Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2015 include the accounts of the Company and its 48 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (48 and 5 in 2014).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate or apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. The financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill and negative goodwill (incurred before March 31, 2010) resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 years, except that immaterial amounts are charged to income as incurred.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraph b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employee participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

(Changes in accounting policies)

Effective April 1, 2014, the Company has adopted the main clauses of paragraph 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015). Accordingly, the calculation methods for retirement benefit obligation and service cost have been amended as follows: The method of attributing expected benefit to the periods has been changed from a straight-line basis to the benefit formula basis, and the method of determining the discount rate has been changed from the one based on the average period up to the expected timing of benefit payment to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payments. In accordance with transitional treatment as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation methods of retirement benefit obligation and service cost is recognized as an adjustment to retained earnings at the beginning of the year ended March 31, 2015. As a result, net defined benefit asset decreased by ¥15,600 million ($130,006 thousand), net defined benefit liability increased by ¥9,051 million ($75,426 thousand), deferred tax liabilities decreased by ¥7,869 million ($65,579 thousand), and retained earnings decreased by ¥16,026 million ($133,554 thousand) as of April 1, 2014. In addition, operating income increased by ¥1,372 million ($11,434 thousand), and ordinary income and income before income taxes and minority interests each increased by ¥1,380 million ($11,502 thousand) for the year ended March 31, 2015. The effect of this change on segment information and amounts per share is noted in "Note 21. Segment Information" and "Note 25. Amounts Per Share," respectively.

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts can not be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and minority interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at the year end.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥120=U.S.$1, the approximate exchange rate as of March 31, 2015. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Merchandise and finished goods	**¥ 54,495**	¥ 43,180	**$ 454,129**
Work in process	**48,787**	48,030	**406,566**
Raw materials	**34,332**	30,233	**286,090**
Inventories	**¥137,614**	¥121,443	**$1,146,785**

Losses (gains) on valuation of inventories with lower profitability were ¥663 million ($5,532 thousand) and ¥(522) million for the years ended March 31, 2015 and 2014, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Time deposits	**¥ —**	¥ 60	**$ —**
Investment securities	**23**	418	**197**
Property, plant and equipment	**3,984**	16,325	**33,196**
Total	**¥4,007**	¥16,803	**$33,393**

Collateralized liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Trade payables	**¥ 45**	¥ 12	**$ 379**
Short-term debt	**—**	3,200	**—**
Long-term debt	**501**	859	**4,175**
Total	**¥546**	¥4,071	**$4,554**

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 12 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arises from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arises from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2015 and 2014, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2015		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 31,895	¥ 31,895	¥ —
Trade receivables	237,631	237,596	(35)
Investment securities	168,374	175,963	7,589
Trade payables	(150,648)	(150,648)	—
Short-term debt	(67,080)	(67,080)	—
Current portion of long-term debt	(35,015)	(35,015)	—
Lease obligations (Current Liabilities)	(12,988)	(12,988)	—
Long-term debt	(89,129)	(90,193)	1,064
Lease obligations (Long-term Liabilities)	(22,260)	(22,428)	168
Derivatives			
Derivative transactions to which hedge accounting is not applied	4	4	—
Derivative transactions to which hedge accounting is applied	(767)	(767)	—

	Millions of yen		
	2014		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 33,412	¥ 33,412	¥ —
Trade receivables	222,481	222,449	(32)
Investment securities	127,601	127,601	—
Trade payables	(142,087)	(142,087)	—
Short-term debt	(52,713)	(52,713)	—
Current portion of long-term debt	(23,698)	(23,698)	—
Lease obligations (Current Liabilities)	(13,521)	(13,521)	—
Long-term debt	(123,092)	(124,107)	1,015
Lease obligations (Long-term Liabilities)	(20,726)	(20,810)	84
Derivatives			
Derivative transactions to which hedge accounting is not applied	(61)	(61)	—
Derivative transactions to which hedge accounting is applied	27	27	—

	Thousands of U.S. dollars (Note 3)		
	2015		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 265,792	$ 265,792	$ —
Trade receivables	1,980,263	1,979,974	(289)
Investment securities	1,403,119	1,466,360	63,241
Trade payables	(1,255,408)	(1,255,408)	—
Short-term debt	(559,005)	(559,005)	—
Current portion of long-term debt	(291,793)	(291,793)	—
Lease obligations (Current Liabilities)	(108,237)	(108,237)	—
Long-term debt	(742,748)	(751,611)	8,863
Lease obligations (Long-term Liabilities)	(185,502)	(186,905)	1,403
Derivatives			
Derivative transactions to which hedge accounting is not applied	39	39	—
Derivative transactions to which hedge accounting is applied	(6,399)	(6,399)	—

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	**¥27,019**	¥21,266	**$225,166**

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2015 and 2014:

	Millions of yen			
	2015			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**¥ 31,895**	**¥ —**	**¥—**	**¥—**
Trade receivables	**232,510**	**5,090**	**31**	**—**
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	**1**	**—**	**—**	**—**
Total	**¥264,406**	**¥5,090**	**¥31**	**¥—**

	Millions of yen			
	2014			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 33,412	¥ —	¥—	¥—
Trade receivables	218,615	3,866	—	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	0	—	—	—
Total	¥252,027	¥3,866	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2015			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**$ 265,792**	**$ —**	**$ —**	**$—**
Trade receivables	**1,937,575**	**42,423**	**265**	**—**
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	**9**	**—**	**—**	**—**
Total	**$2,203,376**	**$42,423**	**$265**	**$—**

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen			
	2015			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	**¥55,548**	**¥157,534**	**¥102,614**	**¥628**
Debt securities	**1**	**1**	**—**	**—**
Others	**—**	**—**	**—**	**—**
Total	**¥55,549**	**¥157,535**	**¥102,614**	**¥628**

	Millions of yen			
	2014			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥58,693	¥127,601	¥69,480	¥572
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥58,693	¥127,601	¥69,480	¥572

	Thousands of U.S. dollars (Note 3)			
	2015			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	**$462,901**	**$1,312,788**	**$855,117**	**$5,230**
Debt securities	**9**	**9**	**—**	**—**
Others	**—**	**—**	**—**	**—**
Total	**$462,910**	**$1,312,797**	**$855,117**	**$5,230**

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2015 and 2014 were ¥6,584 million ($54,867 thousand) and ¥6,507 million, respectively.)

2. Sales of other securities for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Proceed from sales	**¥5,743**	¥767	**$47,858**
Gain on sales	**2,732**	359	**22,769**
Loss on sales	**7**	9	**66**

3. Impairment of other securities for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Impairment losses	**¥447**	¥1,134	**$3,727**

4. Investments in unconsolidated subsidiaries and affiliates as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Investments in the stock of jointly controlled companies included in investments in unconsolidated subsidiaries and affiliates	**¥—**	¥5,110	**$—**

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2015			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**¥2,258**	**¥ —**	**¥ (53)**	**¥ (53)**
Euro	**1,434**	**—**	**103**	**103**
Korean Won	**270**	**—**	**(4)**	**(4)**
Canadian dollars	**286**	**—**	**(33)**	**(33)**
Payables:				
Korean Won	**544**	**260**	**(7)**	**(7)**
Yen	**29**	**—**	**(2)**	**(2)**
Total	**¥4,821**	**¥260**	**¥ 4**	**¥ 4**

	Millions of yen			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	¥2,358	¥—	¥(23)	¥(23)
Euro	1,465	—	(27)	(27)
Korean Won	175	—	(3)	(3)
Canadian dollars	71	—	(8)	(8)
Payables:				
Korean Won	8	—	0	0
Total	¥4,077	¥—	¥(61)	¥(61)

	Thousands of U.S. dollars (Note 3)			
	2015			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**$18,791**	**$ —**	**$(423)**	**$(423)**
Euro	**11,955**	**—**	**861**	**861**
Korean Won	**2,256**	**—**	**(37)**	**(37)**
Canadian dollars	**2,387**	**—**	**(281)**	**(281)**
Payables:				
Korean Won	**4,539**	**2,173**	**(61)**	**(61)**
Yen	**249**	**—**	**(20)**	**(20)**
Total	**$40,177**	**$2,173**	**$ 39**	**$ 39**

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contracts

			Millions of yen		
			2015		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		¥ 4,972	¥ 603	¥ (404)
	Euro		553	—	17
	Payables:	Accounts payable–trade			
	U.S. dollars		8,366	1,014	1,069
	Euro		20,732	16,897	(1,451)
	Swiss franc		78	38	2
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		¥ 924	¥ —	
	Euro		12	—	(Note 2)
	Payables:	Accounts payable–trade			
	U.S. dollars		127	—	
	Euro		24	—	
	Singapore dollars		3	—	
	Total		¥35,791	¥18,552	¥ (767)

			Millions of yen		
			2014		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		¥ 3,069	¥363	¥ (80)
	Euro		607	—	(2)
	Canadian dollars		702	123	(88)
	Payables:	Accounts payable–trade			
	U.S. dollars		9,495	—	187
	Euro		211	—	20
	Singapore dollars		26	—	1
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			(Note 2)
	U.S. dollars		¥ 1,782	¥ —	
	Total		¥15,892	¥486	¥ 38

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3)		
			2015		
			Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollars		$ 41,437	$ 5,028	$ (3,367)
	Euro		4,608	—	143
	Payables:	Accounts payable-trade			
	U.S. dollars		69,721	8,455	8,916
	Euro		172,770	140,815	(12,098)
	Swiss franc		617	304	10
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollars		$ 7,707	$ —	
	Euro		107	—	(Note 2)
	Payables:	Accounts payable-trade			
	U.S. dollars		1,066	—	
	Euro		200	—	
	Singapore dollars		30	—	
	Total		$298,263	$154,602	$ (6,396)

Notes 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable–trade and accounts payable–trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable–trade or accounts payable–trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen		
			2015		
			Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥20,132	¥11,500	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen		
			2014		
			Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥28,735	¥25,897	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3)		
			2015		
			Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	$167,769	$95,833	(Note 2)

Notes 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

(3) Commodity-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2015 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap	Raw materials			
	Receive floating pay fixed		¥245	¥—	¥(0)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap	Raw materials			
	Receive floating pay fixed		¥233	¥—	¥(10)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2015 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Commodity swap	Raw materials			
	Receive floating pay fixed		$2,050	$—	$(2)

Note: The fair value is principally based on the quotes obtained from the correspondent financial institutions.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 3) 2015
Loans, principally from banks	¥48,080	¥52,713	$400,671
Commercial paper	19,000	—	158,334
Short-term Debt	¥67,080	¥52,713	$559,005

The weighted average interest rates on short-term debt as of March 31, 2015 and 2014 were 0.80% and 1.16%, respectively.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 3) 2015
Loans, principally from banks and insurance companies	¥ 63,644	¥ 86,290	$ 530,375
Bonds issued by the Company:			
0.79% Yen unsecured straight bonds due 2015	15,000	15,000	125,000
0.86% Yen unsecured straight bonds due 2016	20,000	20,000	166,667
1.00% Yen unsecured straight bonds due 2017	5,000	5,000	41,667
0.90% Yen unsecured straight bonds due 2018	20,000	20,000	166,667
Zero coupon convertible bonds with stock acquisition rights due 2016	500	500	4,165
	124,144	146,790	1,034,541
Less: Portion due within one year	35,015	23,698	291,793
Long-term Debt	¥ 89,129	¥123,092	$ 742,748

The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2015 and 2014 were 0.71% and 0.79%, respectively.

As of March 31, 2015, the aggregate annual maturities of long-term debt were as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2017	¥36,730	$306,088
2018	29,907	249,227
2019	20,228	168,573
2020	2,158	17,989
2021 thereafter	106	871
Total	¥89,129	$742,748

Note 10. Lease Obligations

Lease obligations as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Short-term	**¥12,988**	¥13,521	**$108,237**
Long-term	**22,260**	20,726	**185,502**
Total	**¥35,248**	¥34,247	**$293,739**

The weighted average interest rates on lease obligations as of March 31, 2015 and 2014 were 2.17% and 2.28%, respectively.

As of March 31, 2015, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2017	**¥7,829**	**$ 65,246**
2018	**5,814**	**48,454**
2019	**4,177**	**34,810**
2020	**2,619**	**21,830**
2021 thereafter	**1,821**	**15,161**
Total	**¥22,260**	**$185,501**

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. As of March 31, 2014, the Company and certain domestic consolidated subsidiaries revised defined benefit corporate pension plans and transferred all benefit accrual occurred after April 1,2014 to defined contribution pension plans. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multiemployer pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Retirement benefit obligation at the beginning of the year	**¥187,555**	¥199,254	**$1,562,961**
Cumulative effect of changes in accounting policies	**24,427**	—	**203,563**
Restated retirement benefit obligation at the beginning of the year	**211,982**	199,254	**1,766,524**
Service cost	**3,211**	4,764	**26,762**
Interest cost	**2,903**	4,903	**24,199**
Actuarial loss	**769**	1,148	**6,409**
Retirement benefits paid	**(13,958)**	(12,818)	**(116,324)**
Prior service cost	**—**	(9,730)	**—**
Others	**19**	34	**153**
Retirement benefit obligation at the end of the year	**¥204,926**	¥187,555	**$1,707,723**

Note: Prior service cost occurred due to the revision of defined benefit plans as of March 31, 2014.

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Plan assets at fair value at the beginning of the year	¥186,844	¥153,278	$1,557,040
Expected return on plan assets	3,469	2,535	28,909
Actuarial gain	30,716	31,429	255,967
Contributions by the Companies	7,277	9,395	60,648
Retirement benefits paid	(9,521)	(9,821)	(79,349)
Others	4	28	34
Plan assets at fair value at the end of the year	¥218,789	¥186,844	$1,823,249

(3) The changes in net defined benefit liability calculated by a simplified method during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Net defined benefit liability at the beginning of the year	¥2,262	¥2,545	$18,854
Cumulative effect of changes in accounting policies	224	—	1,869
Restated net defined benefit liability at the beginning of the year	2,486	2,545	20,723
Retirement benefit expenses	151	5	1,267
Retirement benefits paid	(66)	(80)	(552)
Contributions	(295)	(292)	(2,464)
Others	2	84	10
Net defined benefit liability at the end of the year	¥2,278	¥2,262	$18,984

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Funded retirement benefit obligation	¥ 205,188	¥ 188,014	$ 1,709,903
Plan assets at fair value	(222,422)	(190,101)	(1,853,524)
	(17,234)	(2,087)	(143,621)
Unfunded retirement benefit obligation	5,649	5,060	47,079
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (11,585)	¥ 2,973	$ (96,542)
Net defined benefit liability	32,518	34,236	270,984
Net defined benefit asset	(44,103)	(31,263)	(367,526)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (11,585)	¥ 2,973	$ (96,542)

Note: Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Service cost	¥ 3,211	¥ 4,764	$ 26,762
Interest cost	2,903	4,903	24,199
Expected return on plan assets	(3,469)	(2,535)	(28,909)
Amortization of actuarial loss	7,096	9,485	59,134
Amortization of prior service cost	(607)	33	(5,066)
Retirement benefit expenses calculated by simplified method	151	5	1,267
Others	241	754	2,001
Retirement benefit expenses	¥ 9,526	¥17,409	$ 79,388

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Prior service cost	**¥ 607**	¥—	**$ 5,066**
Actuarial gain and loss	**(37,032)**	—	**(308,612)**
Total	**¥(36,425)**	¥—	**$(303,546)**

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Unrecognized prior service cost	**¥ (7,321)**	¥ (7,884)	**$ (61,010)**
Unrecognized actuarial gain and loss	**(13,909)**	23,079	**(115,908)**
Total	**¥(21,230)**	¥15,195	**$(176,918)**

(8) The breakdown of plan assets by major category as of March 31, 2015 and 2014 were as follows:

	2015	2014
Equity securities	**60%**	54%
Debt securities	**29**	31
General accounts at life insurance companies	**10**	12
Others	**1**	3
Total	**100%**	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 27% of total amount of plan assets as of March 31, 2015 and 24% as of March 31, 2014.

The long-term expected rates of return on plan assets have been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rates	**0.99%–1.50%**	mainly 2.5%
Long-term expected rates of return on plan assets	**mainly 2.5%**	mainly 2.5%
Expected rates of salary increase	**2.1%–8.5%**	2.1%–8.5%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2015 and 2014 were ¥4,406 million ($36,719 thousand) and ¥1,563 million, respectively.

4. Information on multiemployer pension plans

Contributions to multiemployer pension plans accounted for by the same methods used for defined contribution plans for the years ended March 31, 2015 and 2014 were ¥76 million ($637 thousand) and ¥68 million, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2015 and 2014 were as follows:

	Thousands of shares			
	March 31, 2014	Increase in the year	Decrease in the year	March 31, 2015
Shares outstanding:				
Common stock	**746,484**	**—**	**—**	**746,484**
Total	**746,484**	**—**	**—**	**746,484**
Treasury stock:				
Common stock	**31,985**	**74**	**2**	**32,057**
Total	**31,985**	**74**	**2**	**32,057**

	Thousands of shares			
	March 31, 2013	Increase in the year	Decrease in the year	March 31, 2014
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	31,912	76	3	31,985
Total	31,912	76	3	31,985

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2015 and 2014.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2014	Common stock	**¥2,857**	**$23,817**	**¥4.0**	**$0.03**	March 31, 2014	June 9, 2014
Meeting of the Board of Directors on October 30, 2014	Common stock	**2,857**	**23,817**	**4.0**	**0.03**	September 30, 2014	December 3, 2014

For the year ended March 31, 2014

Resolution	Type of shares	Total Dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	¥2,143	¥3.0	March 31, 2013	June 4, 2013
Meeting of the Board of Directors on October 24, 2013	Common stock	2,143	3.0	September 30, 2013	December 3, 2013

(2) Dividends with the cut-off date in the year ended March 31, 2015 and effective date in the year ending March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2015	Common stock	**¥3,572**	**$29,768**	Retained Earnings	**¥5.0**	**$0.04**	March 31, 2015	June 8, 2015

Dividends with the cut-off date in the year ended March 31, 2014 and effective date in the year ended March 31, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2014	Common stock	¥2,857	Retained Earnings	¥4.0	March 31, 2014	June 9, 2014

Note 13. Research and Development Costs

Research and development costs charged to income were ¥35,023 million ($291,865 thousand) and ¥32,029 million for the years ended March 31, 2015 and 2014, respectively.

Note 14. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Salaries and wages	¥71,558	¥67,891	$596,318
Retirement benefit expenses	5,367	6,944	44,726
Research and development costs	29,421	25,969	245,181

Note 15. Extraordinary Loss, Net

Extraordinary loss, net, for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Extraordinary income			
Gain on sales of noncurrent assets	¥ 81	¥ 543	$ 682
Gain on sales of investment securities	2,778	370	23,153
Gain on change in equity	4,843	—	40,361
Extraordinary loss			
Loss on disposal of noncurrent assets	(880)	(1,304)	(7,341)
Loss on devaluation of investment securities	(447)	(1,134)	(3,727)
Impairment loss	(2,830)	(641)	(23,584)
Settlement package	(810)	(420)	(6,755)
Others	(155)	(408)	(1,288)
Extraordinary Loss, Net	¥ 2,580	¥(2,994)	$ 21,501

Note 16. Impairment Loss

The Companies determine the asset group by considering the division of management accounting.

For the year ended March 31, 2015, the Companies recognized an impairment loss on the following asset groups:

Usage	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
Idle assets	Kulim, Kedah (Malaysia) and one other	Lease assets and other assets	¥2,205	$18,377
Assets to be disposed	Shanghai (China) and six others	Buildings, machinery and equipment and other assets	625	5,207

The Companies recognized an impairment loss up to the recoverable amount of idle assets and assets to be disposed as they are not expected to be used.

The impairment loss consisted of ¥2,160 million ($18,004 thousand) for lease assets and ¥670 million ($5,580 thousand) for other assets.

The recoverable amount of the above assets was measured by the net realizable value. The net realizable value was measured as zero for assets of which selling or diversion was deemed difficult.

For the year ended March 31, 2014, notes to impairment loss were not disclosed because it didn't have significant impact on the consolidated financial statements.

Note 17. Income Taxes

1. The components of income taxes for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Current	¥ 9,612	¥ 9,005	$ 80,104
Deferred	5,307	2,978	44,215
Income Taxes	¥14,919	¥11,983	$124,319

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Deferred tax assets			
Net defined benefit liability	¥ 20,934	¥ 28,760	$ 174,451
The investment deduction of the foreign consolidated subsidiaries	19,741	20,952	164,513
Investment securities	7,727	8,501	64,396
Accrued employees' bonuses	6,496	6,574	54,137
Inventories	5,596	5,458	46,634
Tax loss carryforwards	3,747	6,872	31,226
Tangible fixed assets	2,641	3,693	22,010
Other	5,788	6,247	48,219
Gross deferred tax assets	72,670	87,057	605,586
Less: Valuation allowance	(28,894)	(32,318)	(240,784)
Total deferred tax assets	43,776	54,739	364,802
Deferred tax liabilities			
Unrealized gain on other securities	(33,007)	(24,561)	(275,059)
Gain on securities contribution to employee retirement benefit trust	(17,030)	(19,422)	(141,923)
Investment securities	(5,188)	(5,717)	(43,233)
Other	(1,363)	(877)	(11,356)
Gross deferred tax liabilities	(56,588)	(50,577)	(471,571)
Net deferred tax assets (liabilities)	¥(12,812)	¥ 4,162	$(106,769)

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Statutory income tax rate	35.6%	38.0%
Tax credits	(5.9)	(4.8)
Valuation allowance	(4.1)	(6.9)
Tax rate difference of overseas consolidated subsidiaries	(1.7)	(2.2)
Permanent difference resulting from non-taxable income, including dividends received	(1.3)	(2.0)
Decrease in deferred tax assets due to the revision of statutory income tax rate	5.0	4.4
Permanent difference resulting from expenses not deductible for income tax purposes	2.9	3.7
Foreign taxes	0.4	0.6
Other	1.7	4.7
Effective income tax rate	32.6%	35.5%

4. Revision of the amount of deferred tax assets / liabilities by 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. The Corporate tax rates are to be lowered from the fiscal year beginning April 1, 2015. Accordingly, the effective statutory tax rate for the calculation of deferred tax assets and liabilities will be lowered from 35.6% to 33.1% for temporary differences expected to be utilized in the fiscal year beginning April 1, 2015 and 32.3% for fiscal years beginning April 1, 2016 and onwards.

As a result of these changes, deferred tax liabilities (after deducting deferred tax assets) as of March 31, 2015 decreased by ¥1,676 million ($13,971 thousand). Deferred income taxes, valuation difference on available-for-sale securities and remeasurements of defined benefit plans included in accumulated other comprehensive income increased by ¥2,307 million ($19,233 thousand), ¥3,311 million ($27,595 thousand) and ¥692 million ($5,771 thousand), respectively.

Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥ 35,727**	¥ 37,567	**$ 297,727**
Reclassification adjustments	**(2,537)**	(12)	**(21,137)**
Before tax effect	**33,190**	37,555	**276,590**
Tax effect	**(8,459)**	(13,087)	**(70,493)**
Valuation difference on available-for-sale securities	**24,731**	24,468	**206,097**
Deferred gains or losses on hedges:			
Amount arising during the year	**(796)**	170	**(6,638)**
Asset acquisition cost adjustments	**1**	(14)	**12**
Before tax effect	**(795)**	156	**(6,626)**
Tax effect	**264**	(59)	**2,199**
Deferred gains or losses on hedges	**(531)**	97	**(4,427)**
Foreign currency translation adjustments:			
Amount arising during the year	**8,785**	4,279	**73,214**
Reclassification adjustments	**—**	72	**—**
Before tax effect	**8,785**	4,351	**73,214**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**8,785**	4,351	**73,214**
Remeasurements of defined benefit plans:			
Amount arising during the year	**29,937**	—	**249,478**
Reclassification adjustments	**6,488**	—	**54,068**
Before tax effect	**36,425**	—	**303,546**
Tax effect	**(12,284)**	—	**(102,370)**
Remeasurements of defined benefit plans	**24,141**	—	**201,176**
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	**392**	30	**3,270**
Reclassification adjustments	**127**	—	**1,040**
Share of other comprehensive income of associates accounted for using equity method	**519**	30	**4,310**
Total Other Comprehensive Income	**¥ 57,645**	¥ 28,946	**$ 480,370**

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Guarantees	**¥13,718**	¥9,705	**$114,323**

Note 20. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2015 and 2014 were as follows:

(a) Acquisition cost and accumulated depreciation under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Acquisition cost	**¥2,324**	¥5,518	**$19,372**
Accumulated depreciation	**1,693**	4,114	**14,106**
Net leased property	**¥ 631**	¥1,404	**$ 5,266**

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Due within one year	**¥214**	¥ 710	**$1,786**
Due after one year	**529**	863	**4,409**
Total	**¥743**	¥1,573	**$6,195**

(c) Lease expense, depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Lease expense	**¥599**	¥2,202	**$4,998**
Depreciation expense	**408**	1,132	**3,401**
Interest expense	**31**	77	**263**

(d) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(e) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Due within one year	**¥1,490**	¥ 759	**$12,419**
Due after one year	**3,135**	729	**26,124**
Total	**¥4,625**	¥1,488	**$38,543**

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensive global strategies related to their products and services and control their business activities. Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2014, reflecting change of organization structure, the reporting segments were reclassified in Power and Social Infrastructure, Industrial Infrastructure, Power Electronics and Electronic Devices, and the content of Others was changed. The reporting segment information for the year ended March 31, 2014 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydroelectric power generation, nuclear power-related equipment, solar power generation systems, fuel cells, energy management systems, watt-hour meters, smart meter, information systems
Industrial Infrastructure	Power distribution substation equipment, industrial power supply equipment, industrial drive systems, heating and induction furnace equipment, factory energy management systems, data centers, plant control systems, measurement system, radiation control systems, electrical equipment and air conditioning construction
Power Electronics	Inverters/servo systems, motors, transport systems, uninterruptible power supply systems (UPSs), power conditioners (PCSs), power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductive drums, magnetic disks
Food and Beverage Distribution	Food and beverage vending machines, retail distribution systems, showcases, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(Changes in accounting policies)

Effective April 1, 2014, the Company has adopted the main clauses of paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015). Accordingly, the calculation methods for retirement benefit obligation and service cost have been amended as follows: The method of attributing expected benefit to the periods has been changed from a straight-line basis to the benefit formula basis, and the method of determining the discount rate has been changed from the one based on the average period up to the expected timing of benefit payment to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

As a result, segment profits for the year ended March 31, 2015 increased in each segment as follows: Power and Social Infrastructure ¥199 million ($1,665 thousand), Industrial Infrastructure ¥375 million ($3,131 thousand), Power Electronics ¥246 million ($2,052 thousand), Electronic Devices ¥172 million ($1,435 thousand), Food and Beverage Distribution ¥212 million ($1,773 thousand) and Others ¥57 million ($482 thousand).

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2015 and 2014 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2015	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	**¥173,502**	**¥193,119**	**¥162,243**	**¥130,772**	**¥118,824**	**¥32,218**	**¥810,678**	**¥ —**	**¥810,678**
Inter-segment sales and transfers	**1,711**	**4,916**	**21,867**	**6,417**	**289**	**28,990**	**64,190**	**(64,190)**	**—**
Total sales	**175,213**	**198,035**	**184,110**	**137,189**	**119,113**	**61,208**	**874,868**	**(64,190)**	**810,678**
Segment profits (losses)	**¥ 8,266**	**¥ 11,423**	**¥ 6,822**	**¥ 8,071**	**¥ 8,527**	**¥ 1,884**	**¥ 44,993**	**¥ (5,677)**	**¥ 39,316**
Segment assets	**¥144,896**	**¥175,030**	**¥156,834**	**¥166,063**	**¥ 70,480**	**¥34,413**	**¥747,716**	**¥156,806**	**¥904,522**
Other items									
Depreciation and amortization	**¥ 2,132**	**¥ 2,792**	**¥ 5,205**	**¥ 18,944**	**¥ 2,877**	**¥ 768**	**¥ 32,718**	**¥ 897**	**¥ 33,615**
Investments for companies applied equity method	**¥ 11,573**	**¥ 1,435**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 13,008**	**¥ —**	**¥ 13,008**
Capital expenditures	**¥ 2,829**	**¥ 3,390**	**¥ 10,184**	**¥ 10,849**	**¥ 3,069**	**¥ 685**	**¥ 31,006**	**¥ 2,667**	**¥ 33,673**

	Millions of yen								
Year ended March 31, 2014	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	¥150,590	¥186,153	¥155,927	¥115,547	¥119,830	¥31,864	¥759,911	¥ —	¥759,911
Inter-segment sales and transfers	1,731	3,395	18,818	7,502	226	28,136	59,808	(59,808)	—
Total sales	152,321	189,548	174,745	123,049	120,056	60,000	819,719	(59,808)	759,911
Segment profits (losses)	¥ 7,659	¥ 9,624	¥ 5,331	¥ 6,472	¥ 8,047	¥ 1,912	¥ 39,045	¥ (5,909)	¥ 33,136
Segment assets	¥121,047	¥158,092	¥136,436	¥158,033	¥ 65,909	¥33,749	¥673,266	¥137,508	¥810,774
Other items									
Depreciation and amortization	¥ 2,027	¥ 2,615	¥ 4,189	¥ 17,841	¥ 2,574	¥ 753	¥ 29,999	¥ 850	¥ 30,849
Investments for companies applied equity method	¥ 6,107	¥ 683	¥ —	¥ —	¥ —	¥ —	¥ 6,790	¥ —	¥ 6,790
Capital expenditures	¥ 1,977	¥ 2,908	¥ 8,738	¥ 15,153	¥ 3,412	¥ 531	¥ 32,719	¥ 931	¥ 33,650

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2015	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	**$1,445,854**	**$1,609,332**	**$1,352,027**	**$1,089,775**	**$990,204**	**$268,465**	**$6,755,657**	**$ —**	**$6,755,657**
Inter-segment sales and transfers	**14,262**	**40,967**	**182,230**	**53,474**	**2,410**	**241,567**	**534,910**	**(534,910)**	**—**
Total sales	**1,460,116**	**1,650,299**	**1,534,257**	**1,143,249**	**992,614**	**510,032**	**7,290,567**	**(534,910)**	**6,755,657**
Segment profits (losses)	**$ 68,885**	**$ 95,194**	**$ 56,854**	**$ 67,263**	**$ 71,062**	**$ 15,688**	**$ 374,946**	**$ (47,305)**	**$ 327,641**
Segment assets	**$1,207,467**	**$1,458,591**	**$1,306,953**	**$1,383,866**	**$587,336**	**$286,753**	**$6,230,966**	**$1,306,720**	**$7,537,686**
Other items									
Depreciation and amortization	**$ 17,775**	**$ 23,267**	**$ 43,383**	**$ 157,870**	**$ 23,975**	**$ 6,385**	**$ 272,655**	**$ 7,477**	**$ 280,132**
Investments for companies applied equity method	**$ 96,442**	**$ 11,966**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 108,408**	**$ —**	**$ 108,408**
Capital expenditures	**$ 23,579**	**$ 28,252**	**$ 84,872**	**$ 90,410**	**$ 25,580**	**$ 5,698**	**$ 258,391**	**$ 22,224**	**$ 280,615**

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Corporate expense*	¥(5,739)	¥(5,894)	$(47,827)
Elimination of intersegment sales	62	(15)	522
Total	¥(5,677)	¥(5,909)	$(47,305)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Corporate assets*	¥ 314,852	¥ 256,485	$ 2,623,767
Elimination of intersegment transactions	(158,046)	(118,977)	(1,317,047)
Total	¥ 156,806	¥ 137,508	$ 1,306,720

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related information

Related information as of March 31, 2015 and 2014 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Japan	¥605,763	¥582,223	$5,048,026
Asia (except for China), Others	85,181	77,260	709,841
China	87,733	68,401	731,113
Europe	16,519	17,362	137,660
America	15,482	14,665	129,017
Consolidated	¥810,678	¥759,911	$6,755,657

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Japan	¥131,374	¥126,032	$1,094,791
Asia (except for China), Others	27,968	32,674	233,050
China	14,815	13,368	123,467
Europe	624	414	5,203
America	172	131	1,437
Consolidated	¥174,953	¥172,619	$1,457,948

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Power and Social Infrastructure	¥ 7	¥—	$ 62
Industrial Infrastructure	373	—	3,112
Power Electronics	1	—	16
Electronic Devices	2,265	—	18,881
Others	184	—	1,513
Total	¥2,830	¥—	$23,584

Note: Information for the year ended March 31, 2014 was not disclosed because it didn't have significant impact on the consolidated financial statements.

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment has not been disclosed because it does not have significant impact on the consolidated financial statements.

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2015
None

Note 23. Business Combinations

For the year ended March 31, 2015, business combinations have not been disclosed because they do not have significant impact on the consolidated financial statements.

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 4 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.2% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Balance at the beginning of the year	**¥2,204**	¥2,370	**$18,368**
Increase due to acquisition of property, plant and equipment	**—**	49	**—**
Adjustment due to passage of time	**8**	8	**69**
Decrease due to fulfillment of obligations	**(55)**	(223)	**(462)**
Balance at the end of the year	**¥2,157**	¥2,204	**$17,975**

Note 25. Amounts Per Share

Information of amounts per share as of March 31, 2015 and 2014 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2015	2014	**2015**
Net assets per share	**¥406.39**	¥317.96	**$3.387**
Net income per share	**39.16**	27.41	**0.326**
Diluted net income per share	**39.13**	27.39	**0.326**

(Changes in accounting policies)

As described in the “Changes in Accounting Policies” in “h. Retirement Benefits, Note 2. Summary of Significant Accounting Policies,” the Company has applied transitional treatment as stipulated in paragraph 37 of “Accounting Standard for Retirement Benefits.”

As a result, net assets per share as of March 31, 2015 decreased by ¥22.43 ($0.19), net income and diluted net income per share for the year ended March 31, 2015 increased by ¥1.93 ($0.02), respectively.

Note 26. Subsequent Events

For the year ended March 31, 2015
None