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***OMRON Corporation  
and Subsidiaries***

*Consolidated Balance Sheets as of March 31,  
2015 and 2014 and Consolidated Statements of  
Income, Comprehensive Income,  
Shareholders' Equity and Cash Flows for Each of the  
Three Years in the Period ended March 31, 2015 and  
Independent Auditors' Report*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of OMRON Corporation:

We have audited the accompanying consolidated financial statements of OMRON Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2015, and the related notes to the consolidated financial statements, 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 the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 financial position of OMRON Corporation and its subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

### Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 24, 2015

Member of  
Deloitte Touche Tohmatsu Limited

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June 24, 2015

**OMRON Corporation and Subsidiaries**

**Consolidated Balance Sheets**  
**March 31, 2015 and 2014**

<u>ASSETS</u>	Millions of Yen		Thousands of U.S. Dollars (Note 2)	<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	<u>2015</u>	<u>2014</u>	<u>2015</u>		<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents (Note 1)	¥ 102,622	¥ 90,251	\$ 855,183	Short-term debt (Note 8)	¥ -	¥ 488	\$ -
Notes and accounts receivable - trade (Note 5)	178,775	174,216	1,489,792	Notes and accounts payable - trade	92,702	85,218	772,517
Allowance for doubtful receivables (Note 1)	(1,624)	(1,812)	(13,533)	Accrued expenses	41,942	39,897	349,517
Inventories (Note 1, 3)	116,020	97,677	966,833	Income taxes payable	3,680	6,340	30,667
Deferred income taxes (Note 1, 13)	19,941	22,688	166,175	Other current liabilities (Note 1, 10, 13, 17, 18, 19, 20)	<u>38,438</u>	<u>30,764</u>	<u>320,317</u>
Other current assets (Note 4, 17, 18, 20)	<u>18,362</u>	<u>13,473</u>	<u>153,017</u>				
Total current assets	<u>434,096</u>	<u>396,493</u>	<u>3,617,467</u>	Total current liabilities	<u>176,762</u>	<u>162,707</u>	<u>1,473,018</u>
<b>PROPERTY, PLANT, AND EQUIPMENT (Note 1, 7):</b>				DEFERRED INCOME TAXES (Note 1, 13)	697	2,167	5,808
Land	26,721	26,344	222,675	TERMINATION AND RETIREMENT BENEFITS (Note 1, 10)	30,393	50,683	253,275
Buildings	147,120	140,495	1,226,000	OTHER LONG-TERM LIABILITIES (Note 19)	11,065	6,369	92,208
Machinery and equipment	202,149	171,192	1,684,575	<b>SHAREHOLDERS' EQUITY (Note 1, 11):</b>			
Construction in progress	6,619	7,126	55,158	Common stock, no par value:			
Total	<u>382,609</u>	<u>345,157</u>	<u>3,188,408</u>	Authorized: 487,000,000 shares in 2015 and 2014			
Accumulated depreciation	<u>(231,157)</u>	<u>(209,591)</u>	<u>(1,926,308)</u>	Issued: 217,397,872 shares and 227,121,372 shares in 2015 and 2014, respectively	64,100	64,100	534,167
Net property, plant, and equipment	<u>151,452</u>	<u>135,566</u>	<u>1,262,100</u>	Capital surplus	99,070	99,067	825,583
<b>INVESTMENTS AND OTHER ASSETS:</b>				Legal reserve	13,403	11,196	111,692
Investments in and advances to affiliates (Note 1)	24,318	21,349	202,650	Retained earnings	301,174	287,853	2,509,783
Investment securities (Note 1, 4, 20)	57,106	51,117	475,883	Accumulated other comprehensive income (loss) (Note 1, 16)	12,489	(15,162)	104,075
Leasehold deposits	6,971	6,950	58,092	Treasury stock, at cost 144,467 shares and 7,032,043 shares in 2015 and 2014, respectively	<u>(467)</u>	<u>(16,545)</u>	<u>(3,892)</u>
Deferred income taxes (Note 1, 13)	6,366	20,918	53,050	Total shareholders' equity	489,769	430,509	4,081,408
Other assets (Note 1, 6, 7, 22)	<u>30,702</u>	<u>22,311</u>	<u>255,850</u>	NONCONTROLLING INTERESTS	2,325	2,269	19,375
Total investments and other assets	125,463	122,645	1,045,525	Total net assets	<u>492,094</u>	<u>432,778</u>	<u>4,100,783</u>
<b>TOTAL</b>	<u>¥ 711,011</u>	<u>¥ 654,704</u>	<u>\$ 5,925,092</u>	<b>TOTAL</b>	<u>¥ 711,011</u>	<u>¥ 654,704</u>	<u>\$ 5,925,092</u>

See notes to consolidated financial statements.

## OMRON Corporation and Subsidiaries

### Consolidated Statements of Income Years Ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
NET SALES (Note 1)	¥ 847,252	¥ 772,966	¥ 650,461	\$ 7,060,433
Costs and expenses (Note 9):				
Cost of sales	514,645	475,758	408,954	4,288,708
Selling, general and administrative expenses (Note 1)	198,103	181,225	152,676	1,650,858
Research and development expenses	47,913	47,928	43,488	399,275
Other expenses (income), net (Note 12)	<u>(797)</u>	<u>6,048</u>	<u>4,106</u>	<u>(6,641)</u>
Total	<u>759,864</u>	<u>710,959</u>	<u>609,224</u>	<u>6,332,200</u>
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	87,388	62,007	41,237	728,233
INCOME TAXES (Note 1, 13)	28,893	19,475	14,096	240,775
EQUITY IN LOSS (EARNINGS) OF AFFILIATES	<u>(3,937)</u>	<u>(3,782)</u>	<u>(2,976)</u>	<u>(32,809)</u>
NET INCOME	62,432	46,314	30,117	520,267
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>262</u>	<u>129</u>	<u>(86)</u>	<u>2,184</u>
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS	<u>¥ 62,170</u>	<u>¥ 46,185</u>	<u>¥ 30,203</u>	<u>\$ 518,083</u>
		Yen		U.S. Dollars (Note 2)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
PER SHARE DATA (Note 14):				
Net income attributable to shareholders:				
Basic	¥283.89	¥209.82	¥137.20	\$2.37
Diluted	283.89	-	137.20	2.37

See notes to consolidated financial statements.

## OMRON Corporation and Subsidiaries

### Consolidated Statements of Comprehensive Income Years Ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
NET INCOME	¥ 62,432	¥ 46,314	¥ 30,117	\$ 520,267
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 16):				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	21,846	18,946	22,523	182,050
Reclassification adjustment for the portion realized in net income	-	(1)	(43)	-
Net unrealized gain (loss)	<u>21,846</u>	<u>18,945</u>	<u>22,480</u>	<u>182,050</u>
Pension liability adjustments:				
Pension liability adjustments arising during the year	227	326	(21)	1,892
Reclassification adjustment for the portion realized in net income	1,316	1,375	(894)	10,967
Net unrealized gain (loss)	<u>1,543</u>	<u>1,701</u>	<u>(915)</u>	<u>12,859</u>
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	7,074	10,002	2,317	58,950
Reclassification adjustment for losses on impairment realized in net income	-	-	693	-
Reclassification adjustment for net gains on sale realized in net income	(3,062)	(1,116)	(425)	(25,517)
Net unrealized gain (loss)	<u>4,012</u>	<u>8,886</u>	<u>2,585</u>	<u>33,433</u>
Net gains (losses) on derivative instruments:				
Unrealized holding gains (losses) arising during the year	(656)	(1,409)	(455)	(5,467)
Reclassification adjustment for net gains (losses) realized in net income	975	1,249	549	8,125
Net unrealized gain (loss)	<u>319</u>	<u>(160)</u>	<u>94</u>	<u>2,658</u>
OTHER COMPREHENSIVE INCOME (LOSS)	27,720	29,372	24,244	231,000
COMPREHENSIVE INCOME	90,152	75,686	54,361	751,267
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>331</u>	<u>314</u>	<u>74</u>	<u>2,758</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS (Note 1)	<u>¥ 89,821</u>	<u>¥ 75,372</u>	<u>¥ 54,287</u>	<u>\$ 748,509</u>

See notes to consolidated financial statements.

**OMRON Corporation and Subsidiaries**

**Consolidated Statements of Shareholders' Equity  
Years Ended March 31, 2015, 2014 and 2013**

	Number of Common Shares Issued	Millions of Yen								Total Net Assets
		Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Noncontrolling Interests	
BALANCE, MARCH 31, 2012	239,121,372	¥ 64,100	¥ 99,078	¥ 10,034	¥ 260,557	¥ (68,433)	¥ (44,496)	¥ 320,840	¥ 840	¥ 321,680
Net income					30,203			30,203	(86)	30,117
Cash dividends paid to OMRON Corporation shareholders, ¥37 per share					(8,145)			(8,145)		(8,145)
Cash dividends paid to noncontrolling interests								-	(2)	(2)
Equity transaction with noncontrolling interests and other			(12)					(12)	889	877
Transfer to legal reserve				842	(842)			-		-
Other comprehensive income (loss)						24,084		24,084	160	24,244
Acquisition of treasury stock							(9)	(9)		(9)
Sale of treasury stock					(0)		1	1		1
Retirement of treasury stock	(12,000,000)				(28,119)		28,119	-		-
BALANCE, MARCH 31, 2013	227,121,372	64,100	99,066	10,876	253,654	(44,349)	(16,385)	366,962	1,801	368,763
Net income					46,185			46,185	129	46,314
Cash dividends paid to OMRON Corporation shareholders, ¥53 per share					(11,666)			(11,666)		(11,666)
Equity transaction with noncontrolling interests and other								-	154	154
Transfer to legal reserve				320	(320)			-		-
Other comprehensive income (loss)						29,187		29,187	185	29,372
Acquisition of treasury stock							(161)	(161)		(161)
Sale of treasury stock			1				1	2		2
BALANCE, MARCH 31, 2014	227,121,372	64,100	99,067	11,196	287,853	(15,162)	(16,545)	430,509	2,269	432,778
Net income					62,170			62,170	262	62,432
Cash dividends paid to OMRON Corporation shareholders, ¥71 per share					(15,513)			(15,513)		(15,513)
Cash dividends paid to noncontrolling interests								-	(277)	(277)
Equity transaction with noncontrolling interests and other								-	2	2
Transfer to legal reserve				2,207	(2,207)			-		-
Other comprehensive income (loss)						27,651		27,651	69	27,720
Acquisition of treasury stock							(15,054)	(15,054)		(15,054)
Sale of treasury stock			0				1	1		1
Retirement of treasury stock	(9,723,500)		(2)		(31,129)		31,131	-		-
Issuance of stock acquisition right			5					5		5
BALANCE, MARCH 31, 2015	<u>217,397,872</u>	<u>¥ 64,100</u>	<u>¥ 99,070</u>	<u>¥ 13,403</u>	<u>¥ 301,174</u>	<u>¥ 12,489</u>	<u>¥ (467)</u>	<u>¥ 489,769</u>	<u>¥ 2,325</u>	<u>¥ 492,094</u>

(Continued)

**OMRON Corporation and Subsidiaries**

**Consolidated Statements of Shareholders' Equity  
Years Ended March 31, 2015, 2014 and 2013**

	Number of Common Shares Issued	Thousands of U.S. Dollars (Note 2)								
		Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Noncontrolling Interests	Total Net Assets
BALANCE, MARCH 31, 2014	227,121,372	\$ 534,167	\$ 825,558	\$ 93,300	\$ 2,398,775	\$ (126,350)	\$ (137,875)	\$ 3,587,575	\$ 18,908	\$ 3,606,483
Net income					518,083			518,083	2,183	520,266
Cash dividends paid to OMRON Corporation shareholders, \$0.59 per share					(129,275)			(129,275)		(129,275)
Cash dividends paid to noncontrolling interests								-	(2,308)	(2,308)
Equity transaction with noncontrolling interests and other								-	17	17
Transfer to legal reserve				18,392	(18,392)			-		-
Other comprehensive income (loss)						230,425		230,425	575	231,000
Acquisition of treasury stock							(125,450)	(125,450)		(125,450)
Sale of treasury stock			0				8	8		8
Retirement of treasury stock	(9,723,500)		(17)		(259,408)		259,425	-		-
Issue of stock acquisition right			42					42		42
BALANCE, MARCH 31, 2015	<u>217,397,872</u>	<u>\$ 534,167</u>	<u>\$ 825,583</u>	<u>\$ 111,692</u>	<u>\$ 2,509,783</u>	<u>\$ 104,075</u>	<u>\$ (3,892)</u>	<u>\$ 4,081,408</u>	<u>\$ 19,375</u>	<u>\$ 4,100,783</u>

See notes to consolidated financial statements.

(Concluded)



**OMRON Corporation and Subsidiaries**
**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2015, 2014 and 2013**

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
<b>OPERATING ACTIVITIES:</b>				
Net income	¥ 62,432	¥ 46,314	¥ 30,117	\$ 520,267
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	28,339	25,089	22,452	236,158
Net loss on sales and disposals of property, plant, and equipment	3,432	1,146	578	28,600
Loss on impairment of long-lived assets	137	804	3,265	1,142
Net gain on sale of investment securities	(4,337)	(1,714)	(677)	(36,142)
Loss on impairment of investment securities	166	501	1,086	1,383
Loss on impairment of goodwill	-	-	153	-
Termination and retirement benefits	(17,427)	(4,417)	(4,433)	(145,225)
Deferred income taxes	11,938	2,170	3,762	99,483
Equity in loss (earnings) of affiliates	(3,937)	(3,782)	(2,976)	(32,808)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable - trade	3,384	(6,613)	(5,827)	28,200
Decrease (increase) in inventories	(10,671)	(325)	8,641	(88,925)
Decrease (increase) in other assets	(2,828)	(32)	21	(23,567)
Increase (decrease) in notes and accounts payable - trade	1,658	5,824	(5,927)	13,817
Increase (decrease) in income taxes payable	(3,127)	2,277	3,121	(26,058)
Increase in accrued expenses and other current liabilities	6,318	10,883	1,519	52,650
Other, net	1,580	919	(1,817)	13,167
Total adjustments	<u>14,625</u>	<u>32,730</u>	<u>22,941</u>	<u>121,875</u>
Net cash provided by operating activities	<u>77,057</u>	<u>79,044</u>	<u>53,058</u>	<u>642,142</u>
<b>INVESTING ACTIVITIES:</b>				
Proceeds from sale or maturities of investment securities	5,274	2,840	1,658	43,950
Purchase of investment securities	(603)	(2,179)	(0)	(5,025)
Capital expenditures	(37,123)	(32,218)	(30,383)	(309,358)
Decrease in leasehold deposits, net	118	75	457	983
Proceeds from sale of property, plant, and equipment	768	794	836	6,400
Decrease (increase) in investment in and loans to affiliates	(30)	209	(1,884)	(250)
Proceeds from sale of business	-	26	90	-
Acquisition of business, net of cash acquired	(8,003)	(672)	141	(66,692)
Purchase of noncontrolling interests	-	-	(10)	-
Other, net	82	-	624	684
Net cash used in investing activities	<u>(39,517)</u>	<u>(31,125)</u>	<u>(28,471)</u>	<u>(329,308)</u>
<b>FINANCING ACTIVITIES:</b>				
Net repayments of short-term debt	(853)	(5,135)	(13,273)	(7,108)
Dividends paid by the Company	(12,985)	(10,566)	(6,164)	(108,208)
Dividends paid to noncontrolling interests	(277)	-	(2)	(2,308)
Proceeds from equity transactions with noncontrolling interests	-	22	819	-
Acquisition of treasury stock	(15,054)	(161)	(9)	(125,450)
Other, net	(134)	(458)	79	(1,118)
Net cash used in financing activities	<u>(29,303)</u>	<u>(16,298)</u>	<u>(18,550)</u>	<u>(244,192)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>4,134</u>	<u>2,922</u>	<u>4,414</u>	<u>34,450</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>12,371</u>	<u>34,543</u>	<u>10,451</u>	<u>103,092</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>90,251</u>	<u>55,708</u>	<u>45,257</u>	<u>752,091</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>¥ 102,622</u>	<u>¥ 90,251</u>	<u>¥ 55,708</u>	<u>\$ 855,183</u>

See notes to consolidated financial statements.

# OMRON Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

OMRON Corporation (the "Company") is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications, and control technologies. The Company conducts business in more than 30 countries around the world and strategically manages its worldwide operations through four regional management centers in the United States, the Netherlands, China and Singapore. Products, classified by type and market, are organized into business segments as described below.

*Industrial Automation Business (IAB)* manufactures and sells control components and systems, including programmable controllers, motion controllers, sensing devices, inspection systems, safety devices, precision laser processing equipment, and control devices used in automatic systems in industry. Industrial automation business targets a wide range of customers in major manufacturing industries worldwide to provide manufacturing support using sensing and control technology that stays ahead of customer needs.

*Electronic and Mechanical Components Business (EMC)* manufactures and sells electric and electronic components such as those found in relays, switches, connectors, amusement components and units, sensors for consumers, face recognition software, and image sensing component (HVC: human vision component). Electronic and mechanical components business also provides built-in control components for commercial and customer devices, automotive devices, environmental and energy devices, industrial equipment, and built-in components for mobile devices such as mobile phones.

*Automotive Electronic Components Business (AEC)* conducts design, production, and sales of automotive electronics to vehicle and component manufacturers throughout the world. The group provides products such as automotive body electronics controllers, electric power steering controllers, passive entry and push engine start systems, keyless entry systems, power window switches and various automotive switches, and power conversion units and voltage monitoring units for electric vehicles.

*Social Systems Solution and Service Business (SSB)* creates solutions using sensing & control technologies, software, and total maintenance services for safer, more secure, and more comfortable communities, and works with customers to contribute to building an optimized society. The group provides products such as railway station service systems, traffic and road management systems, card payment services, security and safety solutions, environmental solutions, and related maintenance business.

*Healthcare Business (HCB)* provides numerous types of products and services worldwide that aid in the prevention, improvement, and management of lifestyle diseases from household-use measurement devices to professional medical equipment in order to contribute to the health and comfortable life for people. The group provides products such as digital blood pressure monitors, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, sleep time monitors, sleep monitors, low-frequency therapy equipment, massagers, blood glucose monitors, biometric monitors, nebulizers, ECGs, vascular screening devices, visceral fat monitors, Wellness LINK services, and Medical Link services.

*Other* develops and strengthens businesses as well as explores and develops new business fields under the direct control of headquarters. The group provides products such as solar power conditioners, electrical power measuring and energy saving and management devices, power protection devices, uninterruptible power supplies, embedded computers for manufacturing industries, OEM development and manufacturing of electronic equipment, MEMS microphones, MEMS pressure sensors, MEMS thermal sensors, MEMS flow sensors, analog ICs, contract chip manufacturing services, and high-quality backlight units for LCDs (MEMS: Micro-Electro-Mechanical Systems).

### ***Basis of Financial Statements***

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements for depositary receipts issued in Europe, they are presented in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to amounts previously reported in order to conform to classifications as of and for the year ended March 31, 2015. The Company is not registered to Securities and Exchange Commission in the United States of America.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the "Companies"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments, in which the Companies have a 20% to 50% interest (affiliates), are accounted for using the equity method.

The consolidated financial statements include all the Company's subsidiaries (158 companies at March 31, 2015 and 156 companies at March 31, 2014).

### ***Application of Equity Method***

Investments in the Company's affiliated companies are accounted for using the equity method.

Affiliated companies recorded using the equity method:

Hitachi-Omron Terminal Solutions, Corp. and others.

Total: 11 companies and 10 companies as of March 31, 2015 and 2014, respectively.

### ***Differing Fiscal Year-Ends***

There are 34 subsidiaries, 30 subsidiaries and 29 subsidiaries as of March 31, 2015, 2014 and 2013, respectively, which have different fiscal year-ends from that of the Company. 32 subsidiaries, 28 subsidiaries and 27 subsidiaries as of March 31, 2015, 2014 and 2013, respectively, used its March 31 year-end financial statements for the purpose of the Company's consolidation. For the remaining subsidiaries, the effect due to the difference in fiscal year-ends did not have a material effect on the Company's consolidated financial statements.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, and securities purchased with resale agreements and money market instruments.

### ***Allowance for Doubtful Receivables***

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses within the outstanding receivables.

### ***Marketable Securities and Investments***

The Companies classify all of their marketable equity and debt securities as available for sale. Available-for-sale securities are carried at market value with the corresponding recognition of net unrealized holding gains and losses as a separate component of accumulated other comprehensive income (loss), net of related taxes, until recognized. If necessary, individual securities classified as available for sale are reduced to fair value by a charge to income in the period in which the decline is deemed to be other than temporary. Available-for-sale securities are reviewed for other-than-temporary declines in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition, and near-term prospects of the issuer and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Other investments are evaluated at cost and tested for impairment periodically. The cost of securities sold is determined on the average cost basis.

### ***Inventories***

Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or market value. Also, overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or market value.

### ***Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment has been computed principally by the declining-balance method based upon the estimated useful lives of the assets. However, certain of the Company's subsidiaries located outside Japan have computed depreciation using the straight-line method based upon the estimated useful lives of the assets.

The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment. Depreciation expense was ¥23,409 million (\$195,075 thousand), ¥20,979 million, and ¥19,101 million for the years ended March 31, 2015, 2014 and 2013, respectively.

### ***Goodwill and Other Intangible Assets***

The Companies account for their goodwill and other intangible assets in accordance with the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 350, "Intangibles - Goodwill and Other", which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. ASC No. 350 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment at least annually.

### ***Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might be unrecoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be potentially impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of other than by sale are considered held and used until disposed. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less selling costs.

### ***Advertising Costs***

Advertising costs are charged to earnings as incurred and included in selling, general and administrative expenses. Advertising expense was ¥9,963 million (\$83,025 thousand), ¥9,413 million, and ¥7,825 million for the years ended March 31, 2015, 2014 and 2013, respectively.

### ***Shipping and Handling Charges***

Shipping and handling charges are included in selling, general, and administrative expenses. Shipping and handling charges were ¥9,411 million (\$78,425 thousand), ¥8,791 million, and ¥7,507 million for the years ended March 31, 2015, 2014 and 2013, respectively.

### ***Termination and Retirement Benefits***

Termination and retirement benefits are accounted for and are disclosed in accordance with ASC No. 715, "Compensation-Retirement Benefits", based on the fiscal year end fair value of plan assets and the projected benefit obligations of employees. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Companies.

### ***Income Taxes***

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards, and tax credit carryforwards. Future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, are recognized to the extent that such benefits are more likely than not to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Companies have adopted ASC No. 740, "Accounting for Uncertainty in Income Taxes". In evaluating the tax benefits based on available information at the reporting date, the Company records a tax benefit using a more likely than not threshold.

The Company and certain domestic subsidiaries compute current income taxes based on consolidated taxable income as permitted by Japanese tax regulations.

### ***Consumption Taxes and Other Value-Added Taxes***

Consumption taxes and other value-added taxes have been excluded from sales.

### ***Product Warranties***

Liability for estimated warranty-related cost is established at the time revenue is recognized and is included in other current liabilities. The liability is established using historical information, including the nature, frequency, and average cost of past warranty claims.

### ***Derivatives***

Derivative instruments and hedging activities are accounted for in accordance with ASC No. 815, "Derivatives and Hedging". This standard establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

For foreign exchange forward contracts, foreign currency swaps, and commodities swaps, on the date the derivative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies' policy, all foreign exchange forward contracts, foreign currency swaps, and commodity swaps entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) until earnings are affected by the variability in cash flows of the designated hedged item.

### ***Cash Dividends***

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Resulting dividends payable are included in other current liabilities in the consolidated balance sheets.

### ***Revenue Recognition***

The Companies recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred, service has been rendered, the sales price is fixed or determinable, and collectibility is probable.

### ***Stock-Based Compensation***

The Companies apply ASC No. 718, "Compensation-Stock Compensation", and recognize stock-based compensation cost measured by the fair value method.

### ***Translation of Financial Statement Items of the Company's Subsidiaries Located Outside Japan into Japanese Yen***

Consolidated financial statements of the Company's subsidiaries located outside Japan are translated based upon ASC No. 830, "Foreign Currency Matters". Assets and liabilities of the subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are reported in accumulated other comprehensive income (loss) as foreign currency translation adjustments.

### ***Comprehensive Income***

The Companies apply ASC No. 220, "Comprehensive Income". Comprehensive income is composed of net income attributable to shareholders, changes in foreign currency translation adjustments, changes in pension liability adjustments, changes in unrealized gains (losses) on available-for-sale securities and changes in net gains (losses) on derivative instruments, and disclosed within the consolidated statements of comprehensive income.

### ***New Accounting Standards***

In May 2014, the FASB and International Accounting Standards Board (IASB) issued their final standard on revenue from contracts with customers. The standard, issued as Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASU requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Companies will adopt ASU No. 2014-09 as of April 1, 2017. The Companies are currently evaluating the effect that the adoption of this guidance will have on the consolidated financial statements.

## **2. TRANSLATION INTO U.S. DOLLARS**

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of the readers outside of Japan and has been made at the rate of ¥120 to \$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

## **3. INVENTORIES**

Inventories at March 31, 2015 and 2014 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Finished products	¥ 69,524	¥ 56,516	\$ 579,367
Work in process	16,484	13,924	137,367
Materials and supplies	<u>30,012</u>	<u>27,237</u>	<u>250,099</u>
Total	<u>¥ 116,020</u>	<u>¥ 97,677</u>	<u>\$ 966,833</u>

#### 4. MARKETABLE SECURITIES AND INVESTMENTS

Cost, gross unrealized holding gains and losses, and fair value of available-for-sale and held-to-maturity securities at March 31, 2015 and 2014 were as follows:

##### Available-for-sale securities

	Millions of Yen			
	2015			
	Cost (*)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	¥ 6	¥ -	¥ -	¥ 6
Equity securities	<u>17,280</u>	<u>35,382</u>	<u>-</u>	<u>52,662</u>
Total	<u>¥ 17,286</u>	<u>¥ 35,382</u>	<u>¥ -</u>	<u>¥ 52,668</u>

	Millions of Yen			
	2014			
	Cost (*)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	¥ 7	¥ -	¥ -	¥ 7
Equity securities	<u>17,417</u>	<u>28,800</u>	<u>(1)</u>	<u>46,216</u>
Total	<u>¥ 17,424</u>	<u>¥ 28,800</u>	<u>¥(1)</u>	<u>¥ 46,223</u>

	Thousands of U.S. Dollars			
	2015			
	Cost (*)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	\$ 50	\$ -	\$ -	\$ 50
Equity securities	<u>144,000</u>	<u>294,850</u>	<u>-</u>	<u>438,850</u>
Total	<u>\$ 144,050</u>	<u>\$ 294,850</u>	<u>\$ -</u>	<u>\$ 438,900</u>

(\*) Cost represents amortized cost of debt securities and cost of equity securities.

##### Held-to-maturity securities

	Millions of Yen			
	2015			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	¥75	¥ -	¥ -	¥75



	Millions of Yen			
	2014			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	¥100	¥ -	¥ -	¥100
	Thousands of U.S. Dollars			
	2015			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Debt securities	\$625	\$ -	\$ -	\$625

Maturities of debt securities classified as available-for-sale and held-to-maturity securities at March 31, 2015 and 2014 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Due within one year	¥ 25	¥ 25	¥ 25	¥ 25	\$ 208	\$ 208
Due after one year through five years	56	56	82	82	467	467
Total	<u>¥ 81</u>	<u>¥ 81</u>	<u>¥ 107</u>	<u>¥ 107</u>	<u>\$ 675</u>	<u>\$ 675</u>

Gross unrealized holding losses and fair value of certain available-for-sale equity securities, aggregated by the length of time that they have been in a continuous unrealized loss position at March 31, 2015 and 2014 were as follows:

Less than 12 months

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Equity securities	¥ -	¥ -	¥6	¥(1)	\$ -	\$ -

(\*) In regards to the gross unrealized holding losses of available-for-sale securities, the related securities have been in a loss position for a relatively short period of time. Based on this fact and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired.

No losses on impairment of available-for-sale securities were recognized to reflect declines in market value considered to be other than temporary for the years ended March 31, 2015 and 2014. Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥1,083 million for the year ended March 31, 2013.

Aggregate cost of nonmarketable equity securities accounted for under the cost method totaled ¥3,691 million (\$30,758 thousand) and ¥3,865 million at March 31, 2015 and 2014, respectively. Investments with an aggregate cost of ¥3,689 million (\$30,742 thousand) and ¥3,832 million at March 31, 2015 and 2014, respectively, were not evaluated for impairment because (a) the Companies did not estimate the fair value of those investments as it was not practicable to do so and (b) the Companies did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

Proceeds from sales, gross realized gains, and realized losses on sales of available-for-sale securities for the years ended March 31, 2015, 2014 and 2013 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
Proceeds from sales	¥ 4,575	¥ 2,635	¥ 1,584	\$ 38,125
Gross realized gains	4,072	1,659	809	33,933
Realized losses on sales	-	-	145	-

## 5. NOTES AND ACCOUNTS RECEIVABLES

The Companies have entered into different types of transactions with affiliated companies through the ordinary course of business.

The amount of accounts receivable with affiliates resulting from these transactions was ¥2,421 million (\$20,175 thousand) and ¥2,286 million for the years ended March 31, 2015 and 2014, respectively.

## 6. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of acquired intangible assets, excluding goodwill, at March 31, 2015 and 2014 were as follows:

	Millions of Yen			
	2015		2014	
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>
Intangible assets subject to amortization:				
Software	¥ 44,650	¥ 33,175	¥ 39,540	¥ 29,443
Other	<u>5,541</u>	<u>693</u>	<u>3,106</u>	<u>414</u>
Total	<u>¥ 50,191</u>	<u>¥ 33,868</u>	<u>¥ 42,646</u>	<u>¥ 29,857</u>
	Thousands of U.S. Dollars			
	2015			
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>		
Intangible assets subject to amortization:				
Software	\$ 372,083	\$ 276,458		
Other	<u>46,175</u>	<u>5,775</u>		
Total	<u>\$ 418,258</u>	<u>\$ 282,233</u>		

Aggregate amortization expense related to intangible assets was ¥4,930 million (\$41,083 thousand), ¥4,110 million, and ¥3,351 million for the years ended March 31, 2015, 2014 and 2013, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

<u>Years Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2016	¥ 5,062	\$ 42,183
2017	4,151	34,592
2018	3,134	26,117
2019	1,971	16,425
2020	460	3,833

Intangible assets, not subject to amortization, at March 31, 2015 and 2014 were immaterial.

The carrying amounts of goodwill in each segment at March 31, 2015 and 2014, and changes in their carrying amounts for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen						
	2015						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year:							
Goodwill	¥ 10,712	¥ 469	¥ 588	¥ -	¥ 7,161	¥ 1,475	¥ 20,405
Accumulated impairment loss	(9,406)	(227)	(588)	-	(6,554)	(1,475)	(18,250)
Total	<u>¥ 1,306</u>	<u>¥ 242</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 607</u>	<u>¥ -</u>	<u>¥ 2,155</u>
Acquisition	-	-	-	-	7,642	-	7,642
Impairment	-	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-	-
Foreign currency translation adjustments and other	167	40	-	-	(1,228)	-	(1,021)
Balance at end of year:							
Goodwill	10,879	509	588	-	13,575	1,475	27,026
Accumulated impairment loss	(9,406)	(227)	(588)	-	(6,554)	(1,475)	(18,250)
Total	<u>¥ 1,473</u>	<u>¥ 282</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 7,021</u>	<u>¥ -</u>	<u>¥ 8,776</u>
	Millions of Yen						
	2014						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year:							
Goodwill	¥ 10,628	¥ 478	¥ 588	¥ -	¥ 6,570	¥ 1,475	¥ 19,739
Accumulated impairment loss	(9,406)	(227)	(588)	-	(6,554)	(1,475)	(18,250)
Total	<u>¥ 1,222</u>	<u>¥ 251</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 16</u>	<u>¥ -</u>	<u>¥ 1,489</u>
Acquisition	-	-	-	-	591	-	591
Impairment	-	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-	-
Foreign currency translation adjustments and other	84	(9)	-	-	0	-	75
Balance at end of year:							
Goodwill	10,712	469	588	-	7,161	1,475	20,405
Accumulated impairment loss	(9,406)	(227)	(588)	-	(6,554)	(1,475)	(18,250)
Total	<u>¥ 1,306</u>	<u>¥ 242</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 607</u>	<u>¥ -</u>	<u>¥ 2,155</u>

Thousands of U.S. Dollars							
2015							
Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	
Balance at beginning of year:							
Goodwill	\$ 89,267	\$ 3,908	\$ 4,900	\$ -	\$ 59,675	\$ 12,292	\$ 170,042
Accumulated impairment loss	(78,383)	(1,892)	(4,900)	-	(54,617)	(12,292)	(152,084)
Total	\$ 10,884	\$ 2,016	\$ -	\$ -	\$ 5,058	\$ -	\$ 17,958
Acquisition	-	-	-	-	63,683	-	63,683
Impairment	-	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-	-
Foreign currency translation adjustments and other	1,391	334	-	-	(10,233)	-	(8,508)
Balance at end of year:							
Goodwill	90,658	4,242	4,900	-	113,125	12,292	225,217
Accumulated impairment loss	(78,383)	(1,892)	(4,900)	-	(54,617)	(12,292)	(152,084)
Total	\$ 12,275	\$ 2,350	\$ -	\$ -	\$ 58,508	\$ -	\$ 73,133

The Companies have adopted ASC No. 350, "Intangibles - Goodwill and Other". No impairment losses were recognized for the fiscal years ended March 31, 2015 and 2014. The Companies recognized impairment losses for the fiscal year ended March 31, 2013 of ¥153 million among goodwill of ¥258 million in the Electronic and Mechanical Components Business. These impairment losses are due to increasing competition in the electronic components market. The impairment losses are included in "Other expenses (income), net" of the consolidated financial statements of income. The fair value of the reporting unit was estimated by using the present value of expected future cash flows.

#### 7. IMPAIRMENT LOSS ON LONG-LIVED ASSETS

In accordance with ASC No. 360, "Property, Plant, and Equipment", the Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2015 of ¥115 million (\$958 thousand) due to decreasing profitability of automotive related-products in the automotive electronic components business. The Companies also recognized impairment losses on long-lived assets of ¥22 million (\$184 thousand) for impairment of a welfare facility due to its uncertainty of usage in eliminations and others. The Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2014 of ¥105 million for impairment of property, plant, and equipment due to decreasing profitability of laser related-products in the industrial automation business. The Companies also recognized impairment losses on long-lived assets of ¥493 million due to decreasing profitability of automotive related-products in the automotive electronic components business and ¥206 million due to decreasing profitability in the semiconductor-related business in Other. The Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2013 of ¥54 million for impairment of property, plant, and equipment due to decreasing profitability of FPD related-products in the industrial automation business. The Companies also recognized impairment losses on long-lived assets of ¥191 million due to decreasing profitability in the semiconductor-related business in Other, and ¥168 million for impairment on part of shared assets due to its uncertainty of usage, and ¥2,852 million for impairment of a welfare facility due to its revision of future utilization policy in eliminations and others. These impairment losses are included in "Other expenses (income), net" of consolidated statements of income. Each of the fair values of these reporting units were estimated by using each present value of expected future cash flows.

#### 8. SHORT-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unsecured debt:			
Loans from banks and other financial facilities			
The weighted-average annual interest rates			
- % (2015) and 7.1% (2014)	¥ -	¥ 488	\$ -
Total	¥ -	¥ 488	\$ -

Total interest cost incurred and charged to expense for the years ended March 31, 2015, 2014 and 2013, amounted to ¥248 million (\$2,067 thousand), ¥298 million, and ¥277 million, respectively.

## 9. LEASES

The Companies do not have any material capital lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Generally, leases that expire are expected to be renewed or replaced by other leases. At March 31, 2015, future minimum lease payments applicable to noncancelable leases having remaining noncancelable lease terms in excess of one year were as follows:

<u>Years Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2016	¥ 2,974	\$ 24,783
2017	2,587	21,558
2018	2,178	18,150
2019	1,486	12,383
2020	1,330	11,083
Thereafter	<u>3,012</u>	<u>25,101</u>
Total	<u>¥ 13,567</u>	<u>\$ 113,058</u>

Lease expense amounted to ¥13,912 million (\$115,933 thousand), ¥13,503 million, and ¥12,000 million for the years ended March 31, 2015, 2014 and 2013, respectively.

## 10. TERMINATION AND RETIREMENT BENEFITS

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees (the "funded contributory termination and retirement plan in Japan"). Benefits were based on a point-based benefits system, under which benefits are calculated mainly based on accumulated points awarded to employees each year according to their job classification and performance. If termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law.

### ***Obligations and Funded Status***

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 184,450	¥ 181,434	\$ 1,537,083
Service cost	5,161	4,824	43,008
Interest cost	3,136	3,084	26,133
Actuarial loss	8,915	2,236	74,293
Benefits paid	(6,222)	(6,421)	(51,850)
Settlement paid	(722)	(707)	(6,017)
Benefit obligation at end of year	¥ 194,718	¥ 184,450	\$ 1,622,650
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 130,347	¥ 120,205	\$ 1,086,225
Actual return on plan assets	11,555	6,188	96,292
Employers' contributions	23,592	10,161	196,600
Benefits paid	(5,565)	(5,500)	(46,375)
Settlement paid	(722)	(707)	(6,017)
Fair value of plan assets at end of year	¥ 159,207	¥ 130,347	\$ 1,326,725
Fair value of assets in retirement benefit trust at beginning of year	¥ 8,133	¥ 8,312	\$ 67,776
Actual return on assets in retirement benefit trust	2,215	(179)	18,458
Fair value of assets in retirement benefit trust at end of year	¥ 10,348	¥ 8,133	\$ 86,234
Funded status at end of year	¥ (25,163)	¥ (45,970)	\$ (209,691)

Amounts recognized in the consolidated balance sheets at March 31, 2015 and 2014, consist of:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Other current liability	¥ (808)	¥ (590)	\$ (6,733)
Termination and retirement benefit	(24,355)	(45,380)	(202,958)
Total	¥ (25,163)	¥ (45,970)	\$ (209,691)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2015 and 2014, before tax, consist of:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Net actuarial loss	¥ 67,514	¥ 72,304	\$ 562,617
Prior-service benefit	(6,737)	(8,590)	(56,142)
Total	¥ 60,777	¥ 63,714	\$ 506,475

The accumulated benefit obligation at March 31, 2015 and 2014 was as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Accumulated benefit obligation	¥188,882	¥179,706	\$1,574,017

***Components of Net Periodic Benefit Cost***

The expense recorded for the contributory termination and retirement benefit plans for the years ended March 31, 2015, 2014 and 2013, included the following components:

	<u>Millions of Yen</u>			<u>Thousands of U.S. Dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
Service cost	¥ 5,161	¥ 4,824	¥ 4,395	\$ 43,008
Interest cost on projected benefit obligation	3,136	3,084	3,380	26,133
Expected return on plan assets	(3,975)	(3,557)	(3,436)	(33,124)
Amortization	<u>2,055</u>	<u>2,148</u>	<u>1,398</u>	<u>17,125</u>
Net periodic benefit cost	<u>¥ 6,377</u>	<u>¥ 6,499</u>	<u>¥ 5,737</u>	<u>\$ 53,142</u>

The unrecognized prior-service benefit is amortized on a straight-line basis over 15 years. The unrecognized actuarial gains and losses are amortized on a straight-line basis over 15 years that exceed 10% of the larger of the projected benefit obligation or plan assets.

The estimated net actuarial loss and prior-service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2016 are summarized as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Net actuarial loss	¥ 3,963	\$ 33,025
Prior-service benefit	(1,853)	(15,442)

***Measurement Date***

The Company and certain of its domestic subsidiaries use March 31 as the measurement date for projected benefit obligation and plan assets of the termination and retirement benefits.

***Assumptions***

Weighted-average assumptions used to determine benefit obligations at March 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	1.4%	1.7%
Compensation increase rate	2.0%	2.0%

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2015, 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate	1.7%	1.7%	2.0%
Compensation increase rate	2.0%	2.0%	2.0%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

#### ***Plan Assets***

The Company's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio composed of the optimal combination of equity and debt securities in order to yield a total return that will match the expected return on a mid-term to long-term basis.

The Company evaluates the gap between long-term expected return and actual return of invested plan assets to determine if such differences necessitate a revision in the formulation of the model portfolio. In the event that the Company determines the need for a revision of the model portfolio to accomplish the expected long-term rate of return on plan assets, the Company revises the model portfolio to the extent necessary.

Target allocation of plan assets is 15.5% equity securities, 64.5% debt securities and life insurance general account assets, and 20.0% other. Equity securities are mainly composed of stocks that are listed on various securities exchanges. The Company has investigated the business condition of investee companies and appropriately diversified the equity investments by type of industry, brand, and other relevant factors. Debt securities are primarily composed of government bonds, public debt instruments, and corporate bonds. The Company has investigated the quality of the debt issue, including rating, interest rate, and repayment dates and appropriately diversified the debt investments. For investments in life insurance general account assets, contracts with the insurance companies include a guaranteed interest and return of capital. Others are joint trusts mainly composed of alternative and appropriately diversified.

The fair values of the Company's pension plan assets by asset category as of March 31, 2015 and 2014 are as follows:

	Millions of Yen			
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Domestic stocks (*1)	¥ 13,537	¥ -	¥ -	¥ 13,537
Joint trusts (*2)	-	21,040	-	21,040
Debt securities:				
Joint trusts (*3)	-	73,310	-	73,310
Other assets:				
Life insurance general account assets	-	26,042	-	26,042
Joint trusts	-	27,245	7,389	34,634
Others	992	-	-	992
Total	<u>¥ 14,529</u>	<u>¥ 147,637</u>	<u>¥ 7,389</u>	<u>¥ 169,555</u>



Millions of Yen				
2014				
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1)	¥ 10,527	¥ -	¥ -	¥ 10,527
Joint trusts (*2)	-	19,029	-	19,029
Debt securities:				
Joint trusts (*3)	-	65,598	-	65,598
Other assets:				
Life insurance general account assets	-	16,696	-	16,696
Joint trusts	-	21,310	3,561	24,871
Others	1,759	-	-	1,759
Total	<u>¥ 12,286</u>	<u>¥ 122,633</u>	<u>¥ 3,561</u>	<u>¥ 138,480</u>

Thousands of U.S. Dollars				
2015				
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1)	\$ 112,808	\$ -	\$ -	\$ 112,808
Joint trusts (*2)	-	175,333	-	175,333
Debt securities:				
Joint trusts (*3)	-	610,917	-	610,917
Other assets:				
Life insurance general account assets	-	217,017	-	217,017
Joint trusts	-	227,042	61,575	288,617
Others	8,267	-	-	8,267
Total	<u>\$ 121,075</u>	<u>\$ 1,230,309</u>	<u>\$ 61,575</u>	<u>\$ 1,412,959</u>

(\* ) 1 No common stock of the Company is included in Domestic stocks for the year ended March 31, 2015 and 2014.

2 Joint trusts of equity securities invest in listed equity securities at a ratio of 10% Japanese companies and 90% foreign companies for the year ended March 31, 2015, and all consisting of foreign companies for the year ended March 31, 2014.

3 Joint trusts of debt securities invest at a ratio of approximately 50% Japanese government bonds and 50% foreign government bonds for the year ended March 31, 2015, and 60% Japanese government bonds and 40% foreign government bonds for the year ended March 31, 2014.

Level 1 assets are composed principally of equity securities which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are composed principally of joint trusts and life insurance general account assets that invest in equity, debt securities and other assets. These joint trusts and insurance general account assets are valued at their net asset values.

Level 3 assets are composed of private equities and real estate funds, which are valued at net asset value.

The Company's pension plan assets classified as Level 3 as of March 31, 2015 and 2014 are as follows:

	Millions of Yen		
	2015		
	Private Equity	Real Estate Fund	Total
Balance at beginning of year	¥ 552	¥ 3,009	¥ 3,561
Total gain and loss (realized or unrealized):			
Current period holding	420	40	460
Current period sales	39	-	39
Purchase, issuance, and settlement	<u>3,332</u>	<u>(3)</u>	<u>3,329</u>
Balance at end of year	<u>¥ 4,343</u>	<u>¥ 3,046</u>	<u>¥ 7,389</u>
	Millions of Yen		
	2014		
	Private Equity	Real Estate Fund	Total
Balance at beginning of year	¥ 15	¥ 2,051	¥ 2,066
Total gain and loss (realized or unrealized):			
Current period holding	(13)	104	91
Current period sales	17	-	17
Purchase, issuance, and settlement	<u>533</u>	<u>854</u>	<u>1,387</u>
Balance at end of year	<u>¥ 552</u>	<u>¥ 3,009</u>	<u>¥ 3,561</u>
	Thousands of U.S. Dollars		
	2015		
	Private Equity	Real Estate Fund	Total
Balance at beginning of year	\$ 4,600	\$ 25,075	\$ 29,675
Total gain and loss (realized or unrealized):			
Current period holding	3,500	333	3,833
Current period sales	325	-	325
Purchase, issuance, and settlement	<u>27,767</u>	<u>(25)</u>	<u>27,742</u>
Balance at end of year	<u>\$ 36,192</u>	<u>\$ 25,383</u>	<u>\$ 61,575</u>

### ***Cash Flows***

#### **Contributions**

As of March 31, 2014, the Companies' expected contribution to their domestic termination and retirement benefit plans for the year ended March 31, 2015 was ¥10,361 million, however due to additional contribution, the Companies contributed ¥23,592 million (\$196,600 thousand) to the retirement benefit plans for the year ended March 31, 2015. The Companies expect to contribute ¥4,184 million (\$34,867 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2016.

## Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Years Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2016	¥ 7,163	\$ 59,692
2017	7,205	60,042
2018	7,729	64,408
2019	7,901	65,842
2020	8,098	67,483
2021 - 2025	47,585	396,542

Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets were ¥12,252 million (\$102,100 thousand) and ¥9,240 million (\$77,000 thousand), respectively, at March 31, 2015, and ¥7,601 million and ¥5,815 million, respectively, at March 31, 2014.

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits which are paid at the earlier of the employee's termination or mandatory retirement age, except for payments to directors and corporate auditors which require approval by the shareholders before payment. The Companies record provisions for termination benefits sufficient to state the liability equal to the plans' vested benefits, which exceed the plans' projected benefit obligations.

The aggregate liability for the termination plans, excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2015 and 2014 was ¥6,038 million (\$50,317 thousand) and ¥5,339 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2015, 2014 and 2013 was ¥1,038 million (\$8,650 thousand), ¥846 million, and ¥1,043 million, respectively.

## **11. SHAREHOLDERS' EQUITY**

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock while the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' equity.

The Companies Act also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a board of directors; (2) having independent auditors; (3) having a Board of Corporate Auditors; and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution of the board of directors if it is stipulated by the articles of incorporation of the Company. Under the Companies Act, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Companies Act was ¥67,532 million (\$562,767 thousand) at March 31, 2015, based on the amount recorded in the Company's general book of accounts.

### *Stock Options*

The Company has authorized and granted options to purchase common stock of the Company to certain directors and executive officers of the Company under a fixed stock option plan.

Under the above-mentioned plan, the exercise price of each option exceeded the market price of the Company's common stock on the date of grant and the options expire five years after the date of the grant. Generally, options become fully vested and exercisable after two years. A summary of the Company's fixed stock option plan activity and related information is as follows, and all fixed stock options the Companies issued were expired on June 30, 2012. There were no granted fixed stock options for the years ended March 31, 2015 and 2014.

Fixed Options	Shares (Number)	Yen	
		Weighted-Average Exercise Price	Weighted-Average Fair Value of Options Granted During the Year
Options outstanding at March 31, 2012	237,000	¥3,432	
Granted	-	-	¥ -
Exercised	-	-	
Expired	(237,000)	3,432	
Options outstanding at March 31, 2013	-	-	

The Black-Scholes option-pricing model used by the Company was developed for use in estimating the fair value of fully tradable options, which have no vesting restrictions and are fully transferable. Additionally, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. It is management's opinion that the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

There was no compensation cost recognized on fixed stock options and no cash received from exercise of options under the plan for the years ended March 31, 2015, 2014 and 2013.

## 12. OTHER EXPENSES (INCOME), NET

Other expenses (income), net, for the years ended March 31, 2015, 2014 and 2013, consisted of the following:

	Millions of Yen			Thousands of
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
Net loss on sales and disposals of property, plant, and equipment	¥ 3,432	¥ 1,146	¥ 578	\$ 28,600
Loss on impairment of goodwill	-	-	153	-
Loss on impairment of property, plant, and equipment	137	804	3,265	1,142
Cost for quality control	888	494	196	7,400
Cost for environmental remediation	-	1,377	172	-
Loss on impairment of investment securities and other assets	166	501	1,086	1,383
Net gain on sales of investment securities	(4,337)	(1,714)	(677)	(36,142)
Interest income, net	(670)	(410)	(329)	(5,583)
Foreign exchange loss (gain), net	91	2,647	(196)	758
Dividend income	(884)	(756)	(546)	(7,367)
Other, net	380	1,959	404	3,168
Total	<u>¥ (797)</u>	<u>¥ 6,048</u>	<u>¥ 4,106</u>	<u>\$ (6,641)</u>

## 13. INCOME TAXES

The provision for income taxes for the years ended March 31, 2015, 2014 and 2013, consisted of the following:

	Millions of Yen			Thousands of
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
Current income tax expense	¥ 16,955	¥ 17,305	¥ 10,334	\$ 141,292
Deferred income tax expenses, exclusive of the following	9,477	1,856	3,879	78,974
Change in the valuation allowance	404	(460)	(117)	3,367
Change in the effective statutory tax rates	<u>2,057</u>	<u>774</u>	<u>-</u>	<u>17,142</u>
Total	<u>¥ 28,893</u>	<u>¥ 19,475</u>	<u>¥ 14,096</u>	<u>\$ 240,775</u>

With the reduction of corporate tax rate enacted into law on March 31, 2015, the statutory income tax rate will be reduced from approximately 36% to 33% effective April 1, 2015, and then further reduced to approximately 32% effective April 1, 2016. With the abolishment of the Special Corporation Tax for Reconstruction enacted into law on March 31, 2014, a statutory tax rate of 36% is applied to the computation of domestic deferred tax assets and liabilities as of March 31, 2014. The effect of the change in the statutory tax rate was ¥2,057 million (\$17,142 thousand) for the year ended March 31, 2015, and ¥774 million for the year ended March 31, 2014 due to the reversal of partial deferred tax assets as a result of changes to the statutory tax rate.

Total amount of income taxes for the years ended March 31, 2015, 2014 and 2013, respectively, are allocated to the following items:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
"Income taxes" in consolidated statements of income	¥ 28,893	¥ 19,475	¥ 14,096	\$ 240,775
Accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	363	183	303	3,025
Pension liability adjustments	1,005	891	(582)	8,375
Unrealized gains (losses) on available-for-sale securities	2,495	4,497	1,525	20,792
Net gains (losses) on derivative instruments	<u>179</u>	<u>(91)</u>	<u>58</u>	<u>1,492</u>
Total	<u>¥ 32,935</u>	<u>¥ 24,955</u>	<u>¥ 15,400</u>	<u>\$ 274,459</u>

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The statutory effective tax rate is 36.0% for the fiscal year ended March 31, 2015, and 38.0% for the fiscal years ended March 31, 2014 and 2013.

The effective income tax rates of the Companies differ from the normal Japanese statutory effective tax rates for the years ended March 31, 2015, 2014 and 2013, as follows:

	2015	2014	2013
Japanese statutory effective tax rates	36.0%	38.0%	38.0%
Increase in taxes resulting from permanently nondeductible items	0.8	1.5	0.7
Tax credit for research and development expenses	(3.7)	(3.5)	(2.0)
Losses of subsidiaries for which no tax benefit was provided	1.0	3.0	2.0
Difference in subsidiaries' tax rates	(5.6)	(5.5)	(6.3)
Change in the valuation allowance	0.5	(0.7)	(0.3)
Impairment of goodwill	-	-	0.2
Realization of previously unrecognized deferred tax effects	-	(4.7)	-
Change in the effective statutory tax rates	2.4	1.2	-
Other, net	<u>1.7</u>	<u>2.1</u>	<u>1.9</u>
Income taxes burden rates after the application of tax effect accounting	<u>33.1%</u>	<u>31.4%</u>	<u>34.2%</u>

The approximate effect of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2015 and 2014 were as follows:

	Millions of Yen			
	2015		2014	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Inventory valuation	¥ 6,405	¥ -	¥ 6,415	¥ -
Accrued bonuses and vacations	5,804	-	6,448	-
Termination and retirement benefits	11,352	-	19,917	-
Marketable securities	-	10,564	-	9,283
Property, plant, and equipment	1,166	-	1,456	-
Other temporary differences	11,926	2,231	16,071	1,011
Tax credit carryforwards	387	-	175	-
Net operating loss carryforwards	7,592	-	8,878	-
Subtotal	¥ 44,632	¥ 12,795	¥ 59,360	¥ 10,294
Valuation allowance	(6,294)	-	(7,694)	-
Total	¥ 38,338	¥ 12,795	¥ 51,666	¥ 10,294

	Thousands of U.S. Dollars	
	2015	
	Deferred Tax Assets	Deferred Tax Liabilities
Inventory valuation	\$ 53,375	\$ -
Accrued bonuses and vacations	48,367	-
Termination and retirement benefits	94,600	-
Marketable securities	-	88,033
Property, plant, and equipment	9,717	-
Other temporary differences	99,382	18,592
Tax credit carryforwards	3,225	-
Net operating loss carryforwards	63,267	-
Subtotal	\$ 371,933	\$ 106,625
Valuation allowance	(52,450)	-
Total	\$ 319,483	\$ 106,625

The total valuation allowance decreased by ¥1,400 million (\$11,667 thousand) in 2015 and decreased by ¥869 million in 2014.

As of March 31, 2015, the Companies had net operating loss carryforwards for corporate tax approximating ¥17,347 million (\$144,558 thousand) in domestic which would expire by 2021 and ¥13,068 million (\$108,900 thousand) in overseas which would expire by 2032.

The Company has not provided deferred tax liabilities on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The accumulated unremitted earnings of the foreign subsidiaries for which the Company has not recognized deferred tax liabilities were ¥64,492 million (\$537,433 thousand) and ¥86,702 million at March 31, 2015 and 2014, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

The Companies have adopted ASC No. 740, "Income Taxes". The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2015 and 2014 is not material to its result of operations, financial condition, or cash flows.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

The Companies file income tax returns in Japan and foreign jurisdictions. With few exceptions, tax examinations in Japan, for years on or prior to March 31, 2012, have been completed. With few exceptions, tax examinations in foreign countries, for years on or prior to March 31, 2007, have been completed.

#### 14. PER SHARE DATA

The Company calculates its net income per share in accordance with ASC No. 260, "Earnings per share". The numerators and denominators of the net income attributable to shareholders per share computations were as follows:

##### Numerator

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Net income attributable to shareholders	¥ 62,170	¥ 46,185	¥ 30,203	\$ 518,083
Diluted net income attributable to shareholders	62,170	-	30,203	518,083

##### Denominator

	2015	2014	2013
Weighted-average common shares outstanding	218,995,929	220,118,721	220,129,917
Dilutive effect of:			
Stock options	-	-	-
Issuance of stock acquisition right	466	-	-
Diluted common shares outstanding	218,996,395	-	220,129,917

There were not dilutive effects with calculation of earnings per share for the years ended March 31, 2014 and 2013.

All fixed stock options the Companies issued expired on June 30, 2012.

#### 15. SUPPLEMENTAL INFORMATION FOR CASH FLOWS

Supplemental cash flow information for the years ended March 31, 2015, 2014 and 2013 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Interest paid	¥ 248	¥ 298	¥ 276	\$ 2,067
Income taxes paid	19,614	14,261	7,200	163,450
Noncash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	2,263	1,243	583	18,858
Decrease of retained earnings in connection with retirement of treasury stock	31,129	-	28,119	259,408



## 16. OTHER COMPREHENSIVE INCOME (LOSS)

Tax effects allocated to each component of other comprehensive income (loss), including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2015			2014			2015		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:									
Beginning balance	¥ 4,960	¥ (424)	¥ 4,536	¥(13,983 )	¥ (241)	¥ (14,224)	\$ 41,333	\$ (3,533)	\$ 37,800
Foreign currency translation adjustments arising during the year	22,209	(363)	21,846	19,129	(183)	18,946	185,075	(3,025)	182,050
Reclassification adjustment for the portion realized in net income	-	-	-	(1)	-	(1)	-	-	-
Net unrealized gain (loss)	<u>22,209</u>	<u>(363)</u>	<u>21,846</u>	<u>19,128</u>	<u>(183)</u>	<u>18,945</u>	<u>185,075</u>	<u>(3,025)</u>	<u>182,050</u>
Other comprehensive income (loss) attributable to noncontrolling interests	(69)	-	(69)	(185)	-	(185)	(575)	-	(575)
Ending balance	<u>27,100</u>	<u>(787)</u>	<u>26,313</u>	<u>4,960</u>	<u>(424)</u>	<u>4,536</u>	<u>225,833</u>	<u>(6,558)</u>	<u>219,275</u>
Pension liability adjustments:									
Beginning balance	(66,014)	27,985	(38,029)	(68,606)	28,876	(39,730)	(550,117)	233,208	(316,909)
Pension liability adjustments arising during the year	493	(266)	227	444	(118)	326	4,109	(2,217)	1,892
Reclassification adjustment for the portion realized in net income	2,055	(739)	1,316	2,148	(773)	1,375	17,125	(6,158)	10,967
Net unrealized gain (loss)	<u>2,548</u>	<u>(1,005)</u>	<u>1,543</u>	<u>2,592</u>	<u>(891)</u>	<u>1,701</u>	<u>21,234</u>	<u>(8,375)</u>	<u>12,859</u>
Ending balance	<u>(63,466)</u>	<u>26,980</u>	<u>(36,486)</u>	<u>(66,014)</u>	<u>27,985</u>	<u>(38,029)</u>	<u>(528,883)</u>	<u>224,833</u>	<u>(304,050)</u>
Unrealized gains (losses) on available-for-sale securities:									
Beginning balance	28,948	(10,482)	18,466	15,565	(5,985)	9,580	241,233	(87,349)	153,884
Unrealized holding gains (losses) arising during the year	10,579	(3,505)	7,074	15,043	(5,041)	10,002	88,158	(29,208)	58,950
Reclassification adjustment for net gains on sales in net income	(4,072)	1,010	(3,062)	(1,660)	544	(1,116)	(33,933)	8,416	(25,517)
Net unrealized gain (loss)	<u>6,507</u>	<u>(2,495)</u>	<u>4,012</u>	<u>13,383</u>	<u>(4,497)</u>	<u>8,886</u>	<u>54,225</u>	<u>(20,792)</u>	<u>33,433</u>
Ending balance	<u>35,455</u>	<u>(12,977)</u>	<u>22,478</u>	<u>28,948</u>	<u>(10,482)</u>	<u>18,466</u>	<u>295,458</u>	<u>(108,141)</u>	<u>187,317</u>
Net gains (losses) on derivative instruments:									
Beginning balance	(211)	76	(135)	40	(15)	25	(1,758)	633	(1,125)
Unrealized holding gains (losses) arising during the year	(1,026)	370	(656)	(2,283)	874	(1,409)	(8,550)	3,083	(5,467)
Reclassification adjustment for the portion realized in net income	1,524	(549)	975	2,032	(783)	1,249	12,700	(4,575)	8,125
Net unrealized gain (loss)	<u>498</u>	<u>(179)</u>	<u>319</u>	<u>(251)</u>	<u>91</u>	<u>(160)</u>	<u>4,150</u>	<u>(1,492)</u>	<u>2,658</u>
Ending balance	<u>287</u>	<u>(103)</u>	<u>184</u>	<u>(211)</u>	<u>76</u>	<u>(135)</u>	<u>2,392</u>	<u>(859)</u>	<u>1,533</u>
Other comprehensive income (loss)									
Beginning balance	(32,317)	17,155	(15,162)	(66,984)	22,635	(44,349)	(269,309)	142,959	(126,350)
Unrealized holding gains (losses) arising during the year	32,255	(3,764)	28,491	32,333	(4,468)	27,865	268,792	(31,367)	237,425
Reclassification adjustment for net gains (losses) realized in net income	(493)	(278)	(771)	2,519	(1,012)	1,507	(4,108)	(2,317)	(6,425)
Net unrealized gain (loss)	<u>31,762</u>	<u>(4,042)</u>	<u>27,720</u>	<u>34,852</u>	<u>(5,480)</u>	<u>29,372</u>	<u>264,684</u>	<u>(33,684)</u>	<u>231,000</u>
Other comprehensive income (loss) attributable to noncontrolling interests	(69)	-	(69)	(185)	-	(185)	(575)	-	(575)
Ending balance	<u>¥ (624)</u>	<u>¥ 13,113</u>	<u>¥ 12,489</u>	<u>¥ (32,317)</u>	<u>¥ 17,155</u>	<u>¥ (15,162)</u>	<u>¥\$ (5,200)</u>	<u>¥\$ 109,275</u>	<u>¥\$ 104,075</u>

Reclassification adjustment of unrealized gains (losses) on available-for-sale securities for net gains (losses) realized in net income is included in other expenses (income), net. Reclassification adjustment of pension liability adjustments for net gains (losses) realized in net income is included in retirement benefit expenses. Reclassification adjustment of net gains (losses) on derivative instruments for the portion realized in net income is included in other expenses (income), net and cost of sales. Tax effect is included in income taxes.

The change in each component of accumulated other comprehensive income (loss) for the year ended March 31, 2013 was as follows:

	Millions of Yen <u>2013</u>
Foreign currency translation adjustments:	
Beginning balance	¥ (36,544)
Change for the year	<u>22,320</u>
Ending balance	(14,224)
Pension liability adjustments:	
Beginning balance	(38,815)
Change for the year	<u>(915)</u>
Ending balance	(39,730)
Unrealized gains (losses) on available-for-sale securities:	
Beginning balance	6,995
Change for the year	<u>2,585</u>
Ending balance	9,580
Net gains (losses) on derivative instruments:	
Beginning balance	(69)
Change for the year	<u>94</u>
Ending balance	25
Total accumulated other comprehensive loss:	
Beginning balance	(68,433)
Change for the year	<u>24,084</u>
Ending balance	<u>¥ (44,349)</u>

Tax effects allocated to each component of other comprehensive income (loss), including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the year ended March 31, 2013 were as follows:

	Millions of Yen		
	2013		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	¥ 22,826	¥ (303)	¥ 22,523
Reclassification adjustment for the portion realized in net income	(43)	-	(43)
Net unrealized gain and loss	<u>22,783</u>	<u>(303)</u>	<u>22,480</u>
Pension liability adjustments:			
Pension liability adjustments arising during the year	(99)	78	(21)
Reclassification adjustment for the portion realized in net income	(1,398)	504	(894)
Net unrealized gain and loss	<u>(1,497)</u>	<u>582</u>	<u>(915)</u>
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	3,691	(1,374)	2,317
Reclassification adjustment for losses on impairment in net income	1,083	(390)	693
Reclassification adjustment for net gains on sales in net income	(664)	239	(425)
Net unrealized gain and loss	<u>4,110</u>	<u>(1,525)</u>	<u>2,585</u>
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(734)	279	(455)
Reclassification adjustment for net gains (losses) realized in net income	886	(337)	549
Net unrealized gain and loss	<u>152</u>	<u>(58)</u>	<u>94</u>
Other comprehensive income (loss)	<u>¥ 25,548</u>	<u>¥ (1,304)</u>	<u>¥ 24,244</u>

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Fair Value of Financial Instruments*

The carrying amounts and estimated fair values as of March 31, 2015 and 2014, of the Companies' financial instruments are as follows:

	Millions of Yen			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Derivatives)				
Forward exchange contracts:				
Other current assets	¥ 1,572	¥ 1,572	¥ 1,376	¥ 1,376
Other current liabilities	(2,082)	(2,082)	(1,524)	(1,524)
Commodities swaps:				
Other current assets	33	33	-	-

	Thousands of U.S. Dollars	
	2015	
	Carrying Amount	Fair Value
(Derivatives)		
Forward exchange contracts:		
Other current assets	\$ 13,100	\$ 13,100
Other current liabilities	(17,350)	(17,350)
Commodities swaps:		
Other current assets	275	275

The following methods and assumptions were used to estimate the fair values of each class of financial instrument for which it is practicable to estimate its value:

Nonderivatives

- (1) Cash and cash equivalents, notes and accounts receivable, leasehold deposits, short-term debt, and notes and accounts payable:

The carrying amounts approximate fair value.

- (2) Investment securities (see Note 4):

The fair values are estimated based on quoted market prices or dealer quotes for marketable securities or similar instruments. Certain equity securities included in investments have no readily determinable public market value and it is not practicable to estimate their fair values.

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotes are available for most of the Companies' derivatives. For the rest of the Companies' derivatives, valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

**18. DERIVATIVES AND HEDGING ACTIVITIES**

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swaps to hedge changes in foreign currency rates (primarily the U.S. dollar and the Euro). The Companies enter into commodities swaps to hedge changes in prices of commodities, including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of foreign exchange forward contracts, foreign currency swaps, and commodities swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). Foreign exchange forward contracts, and foreign currency swaps are subsequently reclassified into other expenses (income), net, and commodity swaps are subsequently reclassified into cost of sales, net, in the same period as and when the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to derivatives at March 31, 2015, is expected to be reclassified into earnings within 12 months.

The notional amounts of outstanding contracts to exchange foreign currencies at March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Forward exchange contracts	¥ 89,623	¥ 88,738	\$ 746,858
Commodities swaps	636	-	5,300

The fair values of derivatives at March 31, 2015 and 2014 were as follows:

Derivatives designated as hedges

Assets

	<u>Account</u>	Millions of Yen		Thousands of U.S. Dollars
		2015	2014	2015
Forward exchange contracts	Other current assets	¥1,572	¥1,376	\$13,100
Commodities swaps	Other current assets	33	-	275

Liabilities

	<u>Account</u>	Millions of Yen		Thousands of U.S. Dollars
		2015	2014	2015
Forward exchange contracts	Other current liabilities	¥ (2,082)	¥ (1,524)	\$ (17,350)

The effects on consolidated statements of income for the years ended March 31, 2015, 2014 and 2013 were as follows:

Derivatives designated as hedges

Cash flow hedge

	Profit and Loss of Other Comprehensive Income (Loss) (Hedge Effective Portion)			Transfer from Other Comprehensive Income (Loss) to Profit and Loss (Hedge Effective Portion)				
	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen			Thousands of U.S. Dollars	
	2015	2014	2013	2015	2014	2013	2015	
Forward exchange contracts	¥ (684)	¥ (1,588)	¥ (472)	\$ (5,700)	¥ 1,003	¥ 1,404	¥ 584	\$ 8,358
Foreign currency swaps	-	0	(5)	-	-	(17)	0	-
Commodities swaps	28	179	22	233	(28)	(138)	(35)	(233)

The amount of hedge ineffectiveness was immaterial.

**19. COMMITMENTS AND CONTINGENT LIABILITIES**

*Commitment*

The Companies have non-cancelable contracts with outside service providers to receive certain information technology related services. The amount of outstanding contracts is ¥4,804 million (\$40,033 thousand) as of March 31, 2015.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high credit quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 40% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

### ***Guarantees***

The Company provides guarantees for bank loans of an unrelated company and employees. The guarantees are made to enhance their credit. The maximum payment in the event of default at March 31, 2015 and 2014 is ¥1 million (\$8 thousand) and ¥67 million, respectively. The carrying amount of the liability recognized under those guarantees at March 31, 2015 is immaterial.

### ***Cost for Environmental Remediation***

The Companies record an environmental remediation accrual when it is probable that a liability had been incurred and the amount can reasonably be estimated. The environmental remediation accrual as of March 31, 2015 and 2014 is ¥1,032 million (\$8,600 thousand) and ¥1,456 million, respectively.

### ***Product Warranties***

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Balance at beginning of year	¥ 2,127	¥ 1,976	\$ 17,725
Additions	1,630	1,706	13,583
Utilizations	<u>(1,606)</u>	<u>(1,555)</u>	<u>(13,383)</u>
Balance at end of year	<u>¥ 2,151</u>	<u>¥ 2,127</u>	<u>\$ 17,925</u>

The Company and certain of its subsidiaries are facing several petitions and lawsuits arising from the normal course of business. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such petitions and lawsuits, if any, would not have a material effect on the consolidated financial statements.

## 20. FAIR VALUE MEASUREMENTS

ASC No. 820, "Fair Value Measurements and Disclosures", defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC No. 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are significant to measure fair value of assets or liabilities and unobservable.

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2015 and 2014 are as follows:

	Amount of Fair Value Measurements			
	Millions of Yen			
	2015			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investment securities:				
Debt securities	¥ 6	¥ -	¥ -	¥ 6
Equity securities	52,662	-	-	52,662
Derivative:				
Foreign exchange forward contracts	-	1,572	-	1,572
Commodities swaps	-	33	-	33

### Liabilities

Derivative:				
Foreign exchange forward contracts	¥ -	¥2,082	¥ -	¥2,082

	Amount of Fair Value Measurements			
	Millions of Yen			
	2014			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investment securities:				
Debt securities	¥ 7	¥ -	¥ -	¥ 7
Equity securities	46,216	-	-	46,216
Derivative:				
Foreign exchange forward contracts	-	1,376	-	1,376

### Liabilities

Derivative:				
Foreign exchange forward contracts	¥ -	¥ 1,524	¥ -	¥1,524

	Amount of Fair Value Measurements			
	Thousands of U.S. Dollars			
	2015			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investment securities:				
Debt securities	\$ 50	\$ -	\$ -	\$ 50
Equity securities	438,850	-	-	438,850
Derivative:				
Foreign exchange forward contracts	-	13,100	-	13,100
Commodities swaps	-	275	-	275

Liabilities

Derivative:				
Foreign exchange forward contracts	\$ -	\$17,350	\$ -	\$17,350

***Investment Securities***

Investment securities mainly consist of publicly listed stocks. Since fair value of the investment securities is valued using a quoted market price in active markets for identical assets and can be observed, these are classified as Level 1.

***Derivatives***

Derivatives consist of foreign exchange forward contracts and commodities swaps. Since fair value of derivatives is determined using the observable market data, such as foreign exchange rates or interest rates, these are classified as Level 2.

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2015 and 2014 are as follows:

	Amount of Fair Value Measurements				Total Amount of Fair Value
	Millions of Yen				
	2015				
Total Amount of Gain (Loss)	Level 1	Level 2	Level 3		
<u>Assets</u>					
Investment securities	¥ (166)	¥ -	¥ -	¥ 2	¥ 2
Long-lived assets	(137)	-	-	23	23

	Amount of Fair Value Measurements				Total Amount of Fair Value
	Millions of Yen				
	2014				
Total Amount of Gain (Loss)	Level 1	Level 2	Level 3		
<u>Assets</u>					
Investment securities	¥ (501)	¥ -	¥ -	¥ 33	¥ 33
Long-lived assets	(804)	-	-	277	277



	Amount of Fair Value Measurements				Total Amount of Fair Value
	Thousands of U.S. Dollars				
	2015				
<u>Assets</u>	<u>Total Amount of Gain (Loss)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investment securities	\$ (1,383)	\$ -	\$ -	\$ 17	\$ 17
Long-lived assets	(1,142)	-	-	192	192

During the years ended March 31, 2015 and 2014, the Company classified most of the assets described above as Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through discounted future cash flows.

## 21. SEGMENT INFORMATION

### *Operating Segment Information*

ASC No. 280, "Segment Reporting" establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company discloses five operating segments: "Industrial Automation Business", "Electronic and Mechanical Components Business", "Automotive Electronic Components Business", "Social Systems Solution and Service Business", and "Healthcare Business". These segments are mainly separated based on the Companies' consideration of their lines of business and size within the consolidation. The Company presents operating segments other than the above five segments in "Other".

The primary products included in each segment are as follows:

- (1) Industrial Automation Business (IAB): Programmable controllers, motion controllers, sensing devices, inspection systems, safety devices, precision laser processing equipment, and control devices.
- (2) Electronic and Mechanical Components Business (EMC): Relays, switches, connectors, amusement components and units, sensors for consumers, face recognition software, and image sensing component (HVC: human vision component).
- (3) Automotive Electronic Components Business (AEC): Automotive body electronics controllers, electric power steering controllers, passive entry and push engine start systems, keyless entry systems, power window switches and various automotive switches, and power conversion units and voltage monitoring units for electric vehicles.
- (4) Social Systems Solution and Service Business (SSB): Railway station service systems, traffic and road management systems, card payment services, security and safety solutions, environment solutions, and related maintenance business.
- (5) Healthcare Business (HCB): Digital blood pressure monitors, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, sleep time monitors, sleep monitors, low-frequency therapy equipment, massagers, blood glucose monitors, biometric monitors, nebulizers, ECGs, vascular screening devices, visceral fat monitors, WellnessLINK services, and Medical Link services.

- (6) Other: Solar power conditioners, electrical power measuring and energy saving and management devices, power protection devices, uninterruptible power supplies, embedded computers for manufacturing industries, OEM development and manufacturing of electronic equipment, MEMS microphones, MEMS pressure sensors, MEMS thermal sensors, MEMS flow sensors, analog ICs, contract chip manufacturing services, and high-quality backlight units for LCDs (MEMS: Micro-Electro-Mechanical Systems)

The segment information is presented in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating results. Based on the Company's allocation method used by management to evaluate results of each segment, revenues and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and Others". Segment profit (loss) is presented by subtracting cost of sales, selling general and administrative expenses, and research and development expenses from net sales.

Operating segment information as of and for the years ended March 31, 2015, 2014 and 2013 was as follows:

	Millions of Yen							Eliminations and Others	Consolidated
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total		
<u>2015</u>									
I. Sales and segment profit (loss)									
1. Sales to external customers	¥ 331,840	¥ 103,946	¥ 137,883	¥ 80,410	¥ 100,615	¥ 87,382	¥ 842,076	¥ 5,176	¥ 847,252
2. Intersegment sales	5,721	50,441	1,148	5,027	164	24,466	86,967	(86,967)	-
Total	<u>¥ 337,561</u>	<u>¥ 154,387</u>	<u>¥ 139,031</u>	<u>¥ 85,437</u>	<u>¥ 100,779</u>	<u>¥ 111,848</u>	<u>¥ 929,043</u>	<u>¥ (81,791)</u>	<u>¥ 847,252</u>
Segment profit (loss)	¥54,617	¥10,168	¥9,230	¥4,993	¥6,511	¥8,366	¥93,885	¥(7,294)	¥86,591
II. Assets, depreciation, and capital expenditures									
Assets	¥308,402	¥131,288	¥80,751	¥75,709	¥80,574	¥61,483	¥738,207	¥(27,196)	¥711,011
Depreciation and amortization	3,544	7,975	4,662	1,356	3,341	2,451	23,329	5,010	28,339
Capital expenditures	4,170	9,530	6,468	1,685	3,877	6,932	32,662	5,481	38,143
	Millions of Yen								
<u>2014</u>	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	¥ 291,739	¥ 97,699	¥ 126,620	¥ 82,695	¥ 89,275	¥ 78,949	¥ 766,977	¥ 5,989	¥ 772,966
2. Intersegment sales	7,540	48,972	195	4,598	127	27,089	88,521	(88,521)	-
Total	<u>¥ 299,279</u>	<u>¥ 146,671</u>	<u>¥ 126,815</u>	<u>¥ 87,293</u>	<u>¥ 89,402</u>	<u>¥ 106,038</u>	<u>¥ 855,498</u>	<u>¥ (82,532)</u>	<u>¥ 772,966</u>
Segment profit (loss)	¥38,755	¥8,655	¥9,084	¥5,552	¥7,545	¥8,676	¥78,267	¥(10,212)	¥68,055
II. Assets, depreciation, and capital expenditures									
Assets	¥261,779	¥120,128	¥68,485	¥72,877	¥61,157	¥46,141	¥630,567	¥24,137	¥654,704
Depreciation and amortization	3,558	7,838	3,362	1,226	2,328	1,968	20,280	4,809	25,089
Capital expenditures	3,324	10,943	6,695	1,469	3,945	4,042	30,418	3,235	33,653

Millions of Yen									
2013	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	¥ 262,983	¥ 84,107	¥ 97,643	¥ 68,754	¥ 71,520	¥ 59,240	¥ 644,247	¥ 6,214	¥ 650,461
2. Intersegment sales	5,566	44,502	228	3,849	106	18,995	73,246	(73,246)	-
Total	<u>¥ 268,549</u>	<u>¥ 128,609</u>	<u>¥ 97,871</u>	<u>¥ 72,603</u>	<u>¥ 71,626</u>	<u>¥ 78,235</u>	<u>¥ 717,493</u>	<u>¥ (67,032)</u>	<u>¥ 650,461</u>
Segment profit (loss)	¥31,349	¥4,351	¥5,009	¥2,915	¥4,407	¥2,526	¥50,557	¥(5,214)	¥45,343
II. Assets, depreciation, and capital expenditures									
Assets	¥232,021	¥110,125	¥58,858	¥64,703	¥51,091	¥44,326	¥561,124	¥12,513	¥573,637
Depreciation and amortization	3,452	7,433	2,418	1,061	1,884	1,406	17,654	4,798	22,452
Capital expenditures	2,761	8,915	5,521	1,491	3,100	2,532	24,320	3,965	28,285

Thousands of U.S. Dollars									
2015	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)									
1. Sales to external customers	\$ 2,765,333	\$ 866,217	\$ 1,149,025	\$ 670,083	\$ 838,458	\$ 728,184	\$ 7,017,300	\$ 43,133	\$ 7,060,433
2. Intersegment sales	47,675	420,341	9,567	41,892	1,367	203,883	724,725	(724,725)	-
Total	<u>\$ 2,813,008</u>	<u>\$ 1,286,558</u>	<u>\$ 1,158,592</u>	<u>\$ 711,975</u>	<u>\$ 839,825</u>	<u>\$ 932,067</u>	<u>\$ 7,742,025</u>	<u>\$ (681,592)</u>	<u>\$ 7,060,433</u>
Segment profit (loss)	\$455,142	\$84,733	\$76,917	\$41,608	\$54,258	\$69,717	\$782,375	\$(60,783)	\$721,592
II. Assets, depreciation, and capital expenditures									
Assets	\$2,570,017	\$1,094,067	\$672,925	\$630,908	\$671,450	\$512,358	\$6,151,725	\$(226,633)	\$5,925,092
Depreciation and amortization	29,533	66,458	38,850	11,300	27,842	20,425	194,408	41,750	236,158
Capital expenditures	34,750	79,417	53,900	14,042	32,308	57,766	272,183	45,675	317,858

Annotations about the above segment information:

- Intersegment sales are recorded at the same prices used in transactions with third parties.
- Eliminations and Others include unclassifiable expenses and eliminations of intersegment transactions.
- Depreciation and amortization and capital expenditures include expenses and expenditures arising from intangible assets.
- According to a revised structure of internal organization in 2014, a portion of the Electronic and Mechanical Components Business was moved to the Industrial Automation Business. Accordingly, the segment information figures as of March 31, 2013 have been restated to conform with the current year presentation.

Reconciliation between segment profit (loss) and income before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2015, 2014 and 2013 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>
Total amount of segment profit	¥ 93,885	¥ 78,267	¥ 50,557	\$ 782,375
Other expenses (income), net	(797)	6,048	4,106	(6,641)
Eliminations and others	<u>(7,294)</u>	<u>(10,212)</u>	<u>(5,214)</u>	<u>(60,783)</u>
Income before income taxes and equity in loss (earnings) of affiliates	<u>¥ 87,388</u>	<u>¥ 62,007</u>	<u>¥ 41,237</u>	<u>\$ 728,233</u>

### **Geographic Information**

Information of the Companies' sales to external customers and property, plant, and equipment by major geographic area as of and for the years ended March 31, 2015, 2014 and 2013, is as follows:

	Millions of Yen					
	2015					
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Greater China</u>	<u>Southeast Asia and Others</u>	<u>Consolidated</u>
Sales to external customers	¥ 351,321	¥ 123,496	¥ 108,427	¥ 180,954	¥ 83,054	¥ 847,252
Property, plant, and equipment	71,039	12,648	4,520	48,811	14,434	151,452
	Millions of Yen					
	2014					
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Greater China</u>	<u>Southeast Asia and Others</u>	<u>Consolidated</u>
Sales to external customers	¥ 356,342	¥ 100,992	¥ 100,929	¥ 142,444	¥ 72,259	¥ 772,966
Property, plant, and equipment	71,083	8,295	4,895	38,828	12,465	135,566
	Millions of Yen					
	2013					
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Greater China</u>	<u>Southeast Asia and Others</u>	<u>Consolidated</u>
Sales to external customers	¥ 328,470	¥ 80,427	¥ 80,453	¥ 106,283	¥ 54,828	¥ 650,461
Property, plant, and equipment	73,295	6,553	4,303	32,133	10,551	126,835

	Thousands of U.S. Dollars					
	2015					
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Consolidated
Sales to external customers	\$ 2,927,675	\$ 1,029,133	\$ 903,558	\$ 1,507,950	\$ 692,117	\$ 7,060,433
Property, plant, and equipment	591,992	105,400	37,667	406,758	120,283	1,262,100

Annotations about the above geographic information:

- Classification of country or area is based upon physical geographic proximity.
- Major countries or areas belonging to segments other than Japan are as follows:
  - (1) Americas: United States of America, Canada and Brazil
  - (2) Europe: Netherlands, Great Britain, Germany, France, Italy and Spain
  - (3) Greater China: China, Hong Kong and Taiwan
  - (4) Southeast Asia and Others: Singapore, Republic of Korea, India and Australia
- For sales and property, plant, and equipment, there were no material amounts specific to a particular country, except for Japan, that require separate disclosure as of and for the years ended March 31, 2015, 2014 and 2013.
- For sales to external customers, there were no amounts specific to particular customers that require separate disclosure for the years ended March 31, 2015, 2014 and 2013.

## 22. BUSINESS COMBINATION

The Company, through its subsidiary Omron Healthcare Brasil Representação e Distribuição de Produtos Médico-Hospitalares Ltda., acquired 100% outstanding stock of MMRSV Participante S.A. (NS group) which includes NS Industria de Aparelhos Medicos Ltda. and other two companies for ¥7,529 million (\$62,742 thousand) of cash on October 10, 2014. The acquisition-related costs incurred surrounding the acquisition of the stock of NS group is considered to be immaterial. The purpose of this acquisition is to expand the nebulizer business in Brazil and further the sales of blood pressure monitors by utilizing the sales channels of NS group. The estimated fair values for assets and liabilities at October 10, 2014 were as follows:

	Estimated Fair Value	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,492	\$ 12,433
Property, plant, and equipment	697	5,808
Total investments and other assets	10,583	88,192
Current liabilities	(1,066)	(8,883)
Long-term liabilities	<u>(4,177)</u>	<u>(34,808)</u>
Total net assets	<u>¥ (7,529)</u>	<u>\$ (62,742)</u>

The above amount might be changed because the fair values of acquired properties and liabilities at October 10, 2014 are under calculation.

Goodwill and identifiable intangible assets included in total investments and other assets were ¥7,642 million (\$63,683 thousand) and ¥2,832 million (\$23,600 thousand). The goodwill belongs to Healthcare Business and is not deductible from taxable income calculation. The gain and losses of NS group which are included in consolidated financial statements, and the pro forma information due to the acquisition of NS group are immaterial.

### **23. SUBSEQUENT EVENTS**

The Companies have evaluated subsequent events in accordance with ASC No. 855, "Subsequent Events".

No significant event took place from March 31, 2015 through June 24, 2015, the date when the Yukashouken-Houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the year ended March 31, 2015 was available to be issued.

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