

Notes to Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was 103 yen to 1 U.S. dollar. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation Policies

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation require the control or influence concept for the consolidation scope of subsidiaries and equity-method affiliates. As of March 31, 2014 and 2013, the numbers of consolidated subsidiaries were 33 and 34, respectively. The number of equity-method affiliate is 1, unchanged during the current 2 fiscal years. Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

Bifrostec Inc. was eliminated from the scope of consolidation due to allocation of new shares to a third party in the fiscal year ended March 31, 2014. The exclusion of Bifrostec Inc. would not have a material effect on the total consolidated amount of net income and retained earnings as well as on the overall consolidated financial statements.

The Company sold investment securities in Tsukiyono Denshi Co., Ltd., which was a subsidiary of the Company, in the fiscal year ended March 31, 2013.

TAIYO YUDEN Mobile Technology Products Co., Ltd., which was a sub-subsidiary of the Company, was merged into TAIYO YUDEN Mobile Technology Co., Ltd., which is a subsidiary of the Company, in the fiscal year ended March 31, 2013.

The difference between cost of the Company's investment securities in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill acquired before March 2010") is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method. Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

(3) Foreign Currency Transactions

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net gains (losses) are shown as "Gain on foreign exchange" in the accompanying consolidated statements of income.

(4) Foreign Currency Financial Statements

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate fiscal year-end current rates while net assets accounts are translated at historical rates. Revenue and expense items are translated at the average rates during the fiscal year. The resulting translation differences are shown as "Foreign currency translation adjustments" in net assets at March 31, 2014 and 2013 in the accompanying consolidated balance sheets.

(5) Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

(i) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

(ii) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have fair value, are reported at fair value with unrealized gains, net of applicable taxes.

Available-for-sale securities, which do not have fair value, are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

(6) Inventories

Inventories are stated primarily at cost, determined by the average method for merchandise, finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(7) Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired on and after April 1, 1998. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally computed by straight-line method.

(8) Leased Assets

(i) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.

(ii) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases.

(9) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

(10) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees at certain consolidated subsidiaries are provided at the amount incurred during the fiscal year, which is based on the estimated present value of the defined benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain consolidated subsidiaries provide allowance for accrued pension and severance costs.

(11) Accrued Retirement Benefits for Directors and Corporate Auditors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors and corporate auditors. The accrued retirement benefits for directors and corporate auditors are provided at the amount which would be required based on their internal regulations if all directors and corporate auditors retired at the balance sheet date.

(12) Accrued Bonuses for Employees

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

(13) Accrued Bonuses for Directors

Accrued bonuses to directors are provided by the estimated amounts, which are obligated to pay to directors after the fiscal year-end, based on services provided during the current period.

(14) Income Taxes

The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets if it is not probable that deferred tax assets will be realized in the future.

The Company and certain domestic subsidiaries have adopted a consolidated tax return system from the year ended March 31, 2013.

(15) Research and Development Costs

Expenditures by the Company and certain subsidiaries for development of specified new products are charged to income as incurred and were 7,353 million yen (71,392 thousand dollar) and 6,840 million yen for the years ended March 31, 2014 and 2013, respectively.

(16) Derivative and Hedging Activities

Companies are required to state derivative instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.

The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The derivative transactions are executed and managed by the finance and accounting department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(17) Per Share Information

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Basic earnings per share for the years ended March 31, 2014 and 2013 are computed in accordance with Japanese accounting standards.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights. Diluted earnings per share for the years ended March 31, 2014 and 2013 are computed in accordance with Japanese accounting standards.

Cash dividends per share consist of interim and year-end dividends and are accounted for in the year they are declared rather than in the year in which they are actually paid.

(18) Certain Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation of the current year. These reclassifications have no significant impact on previously reported results of operations or retained earnings.

(Consolidated Balance Sheets)

Previously, "Lease liabilities" in long-term liabilities of consolidated balance sheet were stated separately as of March 31, 2013. However, the Company has changed its method of presentation to include in "Other" in long-term liabilities as it is immaterial from this fiscal year. The consolidated financial statements for the year ended March 31, 2013 were rearranged in order to reflect this change to presentation.

As a result of the change, 1,011 million yen of "Lease liabilities" was reclassified into 2,014 million yen of "Other" in the consolidated balance sheet as of March 31, 2013.

(Consolidated Statements of Income)

Previously, "Compensation expenses" amounts to 114 million yen were included in "Other" in other income (expenses) of consolidated statement of income for the year ended March 31, 2013. However, the Company has changed its method of presentation to state separately "Compensation expenses" as it is material from this fiscal year. The consolidated financial statements for the year ended March 31, 2013 were rearranged in order to reflect the changes to presentation.

(19) Changes in Accounting Policies

a. Changes in Accounting Policies Due to Changes in Accounting Standards

"Employee Benefits" (International Accounting Standards ("IAS") No. 19 amended on June 16, 2011) became effective from the fiscal year beginning on or after January 1, 2013. Effective from the fiscal year ended March 31, 2014, certain overseas subsidiaries have applied the standard and changed the method in recognizing actuarial differences, prior service costs and net interest on net defined benefit liability. The changes in accounting policies have been applied retroactively.

As a result of this change, income before income taxes and minority interests decreased by 142 million yen for the year ended March 31, 2013. While the cumulative effect on the beginning balance of net assets are immaterial, retained earnings as of March 31, 2013 decreased by 135 million yen. Also, basic EPS and diluted EPS for the year ended March 31, 2013 decreased by 1.13 yen.

b. Application of Accounting Standard for Retirement Benefits and Others

Effective from the end of the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012), and difference between defined benefit obligations and plan assets has been recorded as net defined benefit obligation and unrecognized actuarial differences has also been recorded as net defined benefit obligation.

c. Changes in Depreciation Method

The Company and its consolidated domestic subsidiaries have changed the depreciation method used for property, plant and equipment acquired on or after April 1, 2012 based on revisions made to Japan's Corporation Tax Act.

This change has taken effect beginning with previous fiscal year.

This change resulted in an increase in operating income of 328 million yen and profit before income taxes and minority interests of 343 million yen for the year ended March 31, 2013.

(20) Unapplied Accounting Standards

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on September 13, 2013)

a. Outline

These accounting standards and guidance for them have been mainly revised accounting treatments currently applied in terms of followings:

- i Change in interest in controlled subsidiary in which a parent keeps continued control such as in a case of acquiring additional interest of the subsidiary.
- ii Accounting treatment of acquisition related cost.
- iii Change in presentation of net income, and change in terminology from minority interest to net income attribute to owners of parents and non-controlling interest
- iv Change in accounting for transitional accounting in business combination

b. Scheduled date of adoption

The Company plans to apply these standards and guidance from the beginning of the fiscal year ending March 31, 2016. However change in accounting for transitional accounting in business combination will be applied from business combination on and after the beginning of the fiscal year ending March 31, 2016.

c. Impact of adoption of these accounting standards and guidance

At the time of preparation of the accompanying the consolidated financial statements, the impact of application of these standards is currently under assessment.

3. FINANCIAL INSTRUMENTS

(1) Qualitative information on financial instruments

a. Group policy for financial instruments

The Companies, which mainly produce and market electronic components, procure short-term operating funds with bank loans, and long-term funds for capital investment, etc. with bank loans and issuance of bonds in accordance with a capital investment plan.

Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Company uses derivatives to hedge risks stated below, and do not intend to use them for speculative purpose.

b. Risk management for financial instruments

Trade notes and accounts receivable which are operating receivables are exposed to consumer credit risk. Therefore, the Companies manage due dates and balance for each customer, and make efforts to early recognize concerns about collectability and reduce its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Companies have business relationship are managed by grasping fair values and financial conditions of issuers on a regular basis.

Payment due dates of most trade notes and accounts payable which are operating payables are within one year.

The Company uses borrowings, bonds and convertible bond with stock acquisition rights mainly for the purpose of procuring funds necessary for capital investment. As long-term loans with floating interest rate are exposed to the risk of interest-rate fluctuations, the Company uses derivative transactions (interest-rate swaps) to hedge the risk.

Operating receivables in foreign currency which arise from the Company's global business development are exposed to the risk of exchange-rate fluctuations. The Company uses forward exchange contracts as hedging instruments for operating receivables in foreign currency to reduce the risk of exchange-rate fluctuations, in principle. The Company also makes forward exchange contracts to hedge risks from operating receivables in foreign currency which are surely brought about by forecasted transactions related to exports. The Company makes derivatives transactions only with high-rated financial institutions.

In accordance with the internal risk management regulations providing for trading authority, the ceiling and other matters, the finance and accounting department executes derivative transactions, and manage them by recording details of transactions and checking balances with counterparties.

A manager of finance and accounting department reports monthly results of transactions to a Chief of Headquarters in charge, and he/she reports to the Board of Directors. Consolidated subsidiaries and affiliate do not use derivatives.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

c. Supplemental information on market value of financial instruments

Financial instruments without market quotations are stated at reasonably calculated value. Such value is calculated based on variable factors. Therefore, the value may be changed depending on prerequisites to be adopted.

(2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheets at March 31, 2014 and 2013 are as follows. When it is extremely difficult to measure a fair value of financial instrument, such financial instrument is not included in the table shown below.

	Millions of yen		
	2014		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥59,251	¥59,251	—
(2) Trade notes and accounts receivable	43,013	43,013	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,912	3,912	—
Total assets	¥106,176	¥106,176	—
(4) Trade notes and accounts payable	18,598	18,598	—
(5) Short-term borrowings	10,624	10,624	—
(6) Other accounts payable	6,430	6,430	—
(7) Income taxes payable	1,160	1,160	—
(8) Bonds payable	8,000	8,019	¥19
(9) Convertible bonds with stock acquisition rights (*1)	20,461	21,312	851
(10) Long-term borrowings (*2)	34,335	34,169	(166)
Total liabilities	¥99,608	¥100,312	¥704
(11) Derivative transactions (*3)	¥(7)	¥(7)	—

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥35,357	¥35,357	—
(2) Trade notes and accounts receivable	41,656	41,656	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,303	3,303	—
Total assets	¥80,316	¥80,316	—
(4) Trade notes and accounts payable	17,950	17,950	—
(5) Short-term borrowings	20,242	20,242	—
(6) Other accounts payable	8,713	8,713	—
(7) Income taxes payable	1,049	1,049	—
(8) Bonds payable	8,000	8,030	¥30
(9) Convertible bonds with stock acquisition rights	365	362	(3)
(10) Long-term borrowings (*2)	34,264	34,129	(135)
Total liabilities	¥90,583	¥90,475	¥(108)
(11) Derivative transactions (*3)	¥(559)	¥(559)	—

	Thousands of U.S. dollars		
	2014		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	\$575,251	\$575,251	—
(2) Trade notes and accounts receivable	417,600	417,600	—
(3) Investment securities:			
1) Held-to-maturity debt securities	4	4	—
2) Available-for-sale securities	37,978	37,978	—
Total assets	\$1,030,833	\$1,030,833	—
(4) Trade notes and accounts payable	180,562	180,562	—
(5) Short-term borrowings	103,144	103,144	—
(6) Other accounts payable	62,431	62,431	—
(7) Income taxes payable	11,258	11,258	—
(8) Bonds payable	77,670	77,856	\$186
(9) Convertible bonds with stock acquisition rights (*1)	198,655	206,916	8,261
(10) Long-term borrowings (*2)	333,343	331,732	(1,611)
Total liabilities	\$967,063	\$973,899	\$6,836
(11) Derivative transactions (*3)	\$(66)	\$(66)	—

(*1) Convertible bonds with stock acquisition rights at March 31, 2014 includes current portion.

(*2) Long-term borrowings includes current portion.

(*3) Derivatives transactions are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

Note 1: Measurement methods for fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

- (1) Cash, cash equivalents and time deposits and (2) Trade notes and accounts receivable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

- (3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price offered by correspondent financial institutions.

Liabilities:

- (4) Trade notes and accounts payable, (5) Short-term borrowings, (6) Other accounts payable and

- (7) Income taxes payable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

- (8) Bonds payable and (9) Convertible bonds with stock acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

- (10) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made. Long-term borrowings with floating interest rates are subject to the preferential accounting method for interest-rate swaps. Their fair values are calculated by discounting the total amount of principal and interest treated together with relevant interest-rate swaps at the estimated interest rate if similar borrowings were newly made.

- (11) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by financial institutions.

As derivative transactions subject to the preferential accounting method for interest-rate swaps are treated together with hedged long-term borrowings, their fair values are included in the fair values of relevant long-term borrowings.

Note 2: Financial instruments of which fair value is extremely difficult to be identified

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
	Book value	Book value	2014
			Book value
Available-for-sale securities:			
Unlisted equity securities	¥12	¥135	\$111
Investments in affiliate	574	546	5,574
Equities of limited liability partnerships for investment business and of other similar partnerships	362	375	3,514

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered very difficult to identify their fair value, they are not included in "Assets (3) 2) Available-for-sale securities."

Note 3: Planned redemption amounts after March 31, 2014 and 2013 for monetary assets and investment securities

	Millions of yen	
	2014	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥59,171	-
Trade notes and accounts receivable	43,013	-
Investment securities		
Held-to-maturity debt securities	0	¥0

	Millions of yen	
	2013	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥35,317	-
Trade notes and accounts receivable	41,656	-
Investment securities		
Held-to-maturity debt securities	0	¥0

	Thousands of U.S. dollars	
	2014	
	Within 1 year	Over 1 year and
Cash, cash equivalents and time deposits	\$574,477	-
Trade notes and accounts receivable	417,600	-
Investment securities		
Held-to-maturity debt securities	1	\$2

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities

Millions of Yen			
2014			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	¥0	¥0	-
Subtotal	¥0	¥0	-
Total	¥0	¥0	-

Millions of Yen			
2013			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	¥0	¥0	-
Subtotal	¥0	¥0	-
Total	¥0	¥0	-

Thousands of U.S. Dollars			
2014			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	\$4	\$4	-
Subtotal	\$4	\$4	-
Total	\$4	\$4	-

(2) Available-for-sale securities

Millions of Yen			
2014			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,622	¥2,355	¥1,267
Corporate bonds	-	-	-
Other	53	42	11
Subtotal	¥3,675	¥2,397	¥1,278
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥237	¥269	¥(32)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	¥237	¥269	¥(32)
Total	¥3,912	¥2,666	¥1,246
Millions of Yen			
2013			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,103	¥2,413	¥690
Corporate bonds	-	-	-
Other	45	42	3
Subtotal	¥3,148	¥2,455	¥693
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥155	¥165	¥(10)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	¥155	¥165	¥(10)
Total	¥3,303	¥2,620	¥683
Thousands of U.S. Dollars			
2014			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	\$35,161	\$22,860	\$12,301
Corporate bonds	-	-	-
Other	518	411	107
Subtotal	\$35,679	\$23,271	\$12,408
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	\$2,299	\$2,614	\$(315)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	\$2,299	\$2,614	\$(315)
Total	\$37,978	\$25,885	\$12,093

(3) Impaired securities

For the years ended March 31, 2014 and 2013, the Company recorded an impairment loss of 135 million yen (1,306 thousand dollar) and 427 million yen on "Available-for-sale securities" (135 million yen (1,306 thousand dollar) and 427 million yen on other marketable securities), respectively.

The Company posts the entire amount of impairment loss on all securities whose fair value at the end of the fiscal year is less than 50% of the acquisition cost.

For securities whose fair value at the end of the fiscal year decreases by 30 to 50% from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the impact and recoverability of the amount.

5. INDEBTEDNESS

Short-term borrowing at March 31, 2014 and 2013 principally consist of borrowings from banks at average annual rates of approximately 0.71% and 0.83%, respectively.

Long-term debts at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Long-term borrowings from banks and other financial institutions			
Due within one year, weighted average interest rate 1.12% at March 31, 2014, and 1.25% at March 31, 2013	¥12,473	¥4,899	\$121,092
Due after one year, weighted average interest rate 0.86% at March 31, 2014, and 0.98% at March 31, 2013	21,862	29,365	212,251
Euro Yen zero coupon convertible bonds due 2014			
Due within one year	365	-	3,544
Due after one year	-	365	-
Euro Yen zero coupon convertible bonds due 2021			
Due within one year	-	-	-
Due after one year	20,096	-	195,111
Bonds payable			
Due within one year	8,000	-	77,670
Due after one year	-	8,000	-
Lease liabilities			
Due within one year			
Lease that deem to transfer ownership to lessee	-	351	-
Lease that do not transfer ownership to lessee	303	311	2,949
Due after one year			
Lease that deem to transfer ownership to lessee	-	-	-
Lease that do not transfer ownership to lessee	736	1,011	7,144
Total	63,835	44,302	619,761
Less current portion	(21,141)	(5,561)	(205,255)
Long-term debts, less current portion	¥42,694	¥38,741	\$414,506

The average interest rate per annum for lease that do not transfer ownership to lessee is not presented since lease liabilities are stated at the amounts before deducting interest portion which is included in total lease liabilities.

The conversion price per share of Euro Yen zero coupon convertible bonds due 2014 for the years ended March 31, 2014 and 2013 was 3,746 yen (36.37 dollar) - fixed price.

The conversion price per share of Euro Yen zero coupon convertible bonds due 2021 for the years ended March 31, 2014 was 2,069 yen (20.09 dollar) - fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2014 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥20,838	\$202,306
2016	5,272	51,185
2017	5,772	56,035
2018	10,646	103,365
2019	21	206
2020 and thereafter	20,247	196,571
Total	¥62,796	\$609,668

The annual maturities of lease liabilities as of March 31, 2014 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥303	\$2,949
2016	303	2,939
2017	251	2,437
2018	142	1,377
2019	28	271
2020 and thereafter	12	120
Total	¥1,039	\$10,093

6. RETIREMENT BENEFITS

Outline of retirement benefit plans

The Company and certain domestic subsidiaries have defined contribution pension plans, prepaid retirement plans. Certain overseas subsidiaries mainly adopted lump-sum retirement benefit plans.

Overseas subsidiaries have applied International Financial Reporting Standards ("IFRS"). "Employee Benefits" ("IAS" No. 19 amended on June 16, 2011) became effective from the fiscal year beginning on and after January 1, 2013. Effective from the fiscal year ended March 31, 2014, certain overseas subsidiaries have adopted the standard. The changes in accounting policies have been applied from the year ended March 31, 2014, and they have been applied retroactively to the financial statements for the year ended March 31, 2013.

For the year ended March 31, 2014

a. Defined benefit pension plans

(1) The reconciliation of defined benefit obligation for the year ended March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Defined benefit obligation at beginning of year	¥2,323	\$22,556
Service costs	610	5,916
Interest cost	76	741
Actuarial (gain) loss	22	211
Benefits paid	(466)	(4,522)
Other	576	5,596
Defined benefit obligation at end of year	<u>¥3,141</u>	<u>\$30,498</u>

Retirement benefit costs incurred by the domestic consolidated subsidiaries that applied the simplification method or benefit formula were recorded as service cost.

(2) The reconciliation of plan assets for the year ended March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Fair value of plan assets at beginning of year	¥978	\$9,495
Interest income	37	361
Actuarial gain (loss)	11	105
Employer's contribution	101	981
Benefits paid	(244)	(2,370)
Other	333	3,234
Fair value of plan assets at end of year	<u>¥1,216</u>	<u>\$11,806</u>

(3) Reconciliation between the balances of defined benefits obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets as of March 31, 2014 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefits obligation	¥1,552	\$15,069
Plan assets	<u>(1,216)</u>	<u>(11,806)</u>
	336	3,263
Unfunded defined benefits obligation	1,589	15,429
Total net liability (asset) for retirement benefit	<u>¥1,925</u>	<u>\$18,692</u>
Net defined benefit liability	¥1,936	\$18,801
Net defined benefit asset	<u>(11)</u>	<u>(109)</u>
Total net liability (asset) for retirement benefit	<u>¥1,925</u>	<u>\$18,692</u>

(4) Components of retirement benefit costs for the year ended March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Service costs	¥610	\$5,916
Net interest	39	380
Amortization of actuarial differences	9	90
Total retirement benefit cost for the fiscal year	<u>¥658</u>	<u>\$6,386</u>

The company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18).

Accordingly, the total amounts of actuarial differences have been amortized by a certain period of fixed years within average expected future service years.

(5) Adjustment in defined benefit obligation of overseas subsidiaries, excluding the income tax effect accounting, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Actuarial differences	¥2	\$21

(6) Accumulated amount of adjustment in defined benefit obligation of overseas subsidiaries, excluding the income tax effect was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2014</u>	<u>2014</u>
Unrecognized actuarial differences	¥(57)	\$(549)

(7) Plan assets

(i) The proportion of plan assets as of March 31, 2014 was as follows:

	<u>2014</u>
Debt securities	77 %
Cash and deposit with bank	20
Other	3
Total	<u>100 %</u>

99% of plan assets is retirement benefit trusts established for corporate pension plans.

(ii) Rates of expected return

The rates of expected return are not set since the overseas subsidiaries applied the IAS No. 19.

(8) Actuarial assumptions

	<u>2014</u>
Discount rates (overseas subsidiaries)	2.80 - 5.01 %

b. Defined contribution pension plans

The required contribution amount to the defined contribution pension plans by the Companies was 1,197 million yen (11,621 thousand dollar).

For the year ended March 31, 2013

(1) The liability (asset) for retirement benefit plans for the year ended March 31, 2013 was as follows:

	Millions of Yen
	<u>2013</u>
Defined benefits obligation	¥2,323
Fair value of pension assets	978
Net liability for severance and retirement benefits	<u>1,345</u>
Prepaid pension costs	130
Accrued retirement benefits for employees	<u>¥1,475</u>

(2) Retirement benefit costs for the year ended March 31, 2013 were as follows:

	Millions of Yen
	<u>2013</u>
Service costs	¥434
Net interest	62
Amortization of actuarial differences	(7)
Prior service costs	151
Other	1,184
Net periodic benefit costs	<u>¥1,824</u>

Retirement benefit costs incurred by the domestic consolidated subsidiaries that applied the simplification method or benefit formula were recorded as service cost.

The company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18).

Accordingly, the total amounts of actuarial differences have been amortized by a certain period of fixed years within average expected future service years.

"Other" for the year ended March 31, 2013 mainly includes contribution to defined contribution pension plans.

The discount rates of overseas companies were from 3.67% to 4.00% for the year ended March 31, 2013.

The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated to each service year using the benefit formula or equally using the estimated number of total service years.

7. NET ASSETS

Under the Companies Act of Japan ("the Act"), in cases where dividend distribution of surplus is made, the lesser 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. Additional paid-in capital and legal earnings reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

8. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2014 and 2013 were comprised of (1) a corporation tax at the rate of 28% on taxable income, (2) enterprise tax of approximately 7% on taxable income and (3) prefectural and residence taxes of approximately 19% of the amount of the corporation tax. Enterprise tax is deductible for income tax purposes when paid.

Income taxes of foreign subsidiaries are generally based on tax rates applicable in the country of incorporation.

Significant components of the deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets			
Inventories	¥487	¥346	\$4,724
Accrued expenses	290	289	2,811
Retirement benefits	2,339	2,747	22,712
Net defined benefit liability	483	-	4,692
Enterprise tax payables	95	57	927
Accrued bonuses	927	1,052	8,996
Investment securities	319	430	3,094
Excess depreciation	1,577	1,743	15,307
Lump-sum depreciable assets	116	202	1,129
Allowance for doubtful receivables	181	150	1,762
Unused tax loss carry-forward	19,206	19,171	186,467
Other	1,698	1,918	16,484
Offset	(145)	(268)	(1,404)
Subtotal	27,573	27,837	267,701
Valuation allowance	(26,207)	(26,397)	(254,435)
Total deferred tax assets	¥1,366	¥1,440	\$13,266
Deferred tax liabilities			
Undistributed earnings of foreign subsidiaries	¥2,942	¥2,426	\$28,557
Inventories	660	632	6,412
Reserves	874	890	8,487
Unrealized holding gains on investment securities	291	143	2,828
Other	1,218	1,253	12,562
Offset	(145)	(268)	(2,145)
Total deferred tax liabilities	¥5,840	¥5,076	\$56,701

Main items of the reconciliations of the normal income tax rate to the effective income tax rates are as follows:

	2014	2013
Statutory tax rate	37.8 %	37.8 %
(Reconciliations)		
Differences in statutory tax rates of foreign subsidiaries	(15.7)	(35.7)
Undistributed earnings of foreign subsidiaries	5.1	14.1
Valuation allowance	1.3	17.4
Foreign tax	0.6	3.6
Unrealized profit included in inventories	(1.3)	9.8
Amortization of goodwill	2.2	5.6
Decrease of deferred tax assets due to income tax rates change	0.3	-
Others - net	1.0	(0.9)
Effective income tax rate	31.3 %	51.7 %

The "Act on Partial Revision of the Income Tax Act" (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special reconstruction surtax will no longer be imposed from the fiscal year beginning on or after April 1, 2014. Accordingly, the effective statutory tax rate utilized for the measurement of deferred tax assets and deferred tax liabilities for the current fiscal year was changed from 37.8% in the previous fiscal year to 35.4% in connection with temporary differences expected to be settled or realized in the fiscal years beginning on or after April, 2014.

As a result, deferred tax assets, net of deferred tax liabilities as of March 31, 2014, decreased by 26 million yen (252 thousand dollar) and income taxes - deferred for the year ended March 31, 2014 increased by the same amount.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (liabilities) and net payment for the sales of investments excluded from consolidation is as follows:

March 31, 2013

Tsukiyono Denshi Co., Ltd.	Millions of Yen
Current assets	¥62
Non-current assets	0
Current liabilities	(48)
Loss on sales of investments	(4)
Sales price of investments	10
Cash and cash equivalents of alienated company	(54)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	¥(44)

10. LEASE TRANSACTIONS

(1) Finance Lease

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2014 and 2013 are not shown as they are immaterial.

(2) Operating Lease

The amounts of noncancellable future lease payments as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Future lease payments			
Within one year	¥278	¥284	\$2,693
Over one year	339	251	3,295
Total	¥617	¥535	\$5,988

11. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The Companies categorize their business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan or low profitability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss on property, plant and equipment.

For the years ended March 31, 2014 and 2013, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2014

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Machinery and Equipment,	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Yawatabara, Gunma Others	¥622	\$6,044

For the year ended March 31, 2013

Classification	Description	Location	Millions of Yen
Machinery and Equipment,	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Minakami, Gunma Others	¥346

12. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
As guarantor of bank loans and indebtedness	¥1	¥3	\$13

13. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2014 and 2013 are summarized as follows. Fair value is computed based on quotes and others by financial institutions and others.

(1) Derivative transactions for which hedge accounting is not applied

	Millions of Yen			
	2014			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥12,874	-	¥15	¥15
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,532	-	¥11	¥11

	Millions of Yen			
	2013			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥12,091	-	¥(597)	¥(597)
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,865	-	¥15	¥15

	Thousands of U.S. Dollars			
	2014			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	\$124,989	-	\$142	\$142
Foreign exchange forward contracts: Buying: U.S. Dollar	\$14,878	-	\$103	\$103

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2014		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:	Future transaction			
Selling: U.S. Dollar		¥6,130	-	¥(41)
Foreign exchange forward contracts:	Future transaction			
Buying: U.S. Dollar		¥1,534	-	¥9
Interest-rate swaps:	Long-term borrowings			
Fixed interest payment and floating interest receipt		¥17,550	¥6,750	-

		Millions of Yen		
		2013		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:	Future transaction			
Selling: U.S. Dollar		¥5,207	-	¥40
Foreign exchange forward contracts:	Future transaction			
Buying: U.S. Dollar		¥1,896	-	¥(16)
Interest-rate swaps:	Long-term borrowings			
Fixed interest payment and floating interest receipt		¥18,550	¥17,050	-

		Thousands of U.S. Dollars		
		2014		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:	Future transaction			
Selling: U.S. Dollar		\$59,516	-	\$(394)
Foreign exchange forward contracts:	Future transaction			
Buying: U.S. Dollar		\$14,895	-	\$83
Interest-rate swaps:	Long-term borrowings			
Fixed interest payment and floating interest receipt		\$170,388	\$65,534	-

For the specific treatment of interest-rate swaps, because they are account for in combination with the hedged long-term borrowings, their fair value is included in the fair value of the long-term borrowings.

14. STOCK OPTION PLAN

The Company grants stock options to its directors in line with resolutions of the board of directors meetings.

Expenses for stock options amounting to 62 million yen (602 thousand dollar) and 28 million yen were recognized in selling, general and administrative expenses in 2014 and 2013, respectively.

For the years ended March 31, 2014 and 2013, a standard option pricing model (i.e., Black-Scholes) was used to measure the fair value of stock options granted to its directors.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with risk-free interest rates of 0.16% and 0.71% in 2014, 0.15% in 2013, dividends per share of 10 yen (0.10 dollar) in 2014, 5 yen in 2013, and volatility factor of the expected market value of the Company's common stock of 47.2% and 47.8% in 2014, 54.5% in 2013, determined by weekly historical price for the past 3.3 years, and 8.1 years in 2014, 3.6 years in 2013, which is the same period as expected life of the option.

A summary of the Company's stock options outstanding at March 31, 2014 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007
Number of options	26,000 shares of Common stock	29,000 shares of Common stock	32,000 shares of Common stock	46,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From June 30, 2005 to July 31, 2025	From August 24, 2006 to August 23, 2026	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027
Fair value (per share)	¥ -	¥1,511	¥2,761	¥2,761
Options outstanding at March 31, 2013 (share)	8,000	13,000	17,000	25,000
Granted (share)	-	-	-	-
Exercised (share)	8,000	13,000	11,000	15,000
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2014 (share)	-	-	6,000	10,000
Date of resolution	June 27, 2008	May 25, 2009	June 29, 2010	June 29, 2011
Date of grant	July 14, 2008	June 9, 2009	July 21, 2010	July 14, 2011
Number of options	46,000 shares of Common stock	37,000 shares of Common stock	39,000 shares of Common stock	44,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 15, 2008 to July 14, 2028	From June 10, 2009 to June 9, 2029	From July 22, 2010 to July 21, 2030	From July 14, 2011 to July 13, 2031
Fair value (per share)	¥966	¥947	¥1,013	¥948
Options outstanding at March 31, 2013 (share)	25,000	25,000	30,000	36,000
Granted (share)	-	-	-	-
Exercised (share)	15,000	15,000	16,000	14,000
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2014 (share)	10,000	10,000	14,000	22,000
Date of resolution	April 25, 2012	May 24, 2013	June 27, 2013	
Date of grant	May 11, 2012	June 10, 2013	July 12, 2013	
Number of options	38,000 shares of Common stock	10,000 shares of Common stock	31,000 shares of Common stock	
Exercise price	¥1	¥1	¥1	
Exercise period	From May 11, 2012 to May 10, 2032	From June 10, 2013 to June 9, 2033	From July 12, 2013 to July 11, 2033	
Fair value (per share)	¥739	¥1,625	¥1,476	
Options outstanding at March 31, 2013 (share)	36,000	-	-	
Granted (share)	-	10,000	31,000	
Exercised (share)	13,000	4,000	-	
Forfeited/Expired (share)	-	-	-	
Options outstanding at March 31, 2014 (share)	23,000	6,000	31,000	

15. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥565	¥(41)	\$5,489
Reclassifications and adjustments	-	195	-
Before income tax effects	565	154	5,489
Income tax effects	(147)	(26)	(1,435)
Net unrealized holding gains (losses) on securities	418	128	4,054
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	(167)	(176)	(1,624)
Reclassifications and adjustments	112	190	1,088
Before income tax effects	(55)	14	(536)
Income tax effects	8	(5)	85
Deferred gains (losses) on hedges	(47)	9	(451)
Foreign currency translation adjustments:			
Adjustments arising during the year	6,572	10,291	63,801
Adjustment in defined benefit obligation of overseas subsidiaries:			
Gains (losses) arising during the year	(7)	(99)	(69)
Reclassifications and adjustments	9	(7)	90
Before income tax effects	2	(106)	21
Income tax effects	(24)	15	(236)
Adjustment in defined benefit obligation of overseas subsidiaries	(22)	(91)	(215)
Total other comprehensive income	¥6,921	¥10,337	\$67,189

16. SEGMENT INFORMATION

(1) General information about reportable segments

The Companies' reportable segments are those for which separately financial information is available and regular evaluation by the Company's Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies consist of two segments identified by the nature of the business, including "Electronic Components" and "Optical media and others".

"Electronic Components" consists of "Capacitors," "Ferrite and Applied Products," "Integrated Modules and Devices," and "Other Electronic Components".

"Optical media and others" mainly provides recording-media products and implementation business of subsidiaries.

(2) Basis of measurement about reportable segment income or loss, segment assets and other material items

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

Income by reportable segments is based on operating income. Liabilities are not disclosed because they are not provided to the highest decision-making body periodically.

(3) Changes in accounting policies

As described in Note 2 (19)a, the changes in accounting policies have been applied retroactively and accordingly, segment information for the year ended March 31, 2013 reflects the retroactive adjustment.

As a result of this change, compared with before the retroactive adjustment, segment income for Electronic Components decreased by 142 million yen, and adjustments to segment assets increased by 65 million yen for the year ended March 31, 2013.

(4) Information about reportable segment income or loss, segment assets, segment liabilities and other material items

	Millions of Yen			
	2014			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥186,640	¥21,583	-	¥208,223
Intersegment sales or transfers	-	-	-	-
Total sales	186,640	21,583	-	208,223
Segment income (loss)	¥11,162	¥197	-	¥11,359
Segment assets	¥168,595	¥10,800	¥68,202	¥247,597
Other items:				
Depreciation and amortization	¥20,189	¥562	-	¥20,751
Increase in property, plant and equipment and intangible assets	18,891	235	-	19,126

	Millions of Yen			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥170,926	¥21,978	-	¥192,904
Intersegment sales or transfers	-	-	-	-
Total sales	170,926	21,978	-	192,904
Segment income (loss)	¥5,076	¥(225)	-	¥4,851
Segment assets	¥169,337	¥12,914	¥43,741	¥225,992
Other items:				
Depreciation and amortization	¥18,734	¥1,099	-	¥19,833
Increase in property, plant and equipment and intangible assets	20,475	396	-	20,871

	Thousands of U.S. Dollars			
	2014			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	\$1,812,041	\$209,539	-	\$2,021,580
Intersegment sales or transfers	-	-	-	-
Total sales	<u>1,812,041</u>	<u>209,539</u>	<u>-</u>	<u>2,021,580</u>
Segment income (loss)	<u>\$108,369</u>	<u>\$1,911</u>	<u>-</u>	<u>\$110,280</u>
Segment assets	<u>\$1,636,849</u>	<u>\$104,852</u>	<u>\$662,150</u>	<u>\$2,403,851</u>
Other items:				
Depreciation and amortization	\$196,014	\$5,451	-	\$201,465
Increase in property, plant and equipment and intangible assets	183,412	2,281	-	185,693

(5) Reconciliation of published figures and aggregates of reportable operating segments

Total amounts of Sales, Segment income (loss), Segment assets, and Other items in the reportable segment above match with those in the consolidated financial statements.

(6) Change in depreciation method

Due to the change in depreciation method stated at accompanying Note 2, the operating profit in Electronic Components increased 321 million yen and the operating loss in Optical media and others decreased by 8 million yen for the year ended March 31, 2013.

(7) Transactions by geographical areas

(i) Sales

Millions of Yen				
2014				
Japan	China	South Korea	Other areas	Total
¥36,885	¥70,821	¥20,081	¥80,436	¥208,223

Millions of Yen				
2013				
Japan	China	South Korea	Other areas	Total
¥41,646	¥58,872	¥19,732	¥72,654	¥192,904

Thousands of U.S. dollars				
2014				
Japan	China	South Korea	Other areas	Total
\$358,107	\$687,584	\$194,956	\$780,933	\$2,021,580

(ii) Property, plant and equipment

Millions of Yen				
2014				
Japan	China	Malaysia	Other areas	Total
¥52,732	¥15,913	¥13,183	¥12,569	¥94,397

Millions of Yen				
2013				
Japan	China	Malaysia	Other areas	Total
¥56,928	¥14,962	¥12,824	¥14,061	¥98,775

Thousands of U.S. dollars				
2014				
Japan	China	Malaysia	Other areas	Total
\$511,964	\$154,499	\$127,993	\$122,024	\$916,480

(8) Information about impairment loss on property, plant and equipment by reportable segments

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥122	¥500	-	¥622

Millions of Yen				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥210	¥136	-	¥346

Thousands of U.S. dollars				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	\$1,184	\$4,860	-	\$6,044

(9) Information about amortization and the balance of (negative) goodwill by reportable segments

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	-	-	¥601
Balance	¥601	-	-	¥601
(Negative goodwill)				
Amortization	-	¥10	-	¥10
Balance	-	-	-	-

Millions of Yen				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	-	-	¥601
Balance	¥1,201	-	-	¥1,201
(Negative goodwill)				
Amortization	-	¥21	-	¥21
Balance	-	¥10	-	¥10

Thousands of U.S. dollars				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	\$5,831	-	-	\$5,831
Balance	\$5,831	-	-	\$5,831
(Negative goodwill)				
Amortization	-	\$101	-	\$101
Balance	-	-	-	-

17. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the years ended March 31, 2014 and 2013 were as follows:

For the year ended March 31, 2014

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net	Weighted		
	Earnings	Average Shares	EPS	
Basic EPS				
Earnings allocated to common shareholders	¥6,990	117,711	¥59.38	\$0.58
Effect of dilutive securities				
Convertible bonds	-	-	-	-
Convertible bonds with stock acquisition rights	(3)	2,416	-	-
Stock acquisition rights	-	154	-	-
Diluted EPS				
Earnings for computation	¥6,987	120,281	¥58.09	\$0.56

For the year ended March 31, 2013

	Millions of Yen	Thousands of Shares	Yen
	Net	Weighted	
	Earnings	Average Shares	EPS
Basic EPS			
Earnings allocated to common shareholders	¥1,867	117,615	¥15.88
Effect of dilutive securities			
Convertible bonds	-	-	-
Convertible bonds with stock acquisition rights	-	-	-
Stock acquisition rights	-	212	-
Diluted EPS			
Earnings for computation	¥1,867	117,827	¥15.85

As described in Note 2 (19)a, the changes in accounting policies have been applied retroactively to the prior years' financial statements and accordingly, basic EPS and diluted EPS for the year ended March 31, 2013 presented above reflect the retrospective adjustment.

18. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2014 were approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, 5.00 yen (0.05 dollar) per share	¥589	\$5,716