102	\$ —	\$ 106	\$ 209

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

For the year ended March 31, 2014

Millions of Yen							
Reportable Segment							
	Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations	Consoli-dated
Amortization of goodwill for fiscal year	¥ 118	¥ 23	¥ —	¥ —	¥ 142	¥ 16	¥ 158
Balance of goodwill at the end of fiscal year	714	0	—	—	715	—	715

For the year ended March 31, 2015

Millions of Yen							
Reportable Segment							
	Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations	Consoli-dated
Amortization of goodwill for fiscal year	¥ 126	¥ 0	¥ 1	¥ —	¥ 129	—	¥ 129
Balance of goodwill at the end of fiscal year	592	—	15	—	607	—	607

Thousands of U.S. Dollars							
Reportable Segment							
	Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations	Consoli-dated
Amortization of goodwill for fiscal year	\$ 1,056	\$ 4	\$ 14	\$ —	\$ 1,075	—	\$ 1,075
Balance of goodwill at the end of fiscal year	4,929	—	128	—	5,058	—	5,058

Information of gain on bargain purchase by reportable segments

For the year ended March 31, 2014

Not applicable.

For the year ended March 31, 2015

No significant items to be reported.

15. RELATED PARTY TRANSACTIONS

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)

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	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	Accounts receivable	¥2,519

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.

For the year ended March 31, 2015

Principal transactions between the Company and its related party for the year ended March 31, 2015 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, 2015
Major stockholder	SANKYO CO., LTD.	Shibuya-ku, Tokyo	¥14,840 (\$123,491)	Manufacturing and sales of game machines	Owned directly 13.57%	Sales of finished products of the Company	Sales of finished products of the Company ※	¥11,363 (\$94,561)	Accounts receivable	¥4,526 (\$37,668)

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
	2014	2015	2015
Net assets per share	¥ 1,868.07	¥ 2,108.04	\$ 17.54
Net income per share	137.22	156.28	1.30

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

2. As described in "Changes in Accounting Policies", "Accounting Standard for Retirement Benefits" is adopted according to the transitional treatment set forth in article 37 of the accounting standard. As a result, net assets per share increased ¥6.67 (\$0.05) and the effect on the net income per share was negligible.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Net income per share			
Net income	¥ 3,877	¥ 4,416	\$ 36,748
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	3,877	4,416	36,748
Average number of common stock outstanding during the fiscal year (Share)	28,257,761	28,256,695	
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
	2014	2015	2015
Net assets per share			
Total net assets	¥ 52,825	¥ 59,603	\$ 495,992
Amount deducted from total net assets (Minority interest in consolidated subsidiaries)	39 (39)	38 (38)	320 (320)
Net assets corresponding to common stock at the end of the fiscal year	52,786	59,564	495,671
Number of common stock used for the calculation of net assets per share (Share)	28,257,116	28,256,078	

17. SIGNIFICANT SUBSEQUENT EVENT

(The execution of a memorandum of Understanding Concerning Management Integration)

The Company and UKC Holdings Corporation ("UKC Holdings") resolved to execute a Memorandum of Understanding in connection with their intentions to achieve a management integration with the spirit of equal partnership (the "Management Integration") (the "MOU") at the meetings of the board of directors of the two companies held on November 18, 2015 and executed the MOU on the same day.

Both companies will conduct further examinations toward the Management Integration in the spirit of equal partnership.

(1) Objectives of the Management Integration

The two companies will ensure industry-leading scale and quality in Japan by accomplishing the following goals. In addition, the two companies will develop into one of the premier electronics trading companies in the world that meet the various needs of their customers, thereby enhancing their corporate value.

- (a) Improving the ability to respond to customer needs
The two companies will further strengthen their business and product line-up to be expanded by the management integration, and build a business platform which will enable them to provide a one-stop solution in response to the various needs of their existing and new customers.
- (b) Accelerating global strategy
By utilizing their overseas bases, the two companies will enhance complementarity in the group, and increase the ability to deal with overseas expansion by their customers and to deal with their local customers.
- (c) Reducing costs through improving business efficiency
The two companies will improve the business efficiency of the group and reduce costs by, for example, establishing efficient and rational shared operations, sharing and rationalizing their distribution networks and other infrastructure in their domestic and overseas bases, and integrating their core systems in the future.
- (d) Establishing a strong managerial foundation
The two companies will establish a stronger managerial foundation by, for example, strengthening their financial base and fund-raising ability that enable new investments and mergers and acquisitions by two companies, and energizing the organization by mutually utilizing their human resources and know-how.

(2) Outline of the Management Integration

On the condition of gaining approvals at the shareholders' meetings of the two companies and obtaining the approvals of the relevant authorities and the like necessary for carrying out the Management Integration, the companies aim to realize the Management Integration as summarized below. Further details will be decided on or before the execution of the definitive agreement regarding the Management Integration upon consultation between the two companies.

(a) Method of Management Integration

The two companies have selected a holding company system as the organizational structure following the Management Integration in order to take advantage of the strengths of the two companies while preserving their individuality. Specifically, the two companies plan to carry out the Management Integration in the following manner.

(i) Share Exchange

A share exchange will be carried out between UKC Holdings as the wholly owning parent company in the share exchange and Kaga Electronics as the wholly owned subsidiary company in the share exchange (the "Share Exchange"). As Kaga Electronics will become a wholly owned subsidiary company of UKC Holdings by the Share Exchange, the common shares of Kaga Electronics are scheduled to be delisted, in accordance with the delisting standards of the Tokyo Stock Exchange, before the effective date of the Share Exchange.

(ii) Company Split

Following the completion of the Share Exchange, a company split will be carried out, in which UKC Holdings will be the splitting company and all of UKC Holdings' businesses (excluding certain functions necessary for making UKC Holdings a holding company after the Share Exchange takes effect; the same shall apply hereinafter) will be the businesses subject to the split (the "Company Split"). As a result of the Company Split, all of UKC Holdings' businesses will be taken over by either a new company to be incorporated through the Company Split or a succeeding company to be wholly owned by UKC Holdings, whereby UKC Holdings will become a holding company (UKC Holdings after becoming a holding company; the "Holding Company").

(b) Schedule (Planned)

November 18, 2015	Execution of the MOU
B y May 2016 (planned)	Execution of the definitive agreement regarding the Management Integration (including the execution of a share exchange agreement regarding the Share Exchange and either the preparation of a plan for the incorporation-type company split or the execution of an agreement on an absorption-type company split regarding the Company Split)
late June 2016 (planned)	Approval of the share exchange agreement regarding the Share Exchange at the annual general meeting of shareholders of Kaga Electronics
late June 2016 (planned)	Approval of the share exchange agreement regarding the Share Exchange and either a plan for an incorporation-type company split or an agreement on an absorption-type company split regarding the Company Split at the annual general meeting of shareholders of UKC Holdings
October 1, 2016 (planned)	Effective date of the Share Exchange and the Company Split

The two companies plan to execute a definitive agreement regarding the Management Integration as well as to execute a share exchange agreement regarding the Share Exchange and either prepare a plan for an incorporation-type company split or execute an agreement on an absorption-type company split regarding the Company Split by May 2016, and to present a proposal on the approval of the Share Exchange and the Company Split (for UKC Holdings only) at the annual general meeting of shareholders of each company to be held in late June 2016.

However, the above schedule may be changed as necessary for carrying out the procedures or for other reasons, upon consultation and agreement between the two companies. Also, in carrying out the procedures and consultations for the Management Integration, the companies will promptly announce any events which would delay or prohibit implementation of the Management Integration due to filing to be made with the Japan Fair Trade Commission or other relevant authorities (including filing to be made under foreign laws), obtaining of approvals and permissions or other reasons.

(c) Overview of the Holding Company

(i) Trade name (tentative)
UKC Kaga Holdings Corporation

(ii) Location of the Head Office (tentative)
20 Kandamatsunagacho, Chiyoda-ku, Tokyo
Note:
"Location of the Head Office" indicates the location of the registered head office. The principal place of business of the Holding Company shall be decided upon consultation between the two companies.

(iii) Management structure (tentative)
The Holding Company is planned to have six directors, including the following four directors.
Chairperson: Isao Tsukamoto (currently Founder & CEO of Kaga Electronics)
Representative Director and President: Yukio Fukuju (currently President of UKC Holdings)
Representative Director and Executive Vice President: Ryoichi Kado (currently President & COO of Kaga Electronics)
Director and Executive Vice President: Masaaki Taguchi (currently Executive Vice President of UKC Holdings)

(iv) Others
Other details shall be decided on or before the execution of the definitive agreement regarding the Management Integration upon consultation between the two companies.

(3) Share Exchange Ratio

The ratio of the Share Exchange shall be decided on or before the execution of the definitive agreement regarding the Management Integration upon consultation between the two companies.

(4) Establishment of Integration Preparation Committee

In advancing the deliberations for the Management Integration, an integration preparation committee will be established as the organization for holding consultations between the two companies regarding the Management Integration.

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, 2014	Balance as of March 31, 2015	Balance as of March 31, 2015			
DREAMS CORPORATION	1 st Unsecured straight bond	January 4, 2008	¥ 13 (13)	¥ —	\$ —	1.25	Unsecured	December 30, 2014
	2 nd Unsecured straight bond	April 1, 2008	13 (13)	—	—	1.28	Unsecured	March 31, 2015
Total			¥ 27 (27)	¥ —	\$ —			

Notes:

1. Amounts shown in the parentheses are maturity which is scheduled within one year.

(2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	Balance as of April 1, 2014	Balance as of March 31, 2015	Balance as of March 31, 2015		
Short-term loans payable	¥ 10,744	¥ 4,497	\$ 37,428	0.49%	—
Current portion of long-term loans payable	1,428	1,428	11,883	0.99%	—
Current portion of lease obligations	101	79	660	4.33%	—
Long-term loans payable (excluding current portion)	4,681	8,253	68,677	0.72%	2016 to 2021
Lease obligations (excluding current portion)	263	315	2,621	3.10%	2016 to 2023
Other interest-bearing debt	—	—	—	—	—
Total	¥ 17,217	¥ 14,573	\$ 121,270		

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, 2015 is summarized as follows:

Category	Millions of Yen			
	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	¥ 2,428	¥ 1,448	¥ 1,247	¥ 1,247
Lease obligations	98	104	51	24
Total	¥ 2,526	¥ 1,522	¥ 1,298	¥ 1,271

Category	Thousands of U.S. Dollars			
	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	\$ 20,205	\$ 12,504	\$ 10,377	\$ 10,377
Lease obligations	824	867	431	205
Total	\$ 21,028	\$ 12,921	\$ 10,807	\$ 10,582

(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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