Annual Report 2015

From April 1,2014 to March 31,2015

DAISHINKU CORP.

Financial Section

Consolidated Balance Sheets
DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	March 31,		*March 31,*
	2015	2014	*2015*
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2 (c),6 and 20)	¥15,148	¥13,904	*$126,051*
Trade notes and accounts receivable (Note 20)	7,231	7,585	*60,176*
Inventories (Note 7)	9,789	9,119	*81,456*
Deferred income taxes (Note 15)	38	251	*315*
Other current assets	1,321	1,243	*10,996*
Allowance for doubtful accounts	(12)	(15)	*(98)*
Total current assets	33,515	32,087	*278,896*
Investments and other assets:			
Investment securities (Notes 8,11 and 20)	2,080	1,644	*17,310*
Deferred income taxes (Note 15)	82	41	*680*
Other assets	773	639	*6,434*
Total investments and other assets	2,935	2,324	*24,424*
Property, plant and equipment, at cost: (Note 10 and 11)			
Land	5,795	5,738	*48,225*
Buildings and structures	21,087	20,385	*175,475*
Machinery and equipment	54,617	52,314	*454,503*
Construction in progress	655	767	*5,450*
Total property, plant and equipment	82,154	79,204	*683,653*
Less: accumulated depreciation	(61,683)	(56,023)	*(513,301)*
Property, plant and equipment, net(Notes 11 and 22)	20,471	23,181	*170,352*
Total assets	¥56,921	¥57,592	*$473,672*

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

Consolidated Balance Sheets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	March 31,		*March 31,*
	2015	2014	*2015*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 11 and 20)	¥3,825	¥3,329	*$31,830*
Current portion of long -term debt (Notes 11 and 20)	4,546	3,801	*37,830*
Trade notes and accounts payable (Note 20)	2,655	3,108	*22,097*
Accounts payable (Note 20)	1,075	1,016	*8,949*
Accrued income taxes (Note 15)	185	127	*1,538*
Accrued employees' bonuses	477	264	*3,969*
Other current liabilities	806	634	*6,703*
Total current liabilities	13,569	12,279	*112,916*
Long-term liabilities:			
Long-term debt (Notes 11 and 20)	8,259	6,050	*68,725*
Net defined benefit liability(Note 12)	1,494	1,578	*12,430*
Deferred income taxes (Note 15)	822	680	*6,845*
Long-term accounts payable (Note 20)	162	218	*1,347*
Asset retirement obligations	25	25	*212*
Other long-term liabilities	134	116	*1,114*
Total long-term liabilities	10,896	8,667	*90,673*
Total liabilities	24,465	20,946	*203,589*
Commitments and contingent liabilities (Note 18)			
Net Assets:			
Shareholders' equity			
Common stock:(Note 17)			
Authorized: 130,000,000 shares			
Issued: 45,246,212 shares at March 31, 2015 and 2014	19,345	19,345	*160,979*
Additional paid-in capital	12,413	12,413	*103,299*
Retained earnings (Note 23)	(5,310)	1,357	*(44,183)*
Less: treasury stock, at cost: 4,839,136 shares at March 31, 2015 and 3,821,776 shares at March 31, 2014, respectively	(1,910)	(1,532)	*(15,895)*
Total shareholders' equity	24,538	31,583	*204,200*
Accumulated other comprehensive income			
Net unrealized holding gains(losses) on available-for-sale securities (Note 8)	527	234	*4,384*
Foreign currency translation adjustments	1,891	233	*15,738*
Remeasurements of defined benefit plans	351	235	*2,917*
Total accumulated other comprehensive income	2,769	702	*23,039*
Minority interests	5,149	4,361	*42,844*
Total net assets	32,456	36,646	*270,083*
Total liabilities and net assets	¥56,921	¥57,592	*$473,672*

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

Consolidated Statements of Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2015	2014	*2015*
Net sales (Note 22)	¥31,077	¥33,788	*$258,605*
Cost of sales	26,752	26,736	*222,618*
Gross profit	4,325	7,052	*35,987*
Selling, general and administrative Expenses (Note 13)	6,611	6,267	*55,017*
Operating income(loss) (Note 22)	(2,286)	785	*(19,030)*
Other income (expenses):			
Interest and dividend income	63	55	*525*
Interest expenses	(127)	(214)	*(1,053)*
Foreign currency exchange gain, net	1,057	531	*8,796*
Loss on sales or disposal of property, plant and equipment, net	(257)	(48)	*(2,139)*
Impairment loss (Note 9)	(369)	1	*(3,069)*
Reversal of impairment loss	-	2	*-*
Business restructuring cost (Note 10)	(3,892)	-	*(32,391)*
Prior customs duty	-	(76)	*-*
Other, net	120	160	*1,004*
Income(loss) before income taxes and minority interests	(5,691)	1,196	*(47,357)*
Income taxes (Note 15):			
Current	261	193	*2,169*
Deferred	187	26	*1,561*
	448	219	*3,730*
Income(Loss) before minority interests	(6,139)	977	*(51,087)*
Minority interests	208	167	*1,728*
Net income(loss)	¥(6,347)	¥810	*$(52,815)*

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

Consolidated Statements of Comprehensive Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2015	2014	*2015*
Income(Loss) before minority interests	¥(6,139)	¥977	*$(51,087)*
Other comprehensive income (Note 16)			
Unrealized holding loss on available-for-sale securities	292	144	*2,433*
Foreign currency transaction adjustments	2,333	1,232	*19,414*
Remeasurements of defined benefit plans	116	-	*962*
Total other comprehensive income, net	2,741	1,376	*22,809*
Comprehensive income	¥(3,398)	¥2,353	*$(28,278)*
Comprehensive income attributable to:			
Shareholders of DAISHINKU Corporation	¥(4,280)	¥1,933	*$(35,621)*
Minority shareholders of consolidated subsidiaries	882	420	*7,343*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	Total Net assets
Balance at April 1, 2013	¥ 19,345	¥ 12,413	¥ 878	¥ (1,522)	¥ 90	¥ (746)	¥ -	¥ 3,986	¥ 34,444
Dividends	-	-	(331)	-	-	-	-	-	(331)
Net income	-	-	810	-	-	-	-	-	810
Acquisition of treasury stock	-	-	-	(10)	-	-	-	-	(10)
Other changes	-	-	-	-	144	979	235	375	1,733
Balance at April 1, 2014	19,345	12,413	1,357	(1,532)	234	233	235	4,361	36,646
Cumulative effects of changes in accounting policies	-	-	(31)	-	-	-	-	-	(31)
Balance at beginning of the year as restated	19,345	12,413	1,326	(1,532)	234	233	235	4,361	36,615
Dividends	-	-	(289)	-	-	-	-	-	(289)
Net loss	-	-	(6,347)	-	-	-	-	-	(6,347)
Acquisition of treasury stock	-	-	-	(378)	-	-	-	-	(378)
Disposal of treasury stock	-	-	-	0	-	-	-	-	0
Other changes	-	-	-	-	293	1,658	116	788	2,855
Balance at March 31, 2015	¥ 19,345	¥ 12,413	¥ (5,310)	¥ (1,910)	¥ 527	¥ 1,891	¥ 351	¥ 5,149	¥ 32,456

(Thousands of U.S. dollars)
(note 5)

	Common stock	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Net unrealized holding gains (losses) on available-for-sale securities*	*Foreign currency translation adjustment*	*Remeasurements of defined benefit plans*	*Minority interests*	*Total Net assets*
Balance at April 1, 2014	*$ 160,979*	*$ 103,299*	*$ 11,292*	*$ (12,753)*	*$ 1,951*	*$ 1,936*	*$ 1,958*	*$ 36,288*	*$ 304,951*
Cumulative effects of changes in accounting policies	*-*	*-*	*(261)*	*-*	*-*	*-*	*-*	*-*	*(261)*
Balance at beginning of the year as restated	*160,979*	*103,299*	*11,031*	*(12,753)*	*1,951*	*1,936*	*1,958*	*36,288*	*304,690*
Dividends	*-*	*-*	*(2,400)*	*-*	*-*	*-*	*-*	*-*	*(2,400)*
Net loss	*-*	*-*	*(52,815)*	*-*	*-*	*-*	*-*	*-*	*(52,815)*
Acquisition of treasury stock	*-*	*-*	*-*	*(3,145)*	*-*	*-*	*-*	*-*	*(3,145)*
Disposal of treasury stock	*-*	*-*	*-*	*3*	*-*	*-*	*-*	*-*	*3*
Other changes	*-*	*-*	*-*	*-*	*2,433*	*13,802*	*959*	*6,556*	*23,750*
Balance at March 31, 2015	*$ 160,979*	*$ 103,299*	*$ (44,183)*	*$ (15,895)*	*$ 4,384*	*$ 15,738*	*$ 2,917*	*$ 42,844*	*$ 270,083*

Consolidated Statements of Cash Flows

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31*
	2015	2014	*2015*
OPERATING ACTIVITIES:			
Income(Loss) before income taxes and minority interests	¥(5,691)	¥1,196	*$(47,357)*
Adjustments for:			
Depreciation and amortization	3,648	3,513	*30,361*
Business restructuring cost	3,892	-	*32,391*
Impairment loss on fixed assets	369	1	*3,069*
Allowance for doubtful accounts, net	(31)	(15)	*(255)*
Increase (decrease) in provision for bonuses	212	(236)	*1,761*
Net defined benefit liability	(67)	(58)	*(558)*
Loss on sales or disposal of property, plant and equipment, net	257	48	*2,139*
Interest and dividend income	(63)	(55)	*(525)*
Interest expenses	127	214	*1,053*
Foreign currency exchange gains , net	(321)	(190)	*(2,670)*
Reversal of impairment loss	-	(2)	*-*
Changes in assets and liabilities:			
Increase (decrease) in trade notes and accounts receivable	1,240	1,832	*10,315*
Increase (decrease) in inventories	107	(298)	*888*
Increase (decrease) in trade notes and accounts payable	(1,229)	(127)	*(10,225)*
Other-net	(270)	345	*(2,245)*
Sub-total	2,180	6,168	*18,142*
Interest and dividends-received	63	55	*525*
Interest-paid	(127)	(225)	*(1,055)*
Income taxes-paid	(184)	(540)	*(1,537)*
Net cash provided by operating activities	1,932	5,458	*16,075*
INVESTING ACTIVITIES:			
Increase (decrease) in short-term investments, net	-	500	*-*
Payments for purchase of property, plant and equipment	(3,621)	(2,885)	*(30,132)*
Proceeds from sales of property, plant and equipment	60	65	*495*
Other-net	(103)	(114)	*(856)*
Net cash used in investing activities	(3,664)	(2,434)	*(30,493)*
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	232	630	*1,930*
Proceeds from long -term debt	7,169	1,976	*59,657*
Repayments of long-term debt	(4,537)	(6,706)	*(37,757)*
Cash dividends-paid	(288)	(332)	*(2,398)*
Cash dividends paid to minority shareholders	(99)	(55)	*(823)*
Other- net	(378)	(10)	*(3,143)*
Net cash provided by financing activities	2,099	(4,497)	*17,466*
Effect of exchange rate changes on cash and cash equivalents	877	512	*7,303*
Net increase (decrease) in cash and cash equivalents	1,244	(961)	*10,351*
Cash and cash equivalents at beginning of year	13,904	14,865	*115,700*
Cash and cash equivalents at end of year(Note 6)	¥15,148	¥13,904	*$126,051*

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daishinku Corp. (the “Company”) and its consolidated subsidiaries. The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Act, and in conformity with 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 Act. Overseas consolidated subsidiaries maintain their records in conformity with accounting principles and practices generally accepted in their respective countries. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in conformity with Japanese accounting principles and practices followed by the Company as allowed under accounting principles generally accepted in Japan.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau have been reclassified for the convenience of readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in certain subsidiaries which are not consolidated and in affiliates are, due to immaterial, accounted for at cost.

Generally, shareholdings in companies of more than 50% fall into the category of subsidiaries and shareholdings in companies of between 20% and 50% fall into the category of affiliates. However, shareholdings of between 40% and 50% may also fall into the category of subsidiaries, if the Company either substantially controls the investee company or has significant influence and relationship with the investees, respectively.

All significant intercompany accounts and transactions and unrealized inter-company profits are eliminated upon consolidation. The excess of the investment cost over the fair value of underlying net equity in subsidiaries and affiliates which are consolidated or accounted for by the equity method at the date of an acquisition is amortized on a straight-line basis within mainly five years or less.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd., HARMONY ELECTRONICS (Thailand) Co., Ltd., HARMONY ELECTRONICS (Suzhou) Co., Ltd., SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. use a fiscal year ending December 31. DAISHINKU（HK）Ltd., DAISHINKU（AMERICA）CORP., DAISHINKU (SINGAPORE) PTE. Ltd., DAISHINKU (DEUTSCHLAND) GmbH, PT KDS INDONESIA and KYUSYU DAISHINKU CORP use a fiscal year ending March 31.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd., HARMONY ELECTRONICS (Thailand) Co., Ltd., HARMONY ELECTRONICS (Suzhou) Co., Ltd., SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. has performed a hard close as of March 31st, 2015.

(b) TRANSLATION OF FOREIGN CURRENCIES

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period when incurred.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the net assets and included in minority interests in the net assets.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated financial statements are composed of cash in hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present a low risk of fluctuation in value.

(d) INVENTORIES

Inventories are mainly stated at cost determined by the average method. (The write-downs of inventories due to decreased profitability shall be recognized as cost of sales, in the case that the net selling value falls below the acquisition cost at the end of period, in the same manner as if these inventories were stated at the lower of cost or market.)

(e) SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

All securities held by the Company and its consolidated subsidiaries are classified into Available-for-sale securities.

Available-for-sale securities with readily determinable fair values are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the valuation and translation adjustments in the net assets at a net-of-tax amount.

Available-for-sale securities without readily determinable fair values are stated at cost, except as stated in the paragraph below.

When the market price of available-for-sale securities falls below 50% of the price of the securities at the time of acquisition, a realized loss is recognized with the new cost basis being the current market price. If the market price falls 30% or more but less than 50%, a judgment is made about the likelihood of a recovery in price and decision is taken whether to write down to fair value.

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method (excluding buildings acquired on or after April 1, 1998, for which the straight-line method is applied), except that the foreign consolidated subsidiaries mainly compute depreciation by the straight-line method.

The principal estimated useful lives used for computing depreciation are as follows:

Building and structures	2 to 60 years
Machinery and equipment	2 to 17 years

The cost of maintenance, repairs and minor renewals is charged to income when incurred; major renewals and betterments are capitalized.

(g) FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases. Leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(h)GOODWILL

Goodwill is amortized by the straight-line method over periods of no more than 5 years. Negative goodwill recognized on or after April 1, 2010 is credited to income as incurred.

(i) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is computed based on historical write-off experience from a certain reference period plus estimated uncollectible amounts based on the analysis of individual accounts.

(j) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided for the estimated amounts which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(k) RETIREMENT BENEFITS AND PENSION PLAN

The provision for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the balance sheet date. Unrecognized prior service costs are amortized based on the straight-line method over a period of ten years beginning at the date of adoption of the plan amendment. Unrecognized actuarial gains and losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(l) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income when incurred.

(m) INCOME TAXES

The provision for income taxes is computed based on income before income taxes and minority interests in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(n) DERIVATIVES AND HEDGING ACTIVITIES

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(o) DISTRBUTION OF RETAINED EARNINGS

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions. Refer to Note 21.

(p) ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Accounting standards for business combinations

"Accounting Standard for Business Combinations"(ASBJ Statement No.21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4) were revised on September 13, 2013. However, these accounting standards have not yet been adopted as of March 31, 2015.

Under these revised accounting standards, major accounting changes are as follows:

(1) Any differences arising from the movement of ownership interests in its subsidiaries shall be accounted for as changes in capital surplus as long as the parent company retains control over its subsidiary.

(2) Acquisition-related costs shall be accounted for as expenses when incurred.

(3) "Income before minority interests" in the current year's consolidated statement of income will be changed to "net income" and "net income" in the current year's consolidated statement of income will be changed to "net income attributable to shareholders of the parent company." In addition, "Minority interests" in the current year's consolidated balance sheet will be changed to "Non-controlling interests."

(4) If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report provisional amounts for the items whose accounting is incomplete in its financial statements ("provisional accounting"). Under these revised accounting standards, if accounting for a business combination is completed during the next fiscal year (the "completion period") and consolidated financial statements for the completion period and those for the acquisition period are comparatively disclosed, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to the completed amounts and shall reflect new information on facts and circumstances that existed as of the acquisition date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

These standards and related guidance are expected to be applied from the beginning of the year ending March 31, 2016. The treatment under the provisional accounting procedures is expected to be applied effective for business combinations occur on or after the beginning of the year ending March 31, 2016. At present, the Company is currently evaluating the effects of applying these revised standards on its consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICY

Effective from the year ended March 31, 2015, the Company adopted paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 on May 17, 2012) and paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No.25 on March 26, 2015). The Company reviewed the method of calculating retirement benefit obligations and service costs, and changed the method of attributing expected benefit to periods primarily from the straight-line method to the benefit formula basis.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in the method of calculating retirement benefit obligations and service costs was recognized as an adjustment to retained earnings at the beginning of the year ended March 31, 2015.

As a result of this change, net defined benefit liability as of March 31, 2015 increased by ¥31,349 million ($260,872 thousand) and retained earnings as of March 31, 2015 decreased by ¥31,349 million ($260,872 thousand). This change had an immaterial impact on net assets and net income per share as of March 31, 2015 compared with the previous method.

4. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's consolidated financial statements in order to conform to the current year presentations.

5. U.S. DOLLAR AMOUNTS

The United States dollar amounts are included solely for convenience and represent translations of Japanese yen amounts, as a matter of arithmetical computation only, at the rate of ¥120= US$1, the exchange rate prevailing on March 31, 2015. This translation should not be construed as a representation that Japanese yen amounts have been, could have been or could be realized or converted into United States dollars at the above or any other rate.

6. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents between the consolidated statements of cash flows for the years ended March 31, 2015 and 2014 and the consolidated balance sheets as of March 31, 2015 and 2014 has been omitted since there were no reconciliation items.

7. INVENTORIES

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Finished goods	¥3,571	¥3,058	*$29,714*
Materials and supplies	2,543	2,510	*21,165*
Work in process	3,675	3,551	*30,577*
	¥9,789	¥9,119	*$81,456*

8. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2015 and 2014 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Short-term investments			
Time deposits	¥-	¥-	*$-*
Other	-	-	*-*
Total	¥-	¥-	*$-*
Investment securities:			
Marketable equity securities and investment trust	¥1,927	¥1,505	*$16,037*
Investment in unconsolidated subsidiaries	30	30	*250*
Other	123	109	*1,023*
Total	¥2,080	¥1,644	*$17,310*

Information regarding marketable securities at March 31, 2015 and 2014 were as follows:

	(Millions of yen)			
	March 31,			
	2015			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,157	¥774	¥(4)	¥1,927
Others	-	-	-	-
Total	¥1,157	¥774	¥(4)	¥1,927

	(Millions of yen)			
	March 31,			
	2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,151	¥373	¥(19)	¥1,505
Others	-	-	-	-
Total	¥1,151	¥373	¥(19)	¥1,505

	(Thousands of U.S. dollars)			
	March 31,			
	2015			
	Cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Equity securities	*$9,627*	*$6,440*	*$(30)*	*$16,037*
Others	-	-	-	-
Total	*$9,627*	*$6,440*	*$(30)*	*$16,037*

Unlisted equity securities of ¥153 million ($1,273 thousand) and ¥139 million as of March 31, 2015 and 2014, respectively, that do not have market value and for which it is difficult to determine the fair value are not included in the above table.

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

Location	Use	Classification	(Millions of yen) 2015	*(Thousands of U.S. dollars)* 2015
Kawasaki Dormitory House Kawasaki City, Kanagawa Prefecture	Lease property	Land etc.	¥271	*$2,253*
Kanzaki Plant Kanzaki County, Hyogo Prefecture	Idle assets	Buildings and structures, Land etc.	3	*27*
Tottori Business Place Tottori City, Tottori Prefecture	Idle assets	Machinery and equipment etc.	1	*13*
Nishiwaki Plant Nishiwaki City, Hyogo Prefecture	Idle assets	Machinery and equipment	0	*0*
Tokushima Business Place Yoshinogawa City, Tokushima Prefecture	Idle assets	Machinery and equipment etc.	3	*22*
Head Office Kakogawa City, Hyogo Prefecture	Idle assets	Buildings and structures	0	*1*
Distribution Center Kakogawa City, Hyogo Prefecture	Idle assets	Buildings and structures etc.	0	*0*
Miyazaki Plant Koyu County, Miyazaki Prefecture	Idle assets	Buildings and structures etc.	19	*157*
HARMONY ELECTRONICS (Suzhou) Co., Ltd. Suzhou, P.R. China	Idle assets	Buildings and structures, Land	72	*596*
Total			¥369	*$3,069*

The company and its consolidated subsidiaries categorize business assets by business segmentation and lease property, idle assets, and assets to be disposed are categorized by separately.

For lease property, the book values are written down to the recoverable amounts and such write-downs were recorded as impairment loss. Moreover, the recoverable amount was measured as value in use, and was calculated by discounting future cash flows at a risk-free-rate of 0.473%. The book values of idle assets, which are not expected to be utilized in the future, are written down to the recoverable amount and such written-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices, calculated using appraisal report by a third-party real-estate appraiser in HARMONY ELECTRONICS (Suzhou) Co., Ltd., using the assessed property tax valuation in Kanzaki Plant, and as zero in others.

10. BUSINESS RESTRUCTURING COST

The Company group has put business structural change in action to achieve the enhancement of an additional cost-competitive edge and a move into profit-making enterprise. Specifically, transfer control of Optical business, advance reforms in manufacturing capability at Tottori Business Place, and an aggregation of R&D department. As a result of this action, “Business restructuring cost” was reported on consolidated statements of income in the fiscal year ended March 31, 2015.

Moreover, the components of business restructuring cost were impairment loss of ¥ 3,551 million ($ 29,553 thousand) and others of ¥341 million ($ 2,838 thousand).

Significant impairment loss included in business restructuring cost

Location	Use	Classification	(Millions of yen) 2015	*(Thousands of U.S. dollars)* 2015
Tottori Business Place Tottori City, Tottori Prefecture	Business assets	Machinery and equipment etc.	¥1,556	*$12,950*
Tokyo Laboratory Kita-ku, Saitama City	Idle assets	Buildings and structures etc.	425	*3,532*
PT. KDS INDONESIA Bekasi, Indonesia	Idle assets	Machinery and equipment etc.	384	*3,198*
TIANJIN KDS CORP. Tianjin, P.R. China	Potential disposal assets	Machinery and equipment etc.	1,186	*9,873*
Total			¥3,551	*$29,553*

For business assets in Tottori business Place affected by a decrease in the fair market value, the book values are written down to the recoverable amounts and such write-downs were recorded as impairment loss. Moreover, the recoverable amount was measured as value in use, and was calculated by discounting future cash flows at a discount rate of 5.0%.

The book values of idle assets, which are not expected to be utilized in the future, are written down to the recoverable amount and such written-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices, calculated using the assessed property tax valuation in Tokyo Laboratory and as zero in PT. KDS.INDONESIA.

The book values of assets to be disposed are written down to the recoverable amounts and such write-downs were recorded as impairment loss. The recoverable amount was measured as net selling prices, calculating as zero in TIANJIN KDS CORP.

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans with a weighted average interest rate of 1.1% and 0.9% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Loans principally from banks, due from 2015 to 2020, with weighted average interest of 0.7% and 0.9% at March 31, 2015 and 2014, respectively.	¥12,805	¥9,851	*$106,555*
Less; current portion	(4,546)	(3,801)	*(37,830)*
	¥8,259	¥6,050	*$68,725*

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

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year ending March 31,		
2016	¥4,546	*$37,830*
2017	3,832	*31,889*
2018	2,367	*19,694*
2019	360	*2,996*
2020 and thereafter	1,700	*14,146*
	¥12,805	*$106,555*

Repayment schedule 5 years subsequent to March 31, 2015 for long-term debt and other debt is as above:

The following assets were pledged as collateral for bonds and loans principally from banks at March 31, 2015 and 2014:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Land	¥486	¥428	*$4,044*
Buildings and structures	343	317	*2,855*
	¥829	¥745	*$6,899*

Long-term debt with pledged assets at March 31, 2015 and 2014 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Current portion of long –term debt	¥224	¥167	*$1,866*
Long-term debt	310	153	*2,576*
	¥534	¥320	*$4,442*

12. RETIREMENT BENEFITS TO EMPLOYEES

The Company and consolidated subsidiaries have defined benefit pension plans. The plans comprise funded pension plans and unfunded pension plans. Additionally the Company has defined contribution plans.

Under defined benefit pension plans, the reconciliation of opening and ending balances for project benefit obligation for the year ended March 31, 2015 and 2014 were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Project benefit obligation at beginning of year	¥4,293	¥4,605	*$35,721*
Cumulative effects of changes in accounting policies	31	-	*261*
Project benefit obligation as restated	4,324	-	*35,982*
Service cost	192	193	*1,593*
Interest cost	106	85	*885*
Actuarial differences	114	(479)	*952*
Retirement benefits paid	(166)	(94)	*(1,385)*
Other	45	(18)	*378*
Project benefit obligation at ending of year	¥4,615	¥4,292	*$38,405*

Under defined benefit pension plans, the reconciliation of opening and ending balances for pension assets for the year ended March 31, 2015 and 2014 were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Plan assets at beginning of year	¥2,714	¥2,355	*$22,588*
Expected return on plan assets	42	34	*347*
Actuarial differences	273	166	*2,269*
Contribution paid by the business proprietor	225	222	*1,874*
Retirement benefits paid	(157)	(76)	*(1,307)*
Other	24	13	*204*
Plan assets at ending of year	¥3,121	¥2,714	*$25,975*

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit pension plan;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Funded retirement benefit obligations	¥3,930	¥3,850	*$32,707*
Plan assets at fair value	(3,121)	(2,714)	*(25,975)*
	809	1,136	*6,732*
Unfunded retirement benefit obligations	685	442	*5,698*
Net defined benefit liability in the balance sheet	¥1,494	¥1,578	*$12,430*
Net defined benefit liability	1,494	1,578	*12,430*
Net defined benefit liability in the balance sheet	¥1,494	¥1,578	*$12,430*

The components of retirement benefit expenses for the year ended March 31, 2015 and 2014 were as follows;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Service cost	¥191	¥193	*$1,593*
Interest cost	106	85	*885*
Expected return on plan assets	(41)	(34)	*(347)*
Amortization of actuarial differences	(42)	0	*(349)*
Amortization of prior service costs	3	(18)	*21*
Other	(4)	-	*(33)*
Retirement benefit expenses	¥213	¥226	*$1,770*

Remeasurements of defined benefit plans, before income-tax effect, at March 31, 2015 and 2014 consisted of;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Prior service cost	¥(3)	¥-	*$(21)*
Actuarial differences	(113)	-	*(942)*
Total	¥(116)	¥-	*$(963)*

Amortization of remeasurements of defined benefit plans, before income-tax effect, at March 31, 2015 and 2014 consisted of;

	(Millions of yen)		*(Thousands of U.S.dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Unrecognized prior service cost	¥0	¥2	*$0*
Unrecognized actuarial gain/loss	(359)	(245)	*(2,984)*
Total	¥(359)	¥(243)	*$(2,984)*

The major categories of plan assets as of March 31, 2015 and 2014 were as follows;

	March 31,	
	2015	2014
Bonds	38 %	37 %
Stocks	35	33
General accounts controlled by insurance companies	19	21
Other	8	9
Total	100 %	100 %

The expected return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the year ended March 31, 2015 and 2014 were as follows;

	March 31,	
	2015	2014
Discount rate	1.5 %	1.5 %
Expected rate of return on plan assets	1.5	1.5

Total contributions paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥ 93 million ($780 thousand) and ¥109 million for the year ended March 31, 2015 and 2014 respectively.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 amounted to ¥2,080 million ($17,310 thousand) and ¥1,912 million respectively.

14. LEASES

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2015 and 2014 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Due within one year	¥114	¥52	*$944*
Due after one year	137	38	*1,142*
Future lease payments	¥251	¥90	*$2,086*

Future lease payments for non-cancelable operating leases as a lessor at March 31, 2015 and 2014 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Due within one year	¥3	¥-	*$25*
Due after one year	23	-	*193*
Future lease payments	¥26	¥-	*$218*

15. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, result in an effective tax rate approximately equal to 35.6% for the years ended March 31, 2015.

Reconciliation between the Japanese statutory income tax rate and the effective tax rate was as follows.

	2014
Japanese statutory tax rate	38.0 %
Expenses not deductible for tax purposes	3.7
Per capital inhabitant tax	1.7
Valuation allowances	(22.5)
Income of foreign subsidiaries taxed at lower than statutory tax rates	(8.7)
Undistributed profit of foreign subsidiaries	(2.8)
Others	8.9
Effective income tax rate	18.3 %

No reconciliation for 2015 was shown because of loss before income taxes and minority interests.

The components of the deferred tax assets and deferred tax liabilities at March 31, 2015 and 2014 were as follows：

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Deferred tax assets:			
Tax losses carried forward	¥325	¥289	*$2,703*
Write-down of inventories	358	229	*2,980*
Net defined benefit liability	540	589	*4,493*
Write-down of property, plant and equipment	854	142	*7,107*
Other	361	427	*3,003*
Gross deferred tax assets	2,438	1,676	*20,286*
Less: valuation allowance	(2,188)	(1,287)	*(18,210)*
Total deferred tax assets	¥250	¥389	*$2,076*
Deferred tax liabilities:			
Depreciation of foreign subsidiaries	(130)	(123)	*(1,081)*
Temporary difference of investment in subsidiaries	(378)	(377)	*(3,149)*
Net unrealized holding gains(losses) on available-for- sale securities	(244)	(120)	*(2,026)*
Other	(207)	(157)	*(1,722)*
Gross deferred tax liabilities	(959)	(776)	*(7,978)*
Net deferred tax assets (liabilities)	¥(709)	¥(388)	*$(5,902)*

The "Act on Partial Revision of the Income Tax Act" (Act No.9, 2015) and the Act on Partial Revision of the Local Tax Act" (Act No.2, 2015) were promulgated on March 31, 2015 and the corporation tax rates will be reduced from years beginning on or after April 1, 2015. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2015 was reduced from 35.6%, that was used previously, to 33.0% for temporary differences expected to be released in the year beginning on April 1, 2015, and to 32.2% for temporary differences expected to be released in the year beginning on April 1, 2016 and thereafter.

As a result of the change in tax rate, deferred tax liabilities, net of deferred tax assets decreased by ¥29 million ($ 243 thousand) . The difference on the revaluation of available-for-sale securities increased ¥25 million ($ 214 thousand).

The impact of these changes on deferred tax income is negligible.

16. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2015 and 2014 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31		*March 31*
	2015	2014	*2015*
Net unrealized holding gain on securities			
Gains arising during the year	¥416	¥220	*$3,462*
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	416	220	*3,462*
Income tax effect	(124)	(76)	*(1,029)*
Total	292	144	*2,433*
Translation adjustments			
Gains arising during the year	2,333	1,232	*19,414*
Remeasurements of defined benefit plans			
Gains arising during the year	158	-	*1,314*
Reclassification adjustments to profit or loss	(42)	-	*(351)*
Amount before income tax effect	116	-	*963*
Income tax effect	0	-	*(1)*
Total	116	-	*962*
Total other comprehensive income	¥2,741	¥1,376	*$22,809*

17. NET ASSETS

The Japanese Companies Act ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid–in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and remained earnings, respectively, which are potentially available for dividends.

Movements in common stock and treasury stock for the year ended March 31, 2015 and 2014 were as follows:

	Thousands of shares			
	April 1, 2014	Increase in the year	Decrease in the year	March 31, 2015
Shares outstanding				
Common stock	45,246	-	-	45,246
Total	45,246	-	-	45,246
Treasury stock				
Common stock	3,822	1,018	(1)	4,839
Total	3,822	1,018	(1)	4,839

The increase in treasury stock of 1,018,149 shares is due to the purchase of 1,000,000 shares by the decision of board of directors, the purchase of 18,149 fractional shares of less than one trading unit.

18. COMMITMENTS AND CONTINGENT LIABILITIES

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Trade notes endorsed	¥63	¥59	*$528*

19. NET INCOME PER SHARE

Amounts per share at March 31, 2015 and 2014 and were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2015	2014	*2015*
Net assets	¥675.81	¥779.38	*$5.62*
Net income	(155.44)	19.55	*(1.29)*
Cash dividends applicable to the year	2.00	9.00	*0.02*

Diluted net income per share for the years ended March 31, 2015 and 2014 has not been disclosed because no potential for dilution exited at March 31, 2015 and 2014. Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end. Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years.

20. FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2015 and 2014, and the differences between the two were as follows. It should be noted that financial instruments for which it is considered extremely difficult to assets fair values are not included in the following table.

	March 31, 2015					
	(Millions of yen)			*(Thousands of U.S. dollars)*		
	Amounts on consolidated balance sheet	Fair Value	Difference	*Amounts on consolidated balance sheet*	*Fair Value*	*Difference*
(1)Cash and cash equivalent	¥15,148	¥15,148	-	*$126,051*	*$126,051*	-
(2)Trade notes and accounts receivable	7,231	7,231	-	*60,176*	*60,176*	-
(3)Investment securities	1,927	1,927	-	*16,037*	*16,037*	-
Assets total	24,306	24,306	-	*202,264*	*202,264*	-
(1)Trade notes and accounts payable	2,655	2,655	-	*22,097*	*22,097*	-
(2)Short-term borrowings	3,825	3,825	-	*31,830*	*31,830*	-
(3) Accounts payable	1,075	1,075	-	*8,949*	*8,949*	-
(4)Long-term debt	12,805	12,780	(25)	*106,555*	*106,346*	*(209)*
Liabilities total	20,361	20,335	(25)	*169,431*	*169,222*	*(209)*
Derivative transactions(*)	(55)	(55)	-	*(456)*	*(456)*	-

	March 31, 2014		
	(Millions of yen)		
	Amounts on consolidated balance sheet	Fair Value	Difference
(1)Cash and cash equivalent	¥13,904	¥13,904	-
(2)Trade notes and accounts receivable	7,585	7,585	-
(3)Investment securities	1,505	1,505	-
Assets total	22,994	22,994	-
(1)Trade notes and accounts payable	3,108	3,108	-
(2)Short-term borrowings	3,329	3,329	-
(3) Accounts payable	1,016	1,016	-
(4)Long-term debt	9,851	9,850	(1)
Liabilities total	17,304	17,303	(1)
Derivative transactions(*)	(6)	(6)	-

*Derivative assets and (liabilities) are on a net basis.

Assets

(1) Cash and cash equivalents and (2) Trade notes and accounts receivable

All of these are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above. Additionally, foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(3) Investment securities

The fair value of equity securities equals quoted market price, if available.

Information on securities by category is described in Note 9.

Liabilities

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Accounts payable

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(4) Long-term debt

The fair value of accounts payable and long-term borrowings are based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rate for long-term borrowings is hedged by interest rate swap contract and accounted for as debt with interest rate. The fair value of long-term borrowings with variable interest is reasonably based on the present value of the total of principal, interest and net cash flow of interest rate swap contract discounted by reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

21. DERIVATIVE TRANSACTIONS

1. Derivative transactions that do not adopt hedge accounting

(1) Currency-related derivatives

	(Millions of yen)			
	March 31, 2015			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥833	-	¥888	¥(55)
Total	¥833	-	¥888	¥(55)

	(Thousands of U.S. dollars)			
	March 31, 2015			
	Contract amounts			
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*Realized gain (losses)*
Forward foreign exchange contracts:				
Selling US dollar	*$6,929*	-	*$7,385*	*$(456)*
Total	*$6,929*	-	*$7,385*	*$(456)*

	(Millions of yen)			
	March 31, 2014			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥401	-	¥407	¥(6)
Total	¥401	-	¥407	¥(6)

Fair value is based on information provided by financial institutions at the end of the fiscal year.

2. Derivative transactions that adopt hedge accounting

(1) Currency-related derivatives

			(Millions of yen)		
			March 31, 2015		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Allocation method for forward foreign exchange contract	Selling US dollar	Account receivable	¥843	¥-	*2
Total			¥843	¥-	

			(Millions of yen)		
			March 31, 2014		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Allocation method for forward foreign exchange contract	Selling US dollar	Account receivable	¥-	¥-	
Total			¥-	¥-	

*Foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(2) Interest rate-related derivatives

			(Millions of yen)		
			March 31, 2015		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥-	¥-	
Total			¥-	¥-	

			(Thousands of U.S. dollars)		
			March 31, 2015		
			Contract amounts		
Hedge accounting method	*Type*	*Main hedge item*	*Total*	*Due after one year*	*Fair values*
Interest rate swaps	*Receive variable/ Pay fixed*	*Long-term debt*	*$-*	*$-*	
Total			*$-*	*$-*	

			(Millions of yen)		
			March 31, 2014		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥125	¥-	*2
Total			¥125	¥-	

*1. Fair value is based on information provided by financial institutions at the end of the fiscal year.

*2. Since these interest rate swaps that are subject to special treatment accounted for with long-term debt, which are hedged items, their fair value is included in the fair value of said long-term debt.

22. SEGMENT INFORMATION

(1) Overview of reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purpose of determining the allocation of resources and evaluating performance.

The Company undertakes production and sales activities in the quartz crystal. Within Japan, these operations are mainly handled by the Company. Overseas, operations are handled by DAISHINKU (AMERICA) CORP. in America, DAISHINKU (DEUTSULAND) GmbH in Europe, DAISHINKU (HK) LTD. and TIANJIN KDS CORP. in China, HARMONY ELECTRONICS CORP. and its subsidiaries in Taiwan, and DAISHINKU (SINGAPORE) PTE. LTD., DAISHINKU (THAILAND) Co., Ltd. and PT. KDS INDONESIA in Asia. These affiliates each operate as autonomous business units, forming comprehensive strategies in each region and developing business activities for the products and services they undertake.

Accordingly, the Company's basic production and sales structure comprises the six regional reportable segments of Japan, North America, Europe, China, Taiwan, and Asia.

(2) Calculation methods for net sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting methods by reportable business segment herein are almost the same as the description of the "summary of significant accounting policies (Note 2)". Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

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

(Millions of yen)

		Japan		North-America		Europe		China		Taiwan		Asia		Total		Adjustment		Consolidated amount
Year ended March 31,2015																		
Sales:																		
Sales to outside customers	¥	6,619	¥	1,906	¥	2,466	¥	9,544	¥	7,532	¥	3,010	¥	31,077	¥	-	¥	31,077
Inter-segment sales		17,454		17		9		3,396		2,758		5,327		28,961		(28,961)		-
Total		24,073		1,923		2,475		12,940		10,290		8,337		60,038		(28,961)		31,077
Segment profit	¥	(1,823)	¥	14	¥	82	¥	(991)	¥	507	¥	(290)	¥	(2,501)	¥	215	¥	(2,286)
Segment assets		33,319		900		804		8,444		15,666		6,311		65,444		(8,523)		56,921
Others:																		
Depreciation		1,183		4		1		382		893		815		3,278		-		3,278
Impairment loss		2,278		-		-		1,186		72		384		3,920		-		3,920
Increase in tangible and Intangible fixed assets		1,539		2		5		164		1,044		808		3,562		(2)		3,560

(Thousands of U.S. dollars)

		Japan		*North-America*		*Europe*		*China*		*Taiwan*		*Asia*		*Total*		*Adjustment*		*Consolidated amount*
Year ended March 31,2015																		
Sales:																		
Sales to outside customers	$	*55,081*	$	*15,860*	$	*20,525*	$	*79,418*	$	*62,673*	$	*25,048*	$	*258,605*	$	-	$	*258,605*
Inter-segment sales		*145,248*		*145*		*71*		*28,263*		*22,952*		*44,327*		*241,006*		*(241,006)*		-
Total		*200,329*		*16,005*		*20,596*		*107,681*		*85,625*		*69,375*		*499,611*		*(241,006)*		*258,605*
Segment profit	$	*(15,170)*	$	*118*	$	*678*	$	*(8,246)*	$	*4,221*	$	*(2,413)*	$	*(20,812)*	$	*1,783*	$	*(19,030)*
Segment assets		*277,264*		*7,492*		*6,692*		*70,263*		*130,370*		*52,519*		*544,600*		*(70,928)*		*473,672*
Others:																		
Depreciation		*9,844*		*32*		*9*		*3,176*		*7,436*		*6,783*		*27,280*		-		*27,280*
Impairment loss		*18,955*		-		-		*9,873*		*596*		*3,198*		*32,622*		-		*32,622*
Increase in tangible and Intangible fixed assets		*12,809*		*13*		*45*		*1,363*		*8,685*		*6,725*		*29,640*		*(19)*		*29,621*

(Millions of yen)

		Japan		North-America		Europe		China		Taiwan		Asia		Total		Adjustment		Consolidated amount
Year ended March 31,2014																		
Sales:																		
Sales to outside customers	¥	9,462	¥	2,135	¥	2,107	¥	9,566	¥	8,452	¥	2,066	¥	33,788	¥	-	¥	33,788
Inter-segment sales		15,530		18		4		4,853		1,756		4,874		27,035		(27,035)		-
Total		24,992		2,153		2,111		14,419		10,208		6,940		60,823		(27,035)		33,788
Segment profit (loss)	¥	53	¥	61	¥	10	¥	138	¥	444	¥	37	¥	743	¥	42	¥	785
Segment assets		34,537		767		800		9,327		13,480		6,066		64,977		(7,385)		57,592
Others:																		
Depreciation		1,165		2		1		536		886		624		3,214		-		3,214
Impairment loss		1		-		-		-		-		-		1		-		1
Increase in tangible and Intangible fixed assets		1,434		5		1		62		344		990		2,836		(6)		2,830

Note: 1. (1) Adjustments on segment profit (loss) are eliminations of transactions in intersegment transactions, amortization of goodwill, and other adjustments.

(2) Adjustments on segment assets are eliminations of receivables and payables in intersegment debtors and creditors, and other adjustments.

(3) Adjustment on depreciation is eliminations of transactions in intersegment transactions.

2. Segment profit (loss) is reconciled to operating income on the consolidated statements of income.

3. Major countries and regions located in areas outside of Japan, China and Taiwan are as follows:

(1) North-America: The United States

(2) Europe: Germany

(3) Asia: Indonesia, Singapore, Thailand

Amortization of goodwill presented in the above table is included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2015 and 2014.

(Related information)

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the Consolidated Statements of Income. The Company, therefore, has not provided information by product and service.

(2) Information by region

a. Sales

	Millions of Yen		*Thousands of U.S. dollars*
Nets sales	2015	2014	*2015*
Japan	¥ 4,719	¥ 6,535	$ *39,271*
North-America	2,133	2,135	*17,749*
Europe	2,447	2,107	*20,363*
China	9,547	9,659	*79,442*
Taiwan	6,936	8,448	*57,717*
Asia	5,295	4,904	*44,063*
Total	¥ 31,077	¥ 33,788	$ *258,605*

Note: Net sales are classified by country and region based on customer location.

b. Tangible assets

	Millions of Yen		*Thousands of U.S. dollars*
	2015	2014	*2015*
Japan	¥ 10,007	¥ 12,278	$ *83,275*
North-America	64	56	*538*
Europe	5	2	*38*
China	1,729	2,793	*14,387*
Taiwan	6,510	5,631	*54,172*
Asia	2,156	2,421	*17,942*
Total	¥ 20,471	¥ 23,181	$ *170,352*

(Loss on impairment of fixed assets by each reportable segment)

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	*2015*
Japan	¥ 2,278	¥ 1	*$ 18,955*
North-America	-	-	-
Europe	-	-	-
China	1,186	-	*9,873*
Taiwan	72	-	*596*
Asia	384	-	*3,198*
Total	¥ 3,920	¥ 1	*$ 32,622*

(Amortization and remaining balance of goodwill by each reportable segment)

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2015									
Amortization	¥ -	-	-	-	-	-	-	¥ 16	¥ 16
Remaining balance	-	-	-	-	-	-	-	¥ 8	¥ 8

(Thousands of U.S. dollars)

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2015									
Amortization	*$ -*	-	-	-	-	-	-	*$ 131*	*$ 131*
Remaining balance	-	-	-	-	-	-	-	*$ 70*	*$ 70*

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2014									
Amortization	¥ -	-	-	-	-	-	-	¥ 33	¥ 33
Remaining balance	-	-	-	-	-	-	-	¥ 22	¥ 22

(Negative goodwill by each reportable segment)

As there is no negative goodwill, the disclosure of information on negative goodwill has been omitted.

23. SUBSEQUENT EVENTS

(Reduction of capital legal reserve, and appropriation of surplus)

The Company passed the resolution at its board of directors meeting held on May 15, 2015 to submit the proposal on reduction of capital legal reserve and appropriation of surplus to the ordinary general meeting of shareholders held on June 26, 2015, and the resolution was approved by the ordinary general meeting of shareholders.

1. Purposes of reduction of capital legal reserve and appropriation of surplus

To eliminate the deficit and protect the flexibility and agility of future capital policy, pursuant to the provisions of Article 452 of the Companies Act, the Company shall transfer the amount of other capital surplus to retained earnings carried forward.

2. Method and procedure of reduction of capital legal reserve and appropriation of surplus

(1) Reduction of amounts of capital legal reserve

Other capital legal reserve	¥ 5,254,710,601 ($ 43,727,308)

(2) Appropriation of surplus

Retained earnings	¥ 5,254,710,601 ($ 43,727,308)

3. Schedules

(1) May 15, 2015	Resolution of the board of directors meeting
(2) June 26, 2015	Resolution of the ordinary general meeting of shareholders
(3) June 26, 2015	Effective date

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
DAISHINKU Corporation.

We have audited the accompanying consolidated financial statements of DAISHINKU Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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, we consider 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 objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DAISHINKU Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Grant Thornton Taiyo LLC

Osaka,Japan
June 29,2015

Member of Grant Thornton International Ltd