

CONSOLIDATED FINANCIAL STATEMENTS

TAMURA CORPORATION

AS OF MARCH 31, 2015 AND 2014

Independent Auditor's Report

The Board of Directors
TAMURA CORPORATION

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

Ernst & Young Shinnihon LLC

June 26, 2015
Tokyo, Japan

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | Millions of yen | | Thousands of U.S. dollars (Note 1(a)) |
|--|-----------------|-----------------|---|
| | March 31, | | March 31, |
| | 2015 | 2014 | 2015 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and bank deposits (Notes 3 and 4) | ¥ 11,816 | ¥ 12,245 | \$ 98,466 |
| Notes and accounts receivable-trade (Note 4) | | | |
| Non-consolidated subsidiaries and affiliates | 111 | 79 | 925 |
| Other | 23,574 | 21,565 | 196,450 |
| Allowance for doubtful accounts | (106) | (113) | (883) |
| | <u>23,579</u> | <u>21,531</u> | <u>196,492</u> |
| Inventories (Note 6) | 14,412 | 13,324 | 120,100 |
| Deferred tax assets (Note 13) | 624 | 471 | 5,200 |
| Other current assets | 2,537 | 2,415 | 21,142 |
| Total current assets | <u>52,968</u> | <u>49,986</u> | <u>441,400</u> |
| Investments and Other Assets: | | | |
| Securities in the non-current portfolio (Notes 4 and 5) | 2,062 | 1,539 | 17,183 |
| Investments in non-consolidated subsidiaries and affiliates | 1,958 | 663 | 16,316 |
| Net defined benefit asset (Note 8) | 904 | — | 7,533 |
| Deferred tax assets (Note 13) | 288 | 564 | 2,400 |
| Other assets | 2,313 | 2,233 | 19,276 |
| Total investments and other assets | <u>7,525</u> | <u>4,999</u> | <u>62,708</u> |
| Property, Plant and Equipment: (Notes 14 and 18) | | | |
| Land | 6,130 | 6,714 | 51,083 |
| Buildings and structures | 18,193 | 17,704 | 151,608 |
| Machinery and equipment | 27,212 | 26,027 | 226,767 |
| Lease assets | 1,522 | 1,356 | 12,683 |
| Construction in progress | 560 | 461 | 4,667 |
| | <u>53,617</u> | <u>52,262</u> | <u>446,808</u> |
| Accumulated depreciation | (33,855) | (32,479) | (282,125) |
| Net property, plant and equipment | <u>19,762</u> | <u>19,783</u> | <u>164,683</u> |
| Total assets | <u>¥ 80,255</u> | <u>¥ 74,768</u> | <u>\$ 668,791</u> |

The accompanying notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1(a)) |
|---|-----------------|-----------------|---|
| | March 31, | | March 31, |
| | 2015 | 2014 | 2015 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Short-term loans (Notes 4 and 7) | ¥ 5,906 | ¥ 5,527 | \$ 49,216 |
| Current portion of long-term debt (Notes 4 and 7) | 872 | 1,976 | 7,267 |
| Lease obligations (Notes 4 and 7) | 371 | 364 | 3,092 |
| Notes and accounts payable-trade (Note 4) | | | |
| Non-consolidated subsidiaries and affiliates | 390 | 282 | 3,250 |
| Other | 11,266 | 12,005 | 93,883 |
| | <u>11,656</u> | <u>12,287</u> | <u>97,133</u> |
| Income tax payable | 585 | 583 | 4,875 |
| Accrued bonuses | 1,012 | 961 | 8,433 |
| Accrued bonuses for directors | 63 | 67 | 525 |
| Other current liabilities (Note 13) | 2,963 | 2,972 | 24,692 |
| Total current liabilities | <u>23,428</u> | <u>24,737</u> | <u>195,233</u> |
| Long-term Debt (Notes 4 and 7) | 14,914 | 14,552 | 124,283 |
| Lease Obligations (Notes 4 and 7) | 547 | 563 | 4,558 |
| Net Defined Benefit Liability (Note 8) | 2,765 | 2,579 | 23,042 |
| Deferred Tax Liabilities (Note 13) | 26 | 26 | 217 |
| Other Long-term Liabilities | 411 | 416 | 3,425 |
| Contingent Liabilities and Commitment (Note 16 and 17) | | | |
| Net Assets | | | |
| Shareholders' Equity | | | |
| Common stock: | 11,829 | 11,829 | 98,575 |
| Authorized - 252,000,000 shares | | | |
| Issued and outstanding – 82,771,473 shares | | | |
| Additional paid-in capital | 17,174 | 17,173 | 143,117 |
| Retained earnings | 6,138 | 3,078 | 51,150 |
| Treasury stock, at cost (Note 10) | (288) | (281) | (2,400) |
| Total shareholders' equity | <u>34,853</u> | <u>31,799</u> | <u>290,442</u> |
| Accumulated Other Comprehensive Income | | | |
| Unrealized gain on securities | 437 | 129 | 3,642 |
| Deferred gain (loss) on hedges | 2 | (8) | 16 |
| Translation adjustments | 3,292 | 939 | 27,433 |
| Remeasurements of defined benefit plans | (617) | (1,138) | (5,141) |
| Total accumulated other comprehensive income | <u>3,114</u> | <u>(78)</u> | <u>25,950</u> |
| Subscription Rights to Shares | 115 | 99 | 958 |
| Minority Interests | 82 | 75 | 683 |
| Total net assets | <u>38,164</u> | <u>31,895</u> | <u>318,033</u> |
| Total liabilities and net assets | <u>¥ 80,255</u> | <u>¥ 74,768</u> | <u>\$ 668,791</u> |

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(CONSOLIDATED STATEMENTS OF INCOME)

| | Millions of yen | | Thousands of U.S. dollars (Note 1(a)) |
|---|----------------------|----------------|---|
| | Year ended March 31, | | Year ended March 31, |
| | 2015 | 2014 | 2015 |
| Net Sales | ¥ 86,248 | ¥ 81,176 | \$ 718,733 |
| Operating Cost and Expenses: | | | |
| Cost of sales (Note 12) | 62,760 | 60,134 | 523,000 |
| Selling, general and administrative expenses (Notes 11 and 12) | 19,459 | 18,633 | 162,158 |
| | <u>82,219</u> | <u>78,767</u> | <u>685,158</u> |
| Operating income | 4,029 | 2,409 | 33,575 |
| Other Income (Expenses): | | | |
| Interest and dividend income | 101 | 112 | 842 |
| Equity in earnings of affiliates | 227 | — | 1,891 |
| Interest expense | (328) | (367) | (2,733) |
| Foreign exchange gain (loss) | (159) | 668 | (1,325) |
| Special retirement expenses | — | (28) | — |
| Other income | 515 | 506 | 4,291 |
| Other expenses | (288) | (560) | (2,400) |
| | <u>68</u> | <u>331</u> | <u>566</u> |
| Income before income taxes and minority interests | 4,097 | 2,740 | 34,141 |
| Income Taxes (Note 13) | | | |
| Current | 972 | 865 | 8,100 |
| Deferred | 19 | 67 | 158 |
| | <u>991</u> | <u>932</u> | <u>8,258</u> |
| Income before minority interests | 3,106 | 1,808 | 25,883 |
| Minority Interests | 0 | 11 | 0 |
| Net income | <u>¥ 3,106</u> | <u>¥ 1,797</u> | <u>\$ 25,883</u> |
| | <u>Yen</u> | | <u>U.S. dollars</u> |
| Per Share: | | | |
| Basic net income | ¥ 37.88 | ¥ 21.92 | \$ 0.31 |
| Diluted net income | 37.68 | 21.81 | 0.31 |
| Cash dividends per share | 7.00 | 6.00 | 0.05 |

The accompanying notes are an integral part of these statements.

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

| | Millions of yen | | Thousands of U.S. dollars (Note 1(a)) |
|--|----------------------|----------------|---|
| | Year ended March 31, | | Year ended March 31, |
| | 2015 | 2014 | 2015 |
| Income before minority interests | ¥ 3,106 | ¥ 1,808 | \$ 25,883 |
| Other Comprehensive Income | | | |
| Unrealized gain on securities | 308 | 138 | 2,567 |
| Deferred gain (loss) on hedges | 10 | (7) | 83 |
| Translation adjustments | 2,216 | 3,077 | 18,467 |
| Remeasurements of defined benefit plans | 521 | — | 4,341 |
| Share of other comprehensive income of affiliates accounted for using equity method | 144 | 9 | 1,200 |
| Total other comprehensive income (Note 9) | <u>3,199</u> | <u>3,217</u> | <u>26,658</u> |
| Comprehensive income | <u>¥ 6,305</u> | <u>¥ 5,025</u> | <u>\$ 52,541</u> |
| Total comprehensive income attributable to: | | | |
| Shareholders of the Company | ¥ 6,298 | ¥ 5,006 | \$ 52,483 |
| Minority interests | 7 | 19 | 58 |

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2015

| | Millions of yen | | | | | |
|---|-------------------------------|----------------------|----------------------------------|----------------------|--------------------------------|----------------------------------|
| | Number of shares issued | Shareholders' equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock (Note 10) | Total shareholders' equity |
| Balance at April 1, 2014 | 82,771,473 | ¥ 11,829 | ¥ 17,173 | ¥ 3,078 | ¥ (281) | ¥ 31,799 |
| Increase due to exchange of shares | | | | | | |
| Dividends from surplus | | | | (492) | | (492) |
| Net income | | | | 3,106 | | 3,106 |
| Acquisition of treasury stock | | | | | (9) | (9) |
| Disposal of treasury stock | | | 0 | (1) | 2 | 1 |
| Other | | | | 448 | | 448 |
| Items other than changes in shareholders' equity | | | | | | |
| Balance at March 31, 2015 | <u>82,771,473</u> | <u>¥ 11,829</u> | <u>¥ 17,173</u> | <u>¥ 6,139</u> | <u>¥ (288)</u> | <u>¥ 34,853</u> |

| | Millions of yen | | | | | | | |
|---|--|--------------------------------------|---------------------------------|---|---|-------------------------------------|-----------------------|---------------------|
| | Accumulated other comprehensive income | | | | | | | Total net assets |
| | Unrealized gain on securities | Deferred gain (loss) on hedges | Translation adjust- ments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Subscription rights to shares | Minority interests | |
| Balance at April 1, 2014 | ¥ 129 | ¥ (8) | ¥ 939 | ¥ (1,138) | ¥ (78) | ¥ 99 | ¥ 75 | ¥ 31,895 |
| Increase due to exchange of shares | | | | | | | | |
| Dividends from surplus | | | | | | | | (492) |
| Net income | | | | | | | | 3,106 |
| Acquisition of treasury stock | | | | | | | | (9) |
| Disposal of treasury stock | | | | | | | | 1 |
| Other | | | | | | | | 448 |
| Items other than changes in shareholders' equity | <u>308</u> | <u>10</u> | <u>2,353</u> | <u>521</u> | <u>3,192</u> | <u>16</u> | <u>7</u> | <u>3,215</u> |
| Balance at March 31, 2015 | <u>¥ 437</u> | <u>¥ 2</u> | <u>¥ 3,292</u> | <u>¥ (617)</u> | <u>¥ 3,114</u> | <u>¥ 115</u> | <u>¥ 82</u> | <u>¥ 38,164</u> |

For the year ended March 31, 2014

| | Millions of yen | | | | | | | | | |
|---|-------------------------------|----------------------|----------------------------------|----------------------|----------------|----------|--------------------------------|----------------------------------|--|--|
| | Number of shares issued | Shareholders' equity | | | | | Treasury stock (Note 10) | Total shareholders' equity | | |
| | | Common stock | Additional paid-in capital | Retained earnings | | | | | | |
| Balance at April 1, 2013 | 82,771,473 | ¥ 11,829 | ¥ 17,173 | ¥ 1,471 | ¥ (278) | ¥ | ¥ 30,195 | | | |
| Increase due to exchange of shares | | | | | | | | | | |
| Dividends from surplus | | | | (246) | | | (246) | | | |
| Net income | | | | 1,798 | | | 1,798 | | | |
| Acquisition of treasury stock | | | — | | (6) | | (6) | | | |
| Disposal of treasury stock | | | — | (1) | 3 | | 2 | | | |
| Other | | | | 56 | | | 56 | | | |
| Items other than changes in shareholders' equity | | | | | | | | | | |
| Balance at March 31, 2014 | <u>82,771,473</u> | <u>¥ 11,829</u> | <u>¥ 17,173</u> | <u>¥ 3,078</u> | <u>¥ (281)</u> | <u>¥</u> | <u>¥ 31,799</u> | | | |

| | Millions of yen | | | | | | | | | |
|---|--|--------------------------------------|---------------------------------|---|---|-------------|-------------|-------------------------------------|-----------------------|---------------------|
| | Accumulated other comprehensive income | | | | | | | Subscription rights to shares | Minority interests | Total net assets |
| | Unrealized gain (loss) on securities | Deferred gain (loss) on hedges | Translation adjust- ments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | | | |
| Balance at April 1, 2013 | ¥ (10) | ¥ (0) | ¥ (2,139) | ¥ — | ¥ (2,149) | ¥ 89 | ¥ — | ¥ | ¥ 28,135 | |
| Increase due to exchange of shares | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (246) | |
| Net income | | | | | | | | | 1,798 | |
| Acquisition of treasury stock | | | | | | | | | (6) | |
| Disposal of treasury stock | | | | | | | | | 2 | |
| Other | | | | | | | | | 56 | |
| Items other than changes in shareholders' equity | <u>139</u> | <u>(8)</u> | <u>3,078</u> | <u>(1,138)</u> | <u>2,071</u> | <u>10</u> | <u>75</u> | | <u>2,156</u> | |
| Balance at March 31, 2014 | <u>¥ 129</u> | <u>¥ (8)</u> | <u>¥ 939</u> | <u>¥ (1,138)</u> | <u>¥ (78)</u> | <u>¥ 99</u> | <u>¥ 75</u> | <u>¥</u> | <u>¥ 31,895</u> | |

For the year ended March 31, 2015

| | Thousands of U.S. dollars (Note 1(a)) | | | | | |
|---|---------------------------------------|----------------------|----------------------------------|----------------------|--------------------------------|----------------------------------|
| | Number of shares issued | Shareholders' equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock (Note 10) | Total shareholders' equity |
| Balance at April 1, 2014 | 82,771,473 | \$ 98,575 | \$ 143,109 | \$ 25,650 | \$ (2,342) | \$ 264,992 |
| Increase due to exchange of shares | | | | | | — |
| Dividends from surplus | | | | (4,100) | | (4,100) |
| Net income | | | | 25,883 | | 25,883 |
| Acquisition of treasury stock | | | | | (75) | (75) |
| Disposal of treasury stock | | | 0 | (8) | 17 | 9 |
| Other | | | | 3,733 | | 3,733 |
| Items other than changes in shareholders' equity | | | | | | |
| Balance at March 31, 2015 | <u>82,771,473</u> | <u>\$ 98,575</u> | <u>\$ 143,109</u> | <u>\$ 51,158</u> | <u>\$ (2,400)</u> | <u>\$ 290,442</u> |

| | Thousands of U.S. dollars (Note 1(a)) | | | | | | | |
|---|--|--------------------------------------|---------------------------------|---|---|-------------------------------------|-----------------------|---------------------|
| | Accumulated other comprehensive income | | | | | | | |
| | Unrealized gain on securities | Deferred gain (loss) on hedges | Translation adjust- ments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Subscription rights to shares | Minority interests | Total net assets |
| Balance at April 1, 2014 | \$ 1,075 | \$ (67) | \$ 7,825 | \$ (9,483) | \$ (650) | \$ 825 | \$ 625 | \$ 265,792 |
| Increase due to exchange of shares | | | | | | | | — |
| Dividends from surplus | | | | | | | | (4,100) |
| Net income | | | | | | | | 25,883 |
| Acquisition of treasury stock | | | | | | | | (75) |
| Disposal of treasury stock | | | | | | | | 9 |
| Other | | | | | | | | 3,733 |
| Items other than changes in shareholders' equity | <u>2,567</u> | <u>83</u> | <u>19,608</u> | <u>4,342</u> | <u>26,600</u> | <u>133</u> | <u>58</u> | <u>26,791</u> |
| Balance at March 31, 2015 | <u>\$ 3,642</u> | <u>\$ 16</u> | <u>\$ 27,433</u> | <u>\$ (5,141)</u> | <u>\$ 25,950</u> | <u>\$ 958</u> | <u>\$ 683</u> | <u>\$ 318,033</u> |

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars (Note 1(a)) |
|--|----------------------|-----------------|---|
| | Year ended March 31, | | Year ended March 31, |
| | 2015 | 2014 | 2015 |
| Cash Flows from Operating Activities: | | | |
| Income before income taxes | ¥ 4,097 | ¥ 2,740 | \$ 34,141 |
| Depreciation | 2,352 | 2,183 | 19,600 |
| Decrease in net defined benefit liability | (212) | (183) | (1,767) |
| Increase (decrease) in allowance for doubtful accounts | (36) | 90 | (300) |
| Gain on sales of investment securities | (0) | (232) | (0) |
| Write-down of investment securities | — | 149 | — |
| Interest and dividend income | (101) | (112) | (842) |
| Interest expense | 328 | 367 | 2,733 |
| Foreign exchange gain | (63) | (594) | (525) |
| Equity in loss (earnings) of affiliates | (228) | 15 | (1,900) |
| Increase in accrued bonuses | 49 | 187 | 408 |
| Increase (decrease) in accrued bonuses for directors | (5) | 60 | (41) |
| Decrease (increase) in trade receivable | (630) | 2,604 | (5,250) |
| Increase in inventories | (223) | (222) | (1,858) |
| Decrease in trade payable | (1,375) | (2,348) | (11,458) |
| Other, net | 382 | (741) | 3,183 |
| | <u>4,335</u> | <u>3,963</u> | <u>36,124</u> |
| Interest and dividends received | 113 | 150 | 941 |
| Interest paid | (333) | (364) | (2,775) |
| Income taxes paid | (983) | (808) | (8,191) |
| Net cash provided by operating activities | <u>3,132</u> | <u>2,941</u> | <u>26,099</u> |
| Cash Flows from Investing Activities: | | | |
| Purchase of tangible fixed assets | (2,590) | (3,432) | (21,583) |
| Proceeds from sale of tangible fixed assets | 1,196 | 196 | 9,967 |
| Purchase of investments in securities | (537) | (424) | (4,475) |
| Proceeds from sale of investments in securities | 1 | 629 | 8 |
| Increase in loans receivable | — | (421) | — |
| Other, net | 42 | (23) | 350 |
| Net cash used in investing activities | <u>(1,888)</u> | <u>(3,475)</u> | <u>(15,733)</u> |
| Cash Flows from Financing Activities: | | | |
| Decrease in short-term loans | (148) | (2,688) | (1,233) |
| Proceeds from long-term debt | 1,440 | 10,770 | 12,000 |
| Repayment of long-term debt | (2,182) | (6,057) | (18,183) |
| Repayment of lease obligations | (439) | (458) | (3,658) |
| Purchase of treasury stock | (9) | (6) | (75) |
| Proceeds from sales of treasury stock | 0 | 0 | 0 |
| Cash dividends paid | (496) | (245) | (4,134) |
| Other, net | (6) | 19 | (50) |
| Net cash provided by (used in) financing activities | <u>(1,840)</u> | <u>1,335</u> | <u>(15,333)</u> |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 311 | 1,142 | 2,592 |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(285)</u> | <u>1,943</u> | <u>(2,375)</u> |
| Cash and Cash Equivalents at Beginning of Year | 11,974 | 9,944 | 99,783 |
| Increase in cash and cash equivalents resulting from inclusion in consolidation | — | 87 | — |
| Cash and Cash Equivalents at End of Year (Note 3) | <u>¥ 11,689</u> | <u>¥ 11,974</u> | <u>\$ 97,408</u> |

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of presentation of the consolidated financial statements

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

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Local Finance Bureau in Japan as required by the Financial Instruments and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120=U.S. \$1, the approximate rate of exchange on March 31, 2015 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

(b) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and, with the exception of entities which are not material, those of its 32 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Effective from the year ended March 31, 2015, Tamura Thermal Device (H.K.) Co. Ltd. and Tamura Kaken (H.K.) Ltd. have been excluded from consolidation because of their liquidation.

Investments in non-consolidated subsidiaries and affiliates are carried at cost since their total assets, net sales and the Company's interests in their net income (loss), or retained earnings, in aggregate, do not have a material effect on the consolidated financial statements.

The fiscal year end of the foreign consolidated subsidiaries is December 31. The necessary adjustments for significant transactions between the fiscal year end of the Company and the fiscal year end of the foreign consolidated subsidiaries, if any, are made in the preparation of the consolidated financial statements.

(c) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives designated as "hedging instruments" (see Note 1(c)(3) Hedge accounting below).

(2) Securities

Securities held by the Companies are classified as follows:

Held-to-maturity securities are stated at amortized cost.

Available-for-sale securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax amount.

Available-for-sale securities without market values are stated at cost determined by the moving average method, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates, or available-for-sale securities, has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to their fair value and the resulting losses are included in net profit or loss for the period.

(3) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred as a component of net assets.

The derivatives designated as hedging instruments by the Companies are principally forward exchange contracts and interest rate swaps. The underlying hedged items are trade accounts receivable and trade accounts payable denominated in foreign currencies, forecast transactions denominated in foreign currencies and interest on long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuations. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the estimated amount of uncollectible receivables at the balance sheet date.

(e) Inventories

Inventories are principally stated at cost determined by the following methods:

- Finished goods and work-in-process:
 - Electronic Components business, Electronic Chemicals business and Information Equipment business: Mainly periodic average method (Inventories with lower profitability are written down)
 - FA Systems business: Specific identification method (Inventories with lower

profitability are written down)

- Merchandise and raw materials: Mainly periodic average method (Inventories with lower profitability are written down)
- Supplies: Mainly last purchase price method (Inventories with lower profitability are written down)

(f) Property, plant and equipment, and depreciation (excluding lease assets)

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost and are principally depreciated using the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred.

(g) Accrued bonuses

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of bonus to employees.

(h) Reserve for directors' bonus

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of directors' bonus as a reserve for directors' bonus.

(i) Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets.

The unrecognized prior service costs are amortized on a straight-line basis over a period of 1 to 12 years from the year in which they arise. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 5 to 12 years from the year following the year in which they arise.

(j) Reserve for loss on guarantee

Reserve for loss on guarantee is provided at the estimated amount of future loss in view of the financial position of the guarantee.

(k) Amortization of goodwill

Goodwill is amortized over 10 years.

(l) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it

is expected that some portion or all of the deferred tax assets will not be realized.

(m) Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheets dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenue and expenses are translated using the average exchange rates for the respective periods.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. Revenue accounts and expense accounts of the foreign consolidated subsidiaries are translated into yen at the average exchange rate for the year. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(n) Net income per share

Basic net income per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years, and diluted net income per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options. Cash dividends per share represent the dividends declared as applicable to the respective period.

The basis of the calculation of basic net income per share and diluted net income per share for the years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of |
|--|-----------------|---------|--------------|
| | 2015 | 2014 | U.S. dollars |
| | | | 2015 |
| Basic net income per share | | | |
| Total net income in consolidated statements of income | ¥ 3,106 | ¥ 1,797 | \$ 25,883 |
| Amount not attributable to common stock | ¥ — | ¥ — | \$ — |
| Total net income attributable to common stock | ¥ 3,106 | ¥ 1,797 | \$ 25,883 |
| Average number of shares outstanding during the year [thousands of shares] | 82,006 | 82,024 | 82,006 |
| Diluted net income per share | | | |
| Increase in common stock: | | | |
| Subscription rights to shares [thousands of shares] | 436 | 383 | 436 |

2. Additional Information

(Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits)

Effective from the year ended March 31, 2015, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26 issued on May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 issued on March 26, 2015, hereinafter "Retirement Benefits Guidance"), specifically the provisions stipulated in the main clause of Section 35 of the Retirement Benefits Accounting Standard and main clause of Section 67 of the Retirement Benefits Guidance, and changed the calculation methods for retirement benefit obligations and service costs.

The straight-line method continues to be used for attributing estimated retirement benefits to periods, while the method for determining the discount rate was revised from a method based on an approximation of the employees' average remaining service period to a method using a single weighted average discount rate reflecting the estimated timing and amount of the benefit payment. There was no impact on retained earnings at the beginning of the fiscal year, or on operating income, ordinary income or income before income taxes and minority interests for the fiscal year ended March 31, 2015 as a result of this change.

(Unapplied Accounting Standards, etc.)

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued September 13, 2013), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, issued September 13, 2013), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued September 13, 2013) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, issued September 13, 2013)

(a) Overview

Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when that parent retains control over the subsidiary in the additional acquisition of shares in the subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended, the name "minority interests" was changed to "non-controlling interests", and provisional accounting treatments were revised.

(b) Date of adoption

These revised accounting standards will be adopted from the fiscal year beginning on April 1, 2015.

The Companies will adopt the accounting method related to the finalization of provisional accounting treatment for business combinations occurring on or after April 1, 2015 effective the fiscal year beginning April 1, 2015.

(c) Impact of adoption of accounting standards

The Company is currently evaluating the effects of adopting these revised accounting standards.

3. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with a maturity of 3 months or less and which represent a minor risk of fluctuation in value.

At March 31, 2015 and 2014, cash and cash equivalents consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Cash and bank deposits | ¥ 11,816 | ¥ 12,245 | \$ 98,466 |
| Time deposits with maturities of over 3 months | (127) | (271) | (1,058) |
| Cash and cash equivalents | <u>¥ 11,689</u> | <u>¥ 11,974</u> | <u>\$ 97,408</u> |

4. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies obtain necessary funding in accordance with their capital expenditure planning. The Companies obtain medium and long-term operating funds and funds for the purchase of equipment from banks and utilize highly liquid financial instruments for fund management purposes.

The Companies also utilize derivative financial instruments to hedge various risks as described in detail below and do not enter into derivatives for trading or speculative purposes.

(b) Types of financial instruments and related risk

Operating receivables, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Operating receivables in foreign currencies are exposed to foreign currency exchange risk. Forward foreign exchange contracts are principally used to hedge this risk.

Investment securities, the issuers of which have business relationships with the Companies, are exposed to stock market fluctuation risk.

Maturities of operating debts, such as notes and accounts payable-trade, are mostly within six months. Though operating debts in foreign currencies are exposed to foreign currency exchange risk, they are limited to the balances of operating receivables in the same foreign currency on an ongoing basis.

Loans and lease obligations related to finance leases are used mainly for operating funds and for equipment purposes, respectively. Maturities of loans and lease obligations recorded as of the closing date of the fiscal year are within five years. Almost all long-term loans are variable interest rate loans, and are exposed to interest rate risk. Interest rate swaps are used for certain loans in order to hedge this risk.

In order to hedge foreign currency exchange risk associated with operating debts and receivables in foreign currencies and interest rate risk associated with interest expense, derivative transactions such as forward foreign exchange contracts and interest rate swap transactions are used.

Hedging instruments, hedged items, hedging policy and effectiveness of hedge

transactions are described in "Note 1. Significant Accounting Policies, (c) Financial instruments, (3) Hedge accounting."

(c) Risk management for financial instruments

- (1) Monitoring of credit risk (the risk that customers or counterparties may default)

To screen and reduce unrecoverable risk of operating receivables, the Company regularly monitors major customers' credit status and manages the due dates and balances for each customer in accordance with customer credit management rules at the sales section in each operating division. Consolidated subsidiaries also act based on the Company's customer credit management rules.

The Companies do not anticipate losses resulting from default of counterparties to derivative transactions as these are limited to major financial institutions with sound credit ratings.

- (2) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company and certain consolidated subsidiaries principally use forward foreign exchange contracts to hedge the foreign currency exchange risk of operating debts and receivables in foreign currencies, which are evaluated monthly for each currency. The Company uses interest rate swap transactions to hedge interest rate risk associated with interest expense.

The Company regularly monitors the financial condition of stock issuers and stock market fluctuations and continuously reviews shareholdings considering the market status and business relationship with the Company.

Derivative transactions entered into by the Company are implemented and controlled based on internal rules established by the board of directors. The rules which stipulate transaction purpose, nature of transaction, name of counterparty, transaction item, loss limitation and reporting system of risk amount. A derivative transaction which exceeds the limitation amount under the rule requires the approval of the board meeting.

- (3) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Company timely formulates and updates the financing plan and controls liquidity risk by managing ready liquidity on the basis of reports from each division to the accounting department of the head office.

(d) Supplementary explanation of the fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or a reasonably assessed value if a quoted market price is not available. Fair value of financial instruments is calculated based on certain valuation assumptions and the fair value might differ if different factors are used. In addition, the contract amount of the derivative transactions described below in "Derivative Transactions" does not represent the market risk of the derivative transactions.

Fair value of financial instruments

The book value on the consolidated balance sheets, fair value and difference as of March 31, 2015 and 2014 were as follows. In addition, financial instruments, for

which it is extremely difficult to measure the fair value, are not included (see “2. Financial instruments for which the fair value is extremely difficult to measure”).

| | | As of March 31, 2015 | | |
|-------------------------------------|---|----------------------|-----------------|--------------|
| | | Millions of yen | | |
| | | Book value | Fair value | Difference |
| Cash and bank deposits | ¥ | 11,816 | ¥ 11,816 | ¥ — |
| Notes and accounts receivable-trade | | 23,685 | 23,685 | — |
| Investment securities | | | | |
| Other securities | | 1,989 | 1,989 | — |
| Total assets | ¥ | <u>37,490</u> | <u>¥ 37,490</u> | <u>¥ —</u> |
| Notes and accounts payable-trade | ¥ | 11,656 | ¥ 11,656 | ¥ — |
| Short-term loans | | 5,906 | 5,906 | — |
| Current portion of long-term debt | | 872 | 879 | 7 |
| Long-term debt | | 14,914 | 15,129 | 215 |
| Lease obligations | | 918 | 918 | (0) |
| Total liabilities | ¥ | <u>34,266</u> | <u>¥ 34,488</u> | <u>¥ 222</u> |
| Derivatives (*) | | | | |
| Hedge accounting is not applied | ¥ | — | ¥ — | ¥ — |
| Hedge accounting is applied | | 2 | 2 | — |
| Total derivatives | ¥ | <u>2</u> | <u>¥ 2</u> | <u>¥ —</u> |
| | | As of March 31, 2014 | | |
| | | Millions of yen | | |
| | | Book value | Fair value | Difference |
| Cash and bank deposits | ¥ | 12,245 | ¥ 12,245 | ¥ — |
| Notes and accounts receivable-trade | | 21,644 | 21,644 | — |
| Investment securities | | | | |
| Held-to-maturity securities | | 100 | 100 | (0) |
| Other securities | | 1,468 | 1,468 | — |
| Total assets | ¥ | <u>35,457</u> | <u>¥ 35,457</u> | <u>¥ (0)</u> |
| Notes and accounts payable-trade | ¥ | 12,287 | ¥ 12,287 | ¥ — |
| Short-term loans | | 5,527 | 5,527 | — |
| Current portion of long-term debt | | 1,976 | 1,985 | 9 |
| Long-term debt | | 14,552 | 14,820 | 268 |
| Lease obligations | | 928 | 933 | 5 |
| Total liabilities | ¥ | <u>35,270</u> | <u>¥ 35,552</u> | <u>¥ 282</u> |
| Derivatives (*) | | | | |
| Hedge accounting is not applied | ¥ | — | ¥ — | ¥ — |
| Hedge accounting is applied | | (8) | (8) | — |
| Total derivatives | ¥ | <u>(8)</u> | <u>¥ (8)</u> | <u>¥ —</u> |

| | As of March 31, 2015 | | |
|-------------------------------------|---------------------------|-------------------|-----------------|
| | Thousands of U.S. dollars | | |
| | Book value | Fair value | Difference |
| Cash and bank deposits | \$ 98,466 | \$ 98,466 | \$ — |
| Notes and accounts receivable-trade | 197,375 | 197,375 | — |
| Investment securities | | | |
| Other securities | 16,575 | 16,575 | — |
| Total assets | <u>\$ 312,416</u> | <u>\$ 312,416</u> | <u>\$ —</u> |
| Notes and accounts payable-trade | \$ 97,133 | \$ 97,133 | \$ — |
| Short-term loans | 49,217 | 49,217 | — |
| Current portion of long-term debt | 7,267 | 7,325 | 58 |
| Long-term debt | 124,284 | 126,075 | 1,791 |
| Lease obligations | 7,650 | 7,650 | (0) |
| Total liabilities | <u>\$ 285,551</u> | <u>\$ 287,400</u> | <u>\$ 1,849</u> |
| Derivatives (*) | | | |
| Hedge accounting is not applied | \$ — | \$ — | \$ — |
| Hedge accounting is applied | 16 | 16 | — |
| Total derivatives | <u>\$ 16</u> | <u>\$ 16</u> | <u>\$ —</u> |

(*) The amount is the net balance of total transactions. Amounts reported as liabilities are shown in parentheses.

Notes:

1. Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and bank deposits and notes and accounts receivable-trade

The book value approximates fair value because of the short maturity of these instruments.

Investment securities

The fair value of investment securities equals quoted market price. The fair value of debt securities is measured at the price provided by financial institutions. Investment securities based on holding purpose are described in "Note 5. Securities".

Liabilities

Notes and accounts payable-trade and short-term loans

The book value approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt and long-term debt

The fair value of current portion of long-term debt and long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt contracts of comparable maturity.

Lease obligations

The fair value of lease obligations is based on the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturity and contract conditions.

Derivative transactions

See "Note 15. Derivative Financial Instruments".

2. Financial instruments for which the fair value is extremely difficult to measure at March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-------|------------------------------|
| | 2015 | 2014 | 2015 |
| Available-for-sale securities without market quotations: | | | |
| Unlisted securities | ¥ 2,029 | ¥ 735 | \$ 16,908 |
| Total | ¥ 2,029 | ¥ 735 | \$ 16,908 |

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

3. The aggregate maturities of monetary claims and held-to-maturity securities at March 31, 2015 and 2014 were as follows:

| | As of March 31, 2015 | |
|-------------------------------------|----------------------|-------------------------------------|
| | Millions of yen | |
| | Due within 1 year | Due after 1 year through 5 years |
| Cash and bank deposits | ¥ 11,816 | ¥ — |
| Notes and accounts receivable-trade | 23,685 | — |
| Total | ¥ 35,501 | ¥ — |

| | As of March 31, 2014 | |
|-------------------------------------|----------------------|-------------------------------------|
| | Millions of yen | |
| | Due within 1 year | Due after 1 year through 5 years |
| Cash and bank deposits | ¥ 12,245 | ¥ — |
| Notes and accounts receivable-trade | 21,644 | — |
| Investment securities | | |
| Held-to-maturity securities | | |
| Bonds | 100 | — |
| Total | ¥ 33,989 | ¥ — |

| | As of March 31, 2015 | |
|-------------------------------------|---------------------------|-------------------------------------|
| | Thousands of U.S. dollars | |
| | Due within 1 year | Due after 1 year through 5 years |
| Cash and bank deposits | \$ 98,466 | \$ — |
| Notes and accounts receivable-trade | 197,375 | — |
| Total | \$ 295,841 | \$ — |

4. The redemption schedules for long-term debt and lease obligations were disclosed in "Note 7. Short-term Loans and Long-term Debt".

6. Inventories

At March 31, 2015 and 2014, inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Merchandise | ¥ 4,360 | ¥ 3,782 | \$ 36,333 |
| Finished goods | 1,399 | 1,377 | 11,658 |
| Work in process | 2,310 | 1,853 | 19,250 |
| Raw materials and supplies | 6,343 | 6,312 | 52,859 |
| Total | ¥ 14,412 | ¥ 13,324 | \$ 120,100 |

7. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2015 and 2014 were principally bank overdrafts and short-term notes bearing interest at annual average interest rates of 1.18% and 1.36%, respectively.

At March 31, 2015 and 2014, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Long-term loans, principally from banks (*) | ¥ 15,787 | ¥ 16,528 | \$ 131,558 |
| Lease obligations | 918 | 927 | 7,650 |
| | 16,705 | 17,455 | 139,208 |
| Less: current portion - Long-term loans | (873) | (1,976) | (7,275) |
| Less: current portion - Lease obligations | (371) | (364) | (3,092) |
| Total | ¥ 15,461 | ¥ 15,115 | \$ 128,841 |

(*) At March 31, 2015 and 2014, long-term loans and lease obligations consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Long-term loans, at an annual average rate of 1.44% (2014 - 1.53%) | ¥ 14,914 | ¥ 14,552 | \$ 124,283 |
| Lease obligations, at an annual average rate of 2.24% (2014 - 2.52%) | 547 | 563 | 4,558 |
| Current portion- Long-term loans, at an annual average rate of 1.25% (2014 - 1.87%) | 872 | 1,976 | 7,267 |
| Current portion- Lease obligations, at an annual average rate of 2.47% (2014 - 2.53%) | 371 | 364 | 3,092 |
| | ¥ 16,704 | ¥ 17,455 | \$ 139,200 |

The aggregate annual maturities of long-term debt and lease obligations (excluding the current portion) at March 31, 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|-----------------------|--------------------|----------------------|---------------------------|----------------------|
| | Long-term loans | Lease obligations | Long-term loans | Lease obligations |
| Year ending March 31, | | | | |
| 2017 | ¥ 5,492 | ¥ 297 | \$ 45,766 | \$ 2,475 |
| 2018 | 3,457 | 143 | 28,808 | 1,191 |
| 2019 | 5,881 | 96 | 49,008 | 800 |
| 2020 | 82 | 9 | 683 | 75 |

8. Retirement Benefit Plan

(a) Outline of employee retirement benefits

The Company and certain consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Defined Benefit Corporate Pension Law and the other is a severance indemnity plan of the Companies.

KOHA CO., LTD. (KOHA) also has defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by three plans. One is an employees' pension fund, the second is governed by the regulations of the Defined Benefit Corporate Pension Law, and the third is a severance indemnity plan of KOHA.

Certain foreign consolidated subsidiaries have defined benefit pension plans and defined benefit lump-sum payment plans. The Company also has employee retirement benefit trusts.

During the year ended March 31, 2011, the Company and some of its domestic consolidated subsidiaries have changed a part of their retirement benefit plans from defined benefit plans to defined contribution plans.

Certain foreign consolidated subsidiaries have introduced their own defined contribution plans.

(b) Contributory defined benefit retirement plan

- (1) The changes in the defined benefit obligation and fair value of plan assets except plans for which the simplified method is applied for calculating retirement benefit obligations adopted by certain consolidated subsidiaries, during the fiscal years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Change in benefit obligations: | | | |
| Benefit obligation, beginning of year | ¥ 10,695 | ¥ 10,510 | \$ 89,125 |
| Service cost | 383 | 397 | 3,191 |
| Interest cost | 217 | 206 | 1,808 |
| Actuarial loss (gain) | 666 | (29) | 5,550 |
| Benefit payments | (429) | (721) | (3,575) |
| Effects of changes in foreign exchange rates | 126 | 381 | 1,050 |
| Other | (0) | (49) | (0) |
| Benefit obligation, end of year | <u>¥ 11,658</u> | <u>¥ 10,695</u> | <u>\$ 97,149</u> |
| Change in fair value of plan assets: | | | |
| Plan assets, beginning of year | ¥ 8,224 | ¥ 7,198 | \$ 68,533 |
| Expected return on plan assets | 163 | 179 | 1,358 |
| Actuarial gain | 1,031 | 507 | 8,592 |
| Employer contributions | 777 | 729 | 6,475 |
| Benefit payments | (366) | (629) | (3,050) |
| Effects of changes in foreign exchange rates | 87 | 240 | 725 |
| Plan assets, end of year | <u>¥ 9,916</u> | <u>¥ 8,224</u> | <u>\$ 82,633</u> |

- (2) Changes in the defined benefit obligation and fair value of plan assets estimated by the simplified method for calculating retirement benefit obligations

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Change in net defined benefit liability | | | |
| Net defined benefit liability, beginning of year | ¥ 107 | ¥ 105 | \$ 891 |
| Service cost | 16 | 16 | 133 |
| Benefit payments | (5) | (14) | (41) |
| Benefit obligation, end of year | <u>¥ 118</u> | <u>¥ 107</u> | <u>\$ 983</u> |

- (3) Reconciliation of the projected benefit obligation and plan assets with net defined benefit liability and asset reflected on the consolidated balance sheets

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Funded projected benefit obligation | ¥ 11,273 | ¥ 10,362 | \$ 93,941 |
| Plan assets | (9,916) | (8,224) | (82,633) |
| | ¥ 1,357 | ¥ 2,138 | \$ 11,308 |
| Unfunded projected benefit obligation | 504 | 441 | 4,200 |
| Net of liability and asset reported on the consolidated balance sheets | ¥ 1,861 | ¥ 2,579 | \$ 15,508 |
| Net defined benefit liability | ¥ 2,765 | ¥ 2,579 | \$ 23,042 |
| Net defined benefit asset | (904) | — | (7,533) |
| Net of liability and asset reported on the consolidated balance sheets | ¥ 1,861 | ¥ 2,579 | \$ 15,509 |

(4) Components of pension expense

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|-------|------------------------------|
| | 2015 | 2014 | 2015 |
| Service cost | ¥ 400 | ¥ 413 | \$ 3,333 |
| Interest cost | 217 | 206 | 1,808 |
| Expected return on plan assets | (162) | (179) | (1,350) |
| Amortization of prior service cost | (73) | (153) | (608) |
| Amortization of actuarial differences | 233 | 424 | 1,942 |
| Other | 5 | 7 | 41 |
| Net pension expense | ¥ 620 | ¥ 718 | \$ 5,166 |

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income and other comprehensive income were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Prior service cost | ¥ 73 | ¥ — | \$ 608 |
| Net actuarial difference | (597) | — | (4,975) |
| Total | <u>¥ (524)</u> | <u>¥ —</u> | <u>\$ (4,367)</u> |

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|----------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Unrecognized prior service cost | ¥ (224) | ¥ (296) | \$ (1,867) |
| Unrecognized actuarial difference | 826 | 1,423 | 6,883 |
| Total | <u>¥ 602</u> | <u>¥ 1,127</u> | <u>\$ 5,016</u> |

(6) Major components of plan assets

i. Major components of plan assets

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 were as follows.

| | 2015 | 2014 |
|--|--------------|--------------|
| Bonds | 35 % | 33 % |
| Equity securities | 47 | 43 |
| Life insurance company general accounts | 11 | 15 |
| Cash and cash equivalents | 2 | 3 |
| Other | 5 | 6 |
| | <u>100 %</u> | <u>100 %</u> |

*Of total plan assets, 23% and 21% were included in a retirement benefit trust (stocks, cash and bank deposits) established for the corporate pension plan as of March 31, 2015 and 2014, respectively.

ii. Method for expected long-term rate of return on pension plan

The Companies determine the expected long-term rate of return on pension plan assets based on the current and expected asset allocation, as well as the current and expected long-term rate of return from various assets which constitute the plan assets.

(7) Assumptions used in actuarial calculations

The assumptions used in accounting for the above plans for the years ended March 31, 2015 and 2014 were as follows.

| | 2015 | 2014 |
|--|-------------|-------------|
| Discount rates | 1.0 ~ 5.3 % | 1.0 ~ 5.3 % |
| Expected rate of long-term return on plan assets | 1.1 ~ 2.9 | 1.8 ~ 3.4 |
| Expected rates of salary | 3.9 ~ 4.4 | 3.9 ~ 4.4 |

(c) Defined contribution plans

The required contributions by the Companies were ¥182 million (\$1,516 thousand) and ¥184 million as of March 31, 2015 and 2014, respectively.

9. Other Comprehensive Income

Reclassification adjustments and the related tax effects for components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2015 | 2014 | 2015 |
| Unrealized gain on securities | | | |
| Amount arising during the period | ¥ 408 | ¥ 374 | \$ 3,400 |
| Reclassification adjustments for gains and losses included in net income | 0 | (232) | 0 |
| Before tax effect | 408 | 142 | 3,400 |
| Tax effect | (100) | (4) | (833) |
| Unrealized gain on securities | 308 | 138 | 2,567 |
| Deferred loss on hedges | | | |
| Amount arising during the period | 10 | (7) | 83 |
| Translation adjustments | | | |
| Amount arising during the period | 1,956 | 3,077 | 16,300 |
| Reclassification adjustments for gains and losses included in net income | 260 | — | 2,167 |
| Before tax effect | 2,216 | 3,077 | 18,467 |
| Tax effect | — | — | — |
| Translation adjustments | 2,216 | 3,077 | 18,467 |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the period | 362 | — | 3,016 |
| Reclassification adjustments for gains and losses included in net income | 162 | — | 1,350 |
| Before tax effect | 524 | — | 4,366 |
| Tax effect | (3) | — | (25) |
| Pension liability adjustments | 521 | — | 4,341 |
| Share of other comprehensive income of affiliates accounted for using equity method | | | |
| Amount arising during the period | 144 | 9 | 1,200 |
| Total amount of other comprehensive income | ¥ 3,199 | ¥ 3,217 | \$ 26,658 |

10. Treasury Stock

The Company had 775 thousand shares and 758 thousand shares of treasury stock as of March 31, 2015 and 2014, respectively, in order to prepare for the exercise of stock options granted to certain directors and executive officers, subject to the approval of the General Meeting of Shareholders.

The amount of treasury stock is stated at cost and is presented as a separate component of shareholders' equity.

11. Selling, General and Administrative Expenses

For the years ended March 31, 2015 and 2014, the significant components of selling, general and administrative expenses were as follows:

| | Millions of yen | | Thousands of |
|----------------------------------|-----------------|---------|--------------|
| | 2015 | 2014 | U.S. dollars |
| Salaries | ¥ 6,032 | ¥ 5,974 | \$ 50,266 |
| Pension expense | 563 | 679 | 4,691 |
| Research and development expense | 1,179 | 1,043 | 9,825 |
| Freight | 1,980 | 1,934 | 16,500 |
| Reserve for directors' bonuses | 67 | 69 | 558 |
| Accrued bonuses | 671 | 649 | 5,591 |

12. Research and Development Expenses

Total research and development expenses included in manufacturing costs and selling, general and administrative expenses amounted to ¥1,233 million (\$10,275 thousand) and ¥1,096 million for the years ended March 31, 2015 and 2014, respectively.

13. Income Taxes

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

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 340 | ¥ 361 | \$ 2,833 |
| Accrued enterprise taxes | 30 | 54 | 250 |
| Net defined benefit liability | 1,124 | 1,304 | 9,367 |
| Tax loss carryforwards | 3,031 | 3,199 | 25,258 |
| Loss on valuation of investment securities | 364 | 333 | 3,033 |
| Loss on impairment of fixed assets | 94 | 99 | 783 |
| Other | 593 | 441 | 4,942 |
| Total | <u>5,576</u> | <u>5,791</u> | <u>46,466</u> |
| Valuation allowance | <u>(4,523)</u> | <u>(4,720)</u> | <u>(37,691)</u> |
| Total deferred tax assets | <u>¥ 1,053</u> | <u>¥ 1,071</u> | <u>\$ 8,775</u> |
| Deferred tax liabilities: | | | |
| Unrealized gain on securities | ¥ 172 | ¥ 72 | \$ 1,433 |
| Total deferred tax liabilities | <u>172</u> | <u>72</u> | <u>1,433</u> |
| Net deferred tax assets | <u>¥ 881</u> | <u>¥ 999</u> | <u>\$ 7,342</u> |

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

| | 2015 | 2014 |
|--|---------------|---------------|
| Statutory tax rate | 35.0 % | 38.0 % |
| Effect of: | | |
| Non-deductible expenses | 1.8 | 10.6 |
| Non-taxable items | (1.7) | (10.9) |
| Inhabitant tax on per capita basis | 0.8 | 1.2 |
| Amortization of goodwill | 2.9 | 3.6 |
| Equity in earnings (losses) of affiliated companies | (3.9) | 0.5 |
| Tax rate difference applied for foreign subsidiaries | (13.9) | (16.7) |
| Change in valuation allowance | (1.1) | 2.1 |
| Foreign income taxes | 3.8 | 5.5 |
| Adjustment on deferred tax assets due to change in income tax rate | 1.6 | 2.5 |
| Others | <u>(1.1)</u> | <u>(2.4)</u> |
| Effective tax rate | <u>24.2 %</u> | <u>34.0 %</u> |

(Revisions in the Amounts of Deferred Tax Assets and liabilities as a result of a Change in the Corporate Tax Rate)

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

As a result, the effective statutory tax rate used to measure the Company's deferred

tax assets and liabilities was changed from 35.0% to 33.0% and 32.0% for the temporary differences expected to be realized or settled during the fiscal year beginning April 1, 2015 and from the fiscal year beginning April 1, 2016, respectively.

The effect of the announced reduction of the statutory effective tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities and remeasurements of defined benefit plans by ¥47 million (\$391 thousand) and ¥0 million (\$0 thousand), respectively, and increase deferred income taxes, unrealized gain on securities and deferred gain on hedges by ¥47 million (\$391 thousand), ¥16 million (\$133 thousand) and ¥0 million (\$0 thousand), respectively, as of and for the year ended March 31, 2015.

14. Leases

Finance lease transactions (lessee)

(a) Finance lease transactions with ownership transfer

Lease assets;

- Property, plant and equipment: Machinery and equipment in connection with Electronic Components business
- Intangible fixed assets: Software

Lease assets are depreciated using the same method as fixed assets.

(b) Finance lease transactions without ownership transfer

Lease assets;

- Property, plant and equipment: Machinery and equipment in connection with Electronic Components business, research and development facilities, and tools and fixtures in connection with IT
- Intangible fixed assets: Software

Lease assets are depreciated by the straight-line method over the respective lease terms, assuming no residual value.

The accounting treatment for lease transactions which do not transfer ownership of the assets to the lessee at the end of the lease term which took place on or before March 31, 2008 remains the same treatment as operating lease transactions. Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation under finance leases which do not transfer ownership of the leased assets to the lessee which took place on or before March 31, 2008 for the years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of |
|--|-----------------|------|--------------|
| | 2015 | 2014 | U.S. dollars |
| Structures, machinery and equipment, and software | | | 2015 |
| Cost | ¥ — | ¥ 43 | \$ — |
| Accumulated depreciation / amortization | — | 42 | — |
| Net amount | ¥ — | ¥ 1 | \$ — |

The future minimum lease payments under such lease contracts as of March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ — | ¥ 1 | \$ — |
| Due after one year | — | — | — |
| | <u>¥ —</u> | <u>¥ 1</u> | <u>\$ —</u> |

The total lease expense under finance leases for the years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------|-----------------|------|------------------------------|
| | 2015 | 2014 | 2015 |
| Lease rental expense | ¥ 1 | ¥ 34 | \$ 8 |
| Depreciation cost | 1 | 30 | 8 |
| Interest expense | 0 | 1 | 0 |

Operating lease transactions (lessee)

The future payments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|--------------|------------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ 228 | ¥ 184 | \$ 1,900 |
| Due after one year | 645 | 495 | 5,375 |
| | <u>¥ 873</u> | <u>¥ 679</u> | <u>\$ 7,275</u> |

15. Derivative Financial Instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies' policy to use derivatives only for the purpose of reducing exposure to market risks and financing costs in accordance with internal policies.

The Companies do not anticipate any losses resulting from default of the counterparties as these are limited to major financial institutions with sound credit ratings.

As of March 31, 2015 and 2014, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the fair value of the derivative instruments outstanding as of March 31, 2015 and 2014, for which hedge accounting has been applied are summarized as follows:

(a) Foreign currency-related transactions

| Derivative transactions | Main hedged items | As of March 31, 2015 | | |
|--|---------------------------|----------------------|--------------------------------|------------|
| | | Millions of yen | | |
| | | Contract amount | Portion maturing over one year | Fair value |
| <i>Foreign exchange allocation method:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Accounts receivable-trade | ¥ 2,964 | ¥ — | ¥ [*1] |
| EUR | | 92 | — | [*1] |
| Buy | | | | |
| USD | Accounts payable-trade | 559 | — | [*1] |
| <i>Deferral hedge accounting:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Contracts outstanding | 19 | — | (0) |
| Buy | | | | |
| USD | Contracts outstanding | 143 | — | 3 |
| Total | | ¥ 3,777 | ¥ — | ¥ 3 |

| Derivative transactions | Main hedged items | As of March 31, 2014 | | |
|--|---------------------------|----------------------|--------------------------------|------------|
| | | Millions of yen | | |
| | | Contract amount | Portion maturing over one year | Fair value |
| <i>Foreign exchange allocation method:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Accounts receivable-trade | ¥ 2,679 | ¥ — | ¥ [*1] |
| EUR | trade | 91 | — | [*1] |
| Buy | | | | |
| USD | Accounts payable-trade | 484 | — | [*1] |
| <i>Deferral hedge accounting:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Contracts outstanding | 24 | — | (0) |
| Buy | | | | |
| USD | Contracts outstanding | 1,549 | — | (8) |
| Total | | ¥ 4,827 | ¥ — | ¥ (8) |

| Derivative transactions | Main hedged items | As of March 31, 2015 | | |
|--|---------------------------|---------------------------|--------------------------------|--------------|
| | | Thousands of U.S. dollars | | |
| | | Contract amount | Portion maturing over one year | Fair value |
| <i>Foreign exchange allocation method:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Accounts receivable-trade | \$ 24,701 | \$ — | \$ [*1] |
| EUR | trade | 766 | — | [*1] |
| Buy | | | | |
| USD | Accounts payable-trade | 4,658 | — | [*1] |
| <i>Deferral hedge accounting:</i> | | | | |
| Forward foreign exchange contracts: | | | | |
| Sell | | | | |
| USD | Contracts outstanding | 158 | — | (0) |
| Buy | | | | |
| USD | Contracts outstanding | 1,192 | — | 25 |
| Total | | <u>\$ 31,475</u> | <u>\$ —</u> | <u>\$ 25</u> |

[*1] The fair value is included in the fair value of the accounts receivable-trade and the accounts payable-trade since the forward foreign exchange contracts are accounted for as part of accounts receivable and payable under the allocation method for hedge accounting.

[*2] Price provided by financial institutions.

(b) Interest rate-related transactions

| Derivative transactions | Main hedged items | As of March 31, 2015 | | |
|--------------------------------|-------------------|----------------------|--------------------------------|------------|
| | | Millions of yen | | |
| | | Contract amount | Portion maturing over one year | Fair value |
| Interest-rate swaps: | | | | |
| Pay fixed and receive variable | Long-term debt | ¥ 12,483 | ¥ 11,862 | ¥ [*] |

| | | As of March 31, 2014 | | |
|--|-------------------|----------------------|--------------------------------|------------|
| | | Millions of yen | | |
| Derivative transactions | Main hedged items | Contract amount | Portion maturing over one year | Fair value |
| Interest-rate swaps: Pay fixed and receive variable | Long-term debt | ¥ 13,193 | ¥ 11,429 | ¥ [*] |

| | | As of March 31, 2015 | | |
|--|-------------------|---------------------------|--------------------------------|------------|
| | | Thousands of U.S. dollars | | |
| Derivative transactions | Main hedged items | Contract amount | Portion maturing over one year | Fair value |
| Interest-rate swaps: Pay fixed and receive variable | Long-term debt | \$ 104,025 | \$ 98,850 | \$ [*] |

[*] The fair value is included in the fair value of long-term debt since the short-cut method is applied.

16. Contingent Liabilities

The Company is contingently liable as guarantors of borrowings for a non-consolidated subsidiary (TE Energy Co., Ltd.) in amount of ¥300 million (\$2,500 thousand) at March 31, 2015.

17. Loan Commitment

In order to achieve more efficient and flexible financing, the Company has concluded loan commitment contracts with five financial institutions.

The status of these contracts as of March 31, 2015 and 2014 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Maximum overdraft amount and total amount of loan commitment | ¥ 2,500 | ¥ 2,500 | \$ 20,833 |
| Executed loan amounts | — | — | — |
| Net amount | ¥ 2,500 | ¥ 2,500 | \$ 20,833 |

18. Loss on Impairment of Fixed Assets

The Companies have not recognized impairment losses for the years ended March 31, 2015 and 2014, respectively.

19. Stock Options

- (a) Stock options expenses recognized in selling, general and administrative expenses for the years ended March 31, 2015 and 2014

| | Millions of yen | | Thousands of |
|--|-----------------|------|--------------|
| | 2015 | 2014 | U.S. dollars |
| Selling, general and administrative expenses | ¥ 16 | ¥ 12 | \$ 133 |

- (b) Outline of stock options and changes

- a. Outline of stock options

| | | | |
|------------------------------|---|---|---|
| Date of resolution | TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005 | TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006 | TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007 |
| Title and number of grantees | Directors 6 (Exclude outside director) Executive officers 9 | Directors 6 (Exclude outside director) Executive officers 6 | Directors 6 (Exclude outside director) Executive officers 7 |
| Number of stock options | Common shares 35,000 | Common shares 28,000 | Common shares 30,000 |
| Grant date | July 1, 2005 | July 1, 2006 | July 1, 2007 |
| Condition for vesting | Retirement of director and executive officer | Retirement of director and executive officer | Retirement of director and executive officer |
| Requisite service period | N.A. | N.A. | N.A. |
| Exercise period | For the period of five years from the next day of retirement of director and executive officer | July 1, 2006 to June 30, 2036 | July 1, 2007 to June 30, 2037 |
| Date of resolution | TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008 | TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009 | TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010 |
| Title and number of grantees | Directors 6 (Exclude outside director) Executive officers 6 | Directors 6 (Exclude outside director) Executive officers 4 | Directors 6 (Exclude outside director) Executive officers 6 |
| Number of stock options | Common shares 42,000 | Common shares 77,000 | Common shares 52,000 |
| Grant date | July 1, 2008 | July 1, 2009 | July 1, 2010 |
| Condition for vesting | Retirement of director and executive officer | Retirement of director and executive officer | Retirement of director and executive officer |
| Requisite service period | N.A. | N.A. | N.A. |
| Exercise period | July 1, 2008 to June 30, 2038 | July 1, 2009 to June 30, 2039 | July 1, 2010 to June 30, 2040 |
| Date of resolution | TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011 | TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012 | TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013 |
| Title and number of grantees | Directors 6 (Exclude outside director) Executive officers 6 | Directors 6 (Exclude outside director) Executive officers 6 | Directors 6 (Exclude outside director) Executive officers 6 |
| Number of stock options | Common shares 65,000 | Common shares 72,000 | Common shares 78,000 |
| Grant date | July 1, 2011 | July 1, 2012 | July 1, 2013 |
| Condition for vesting | Retirement of director and executive officer | Retirement of director and executive officer | Retirement of director and executive officer |
| Requisite service period | N.A. | N.A. | N.A. |
| Exercise period | July 1, 2011 to June 30, 2041 | July 1, 2012 to June 30, 2042 | July 1, 2013 to June 30, 2043 |
| Date of resolution | TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014 | | |
| Title and number of grantees | Directors 6 (Exclude outside director) Executive officers 6 | | |
| Number of stock options | Common shares 52,000 | | |
| Grant date | July 1, 2014 | | |
| Condition for vesting | Retirement of director and executive officer | | |
| Requisite service period | N.A. | | |
| Exercise period | July 1, 2014 to June 30, 2044 | | |

The Company's stock option plans were designed as stock compensation to directors and executive officers after the directors' retirement benefit plan was abolished in June 2005.

b. Stock options granted and changes

The movement in stock options for the year ended March 31, 2015 is presented after conversion to number of shares.

Number of stock options

(Shares)

| Date of resolution | TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005 | TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006 | TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007 |
|--------------------------|--|--|--|
| Before vested | | | |
| Previous fiscal year-end | 13,000 | 13,000 | 16,000 |
| Granted | — | — | — |
| Forfeited | — | — | — |
| Vested | — | — | — |
| Outstanding | 13,000 | 13,000 | 16,000 |
| After vested | | | |
| Previous fiscal year-end | 2,000 | 2,000 | 2,000 |
| Vested | — | — | — |
| Exercised | — | — | — |
| Forfeited | — | — | — |
| Exercisable | 2,000 | 2,000 | 2,000 |

| Date of resolution | TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008 | TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009 | TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010 |
|--------------------------|--|--|--|
| Before vested | | | |
| Previous fiscal year-end | 23,000 | 59,000 | 42,000 |
| Granted | — | — | — |
| Forfeited | — | — | — |
| Vested | — | — | — |
| Outstanding | 23,000 | 59,000 | 42,000 |
| After vested | | | |
| Previous fiscal year-end | 3,000 | 8,000 | 7,000 |
| Vested | — | — | — |
| Exercised | — | — | 3,000 |
| Forfeited | — | — | — |
| Exercisable | 3,000 | 8,000 | 4,000 |

| Date of resolution | TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011 | TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012 | TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013 |
|--------------------------|--|--|---|
| Before vested | | | |
| Previous fiscal year-end | 51,000 | 65,000 | 78,000 |
| Granted | — | — | — |
| Forfeited | — | — | — |
| Vested | — | — | — |
| Outstanding | 51,000 | 65,000 | 78,000 |
| After vested | | | |
| Previous fiscal year-end | 12,000 | 7,000 | — |
| Vested | — | — | — |
| Exercised | 2,000 | — | — |
| Forfeited | — | — | — |
| Exercisable | 10,000 | 7,000 | — |

| Date of resolution | TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014 |
|--------------------------|---|
| Before vested | |
| Previous fiscal year-end | — |
| Granted | 52,000 |
| Forfeited | — |
| Vested | — |
| Outstanding | 52,000 |
| After vested | |
| Previous fiscal year-end | — |
| Vested | — |
| Exercised | — |
| Forfeited | — |
| Exercisable | — |

Price information

(Yen)

| | | | |
|---------------------------------|---|--|---|
| Date of resolution | TAMURA CORPORATION The 2nd Stock Option Plan June 29, 2005 | TAMURA CORPORATION The 3rd Stock Option Plan June 29, 2006 | TAMURA CORPORATION The 4th Stock Option Plan June 28, 2007 |
| Exercise price | 1 | 1 | 1 |
| Average stock price at exercise | — | — | — |
| Fair value at the grant date | — | 464 | 653 |
| Date of resolution | TAMURA CORPORATION The 5th Stock Option Plan June 27, 2008 | TAMURA CORPORATION The 6th Stock Option Plan June 26, 2009 | TAMURA CORPORATION The 7th Stock Option Plan June 29, 2010 |
| Exercise price | 1 | 1 | 1 |
| Average stock price at exercise | — | — | 355 |
| Fair value at the grant date | 426 | 348 | 203 |
| Date of resolution | TAMURA CORPORATION The 8th Stock Option Plan June 29, 2011 | TAMURA CORPORATION The 9th Stock Option Plan June 28, 2012 | TAMURA CORPORATION The 10th Stock Option Plan June 27, 2013 |
| Exercise price | 1 | 1 | 1 |
| Average stock price at exercise | 355 | — | — |
| Fair value at the grant date | 203 | 151 | 163 |
| Date of resolution | TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014 | | |
| Exercise price | 1 | | |
| Average stock price at exercise | — | | |
| Fair value at the grant date | 321 | | |

(c) Valuation technique used to determine the fair value of stock options

TAMURA CORPORATION The 11th plan stock options granted in the fiscal year were valued using the following valuation technique.

Valuation technique: Black-Scholes option-pricing model

Principal assumptions used in the option-pricing model:

| | |
|-----------------------------|---|
| Date of resolution | TAMURA CORPORATION The 11th Stock Option Plan June 26, 2014 |
| Expected volatility(*1) | 42.93% |
| Average expected life(*2) | 10 years |
| Expected dividends(*3) | 6 yen per share |
| Risk-free interest rate(*4) | 0.56% |

(*1) Calculated based on the actual stock prices from April 2003 to June 2014.

(*2) The average expected life could not be estimated rationally as data was insufficient. Therefore, it was estimated assuming that the options were exercised at the 1/3 point of the exercise period.

(*3) Calculated based on actual dividends on common stock for the fiscal year ended March 31, 2014, the dividend policy of the Company and prior years' actual dividends.

(*4) Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options forfeited

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

20. Segment Information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which separate financial information is available and which are reviewed regularly by the board of directors in deciding resource allocation and in assessing performance. Each business division develops comprehensive business strategies for products in Japan and overseas and conducts business activities.

Accordingly, the Company consists of three reportable segments, identified by the products and based on the business divisions, which are classified as the "Electronic Components" business, the "Electronic Chemicals / FA Systems" business and the "Information Equipment" business.

The "Electronic Components" business manufactures transformers, AC adaptors, switching supply units, piezoceramic products and LED products. The "Electronic Chemicals / FA Systems" business manufactures flux, solder paste, solder resist and automatic soldering equipment. The "Information Equipment" business manufactures network equipment, broadband equipment, wireless microphone and information equipment.

(b) Calculation method for net sales, segment income or loss, and other items of the reportable segments

The accounting policies of the segments are substantially the same as those described in "Basis of Presentation of Consolidated Financial Statements".

Segment income is based on operating income.

Inter-segment sales are recorded at the same prices used in transactions with third parties.

(c) Information on net sales, income or loss, assets and liabilities, and other items by the reportable segment

| | | Year ended March 31, 2015 | | | | | | | | | | | | | | |
|--|---|---------------------------|---------------------------|--------------------------|----------|---------------|-------|---------------------|---------------------------|------|---|--------|---|-------|---|--------|
| | | Millions of yen | | | | | | | | | | | | | | |
| | | Reportable segments | | | | | Total | Adjustments (*2) | Consoli- dated (*3) | | | | | | | |
| | | Electronic Components | Chemicals / FA Systems | Information Equipment | Subtotal | Other (*1) | | | | | | | | | | |
| Net Sales | | | | | | | | | | | | | | | | |
| Sales- | | | | | | | | | | | | | | | | |
| Customers | ¥ | 57,739 | ¥ | 24,365 | ¥ | 4,123 | ¥ | 86,227 | ¥ | 21 | ¥ | 86,248 | ¥ | — | ¥ | 86,248 |
| Inter-segment | | 0 | | 74 | | 60 | | 134 | | 668 | | 802 | | (802) | | — |
| | | 57,739 | | 24,439 | | 4,183 | | 86,361 | | 689 | | 87,050 | | (802) | | 86,248 |
| Segment income (loss) | ¥ | 1,487 | ¥ | 2,940 | ¥ | 379 | ¥ | 4,806 | ¥ | (43) | ¥ | 4,763 | ¥ | (734) | ¥ | 4,029 |
| Other items | | | | | | | | | | | | | | | | |
| Depreciation and amortization | ¥ | 1,299 | ¥ | 910 | ¥ | 88 | ¥ | 2,297 | ¥ | 39 | ¥ | 2,336 | ¥ | 16 | ¥ | 2,352 |
| Amortization of goodwill | ¥ | 117 | ¥ | 0 | ¥ | — | ¥ | 117 | ¥ | — | ¥ | 117 | ¥ | — | ¥ | 117 |
| Increase in tangible and intangible fixed assets | ¥ | 1,764 | ¥ | 1,154 | ¥ | 70 | ¥ | 2,988 | ¥ | 16 | ¥ | 3,004 | ¥ | 0 | ¥ | 3,004 |

| | | Year ended March 31, 2014 | | | | | | | | | | | | | | |
|--|---|---------------------------|---------------------------|--------------------------|----------|---------------|-------|---------------------|---------------------------|------|---|--------|---|-------|---|--------|
| | | Millions of yen | | | | | | | | | | | | | | |
| | | Reportable segments | | | | | Total | Adjustments (*2) | Consoli- dated (*3) | | | | | | | |
| | | Electronic Components | Chemicals / FA Systems | Information Equipment | Subtotal | Other (*1) | | | | | | | | | | |
| Net Sales | | | | | | | | | | | | | | | | |
| Sales- | | | | | | | | | | | | | | | | |
| Customers | ¥ | 55,613 | ¥ | 22,614 | ¥ | 2,941 | ¥ | 81,168 | ¥ | 8 | ¥ | 81,176 | ¥ | — | ¥ | 81,176 |
| Inter-segment | | 59 | | 89 | | — | | 148 | | 663 | | 811 | | (811) | | — |
| | | 55,672 | | 22,703 | | 2,941 | | 81,316 | | 671 | | 81,987 | | (811) | | 81,176 |
| Segment income (loss) | ¥ | 516 | ¥ | 2,672 | ¥ | (33) | ¥ | 3,155 | ¥ | (12) | ¥ | 3,143 | ¥ | (734) | ¥ | 2,409 |
| Other items | | | | | | | | | | | | | | | | |
| Depreciation and amortization | ¥ | 1,283 | ¥ | 750 | ¥ | 106 | ¥ | 2,139 | ¥ | 34 | ¥ | 2,173 | ¥ | 10 | ¥ | 2,183 |
| Amortization of goodwill | ¥ | 99 | ¥ | 0 | ¥ | — | ¥ | 99 | ¥ | — | ¥ | 99 | ¥ | — | ¥ | 99 |
| Increase in tangible and intangible fixed assets | ¥ | 1,175 | ¥ | 2,382 | ¥ | 47 | ¥ | 3,604 | ¥ | 97 | ¥ | 3,701 | ¥ | 7 | ¥ | 3,708 |

| Year ended March 31, 2015 | | | | | | | | |
|--|--------------------------|---|--------------------------|------------|---------------|------------|---------------------|---------------------------|
| Thousands of U.S. dollars | | | | | | | | |
| | Reportable segments | | | | | Total | Adjustments (*2) | Consoli- dated (*3) |
| | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Subtotal | Other (*1) | | | |
| Net Sales | | | | | | | | |
| Sales- | | | | | | | | |
| Customers | \$ 481,158 | \$ 203,042 | \$ 34,358 | \$ 718,558 | \$ 175 | \$ 718,733 | \$ — | \$ 718,733 |
| Inter-segment | 0 | 617 | 500 | 1,117 | 5,566 | 6,683 | (6,683) | — |
| | 481,158 | 203,659 | 34,858 | 719,675 | 5,741 | 725,416 | (6,683) | 718,733 |
| Segment income (loss) | \$ 12,392 | \$ 24,500 | \$ 3,158 | \$ 40,050 | \$ (358) | \$ 39,692 | \$ (6,117) | \$ 33,575 |
| Other items | | | | | | | | |
| Depreciation and amortization | \$ 10,825 | \$ 7,583 | \$ 733 | \$ 19,141 | \$ 325 | \$ 19,466 | \$ 134 | \$ 19,600 |
| Amortization of goodwill | \$ 975 | \$ 0 | \$ — | \$ 975 | \$ — | \$ 975 | \$ — | \$ 975 |
| Increase in tangible and intangible fixed assets | \$ 14,700 | \$ 9,617 | \$ 583 | \$ 24,900 | \$ 133 | \$ 25,033 | \$ — | \$ 25,033 |

(*1) "Other" includes businesses not included in the reportable segments, which includes the transportation, warehouse businesses in the fiscal year ended March 31, 2015.

(*2) Adjustments for segment income (loss) were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|-----------------|---------|------------------------------|
| | 2015 | 2014 | 2015 |
| Inter-segement eliminations | ¥ 54 | ¥ 40 | \$ 450 |
| Corporate costs (*) | (788) | (774) | (6,567) |
| Total | ¥ (734) | ¥ (734) | \$ (6,117) |

* Corporate costs are mainly future R&D expenses at the head office, which are not allocated to the reportable segments.

(*3) Segment income is adjusted with operating income in the consolidated statements of income.

(*4) Adjustments for "Depreciation and amortization" and "Increase in tangible and intangible fixed assets" are mainly capital investment and depreciation relating to future R&D assets at the head office, which are not allocated to the reportable segments.

(*5) Assets of the Company are not allocated to the business segments.

(d) Related information

(1) Information by product and service

| | | Year ended March 31, 2015 | | | | |
|---------------------|---|---------------------------|-----------------------------------|-----------------------|-------|--------------|
| | | Millions of yen | | | | |
| | | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Sales- Customers | ¥ | 57,739 | ¥ 24,365 | ¥ 4,123 | ¥ 21 | ¥ 86,248 |

| | | Year ended March 31, 2014 | | | | |
|---------------------|---|---------------------------|-----------------------------------|-----------------------|-------|--------------|
| | | Millions of yen | | | | |
| | | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Sales- Customers | ¥ | 55,613 | ¥ 22,614 | ¥ 2,941 | ¥ 8 | ¥ 81,176 |

| | | Year ended March 31, 2015 | | | | |
|---------------------|----|---------------------------|-----------------------------------|-----------------------|--------|--------------|
| | | Thousands of U.S. dollars | | | | |
| | | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Sales- Customers | \$ | 481,158 | \$ 203,042 | \$ 34,358 | \$ 175 | \$ 718,733 |

(2) Information by geographical area

| | | Year ended March 31, 2015 | | | | | |
|-----------|---|---------------------------|----------|---------|-------------------------|-------|--------------|
| | | Millions of yen | | | | | |
| | | Japan | Asia | Europe | North and South America | Other | Consolidated |
| Net Sales | ¥ | 39,002 | ¥ 36,561 | ¥ 7,723 | ¥ 2,958 | ¥ 4 | ¥ 86,248 |

| | | Year ended March 31, 2014 | | | | | |
|-----------|---|---------------------------|----------|---------|-------------------------|-------|--------------|
| | | Millions of yen | | | | | |
| | | Japan | Asia | Europe | North and South America | Other | Consolidated |
| Net Sales | ¥ | 34,900 | ¥ 34,814 | ¥ 8,785 | ¥ 2,515 | ¥ 162 | ¥ 81,176 |

| Year ended March 31, 2015 | | | | | | |
|---------------------------|------------|------------|-----------|-------------------------------|-------|-------------------|
| Thousands of U.S. dollars | | | | | | |
| | Japan | Asia | Europe | North and South America | Other | Consoli- dated |
| Net Sales | \$ 325,017 | \$ 304,675 | \$ 64,358 | \$ 24,650 | \$ 33 | \$ 718,733 |

| As of March 31, 2015 | | | | | | |
|----------------------------------|----------|---------|--------|-------------------------------|--|-------------------|
| Millions of yen | | | | | | |
| | Japan | Asia | Europe | North and South America | | Consoli- dated |
| Property, plant and equipment | ¥ 11,742 | ¥ 7,342 | ¥ 459 | ¥ 219 | | ¥ 19,762 |

| As of March 31, 2015 | | | | | | |
|----------------------------------|----------|---------|--------|-------------------------------|--|-------------------|
| Millions of yen | | | | | | |
| | Japan | Asia | Europe | North and South America | | Consoli- dated |
| Property, plant and equipment | ¥ 12,621 | ¥ 6,462 | ¥ 474 | ¥ 226 | | ¥ 19,783 |

| As of March 31, 2015 | | | | | | |
|----------------------------------|-----------|-----------|----------|-------------------------------|--|-------------------|
| Thousands of U.S. dollars | | | | | | |
| | Japan | Asia | Europe | North and South America | | Consoli- dated |
| Property, plant and equipment | \$ 97,850 | \$ 61,183 | \$ 3,825 | \$ 1,825 | | \$ 164,683 |

(3) Information by major customer

This information has been omitted because there is no specific customer representing 10% or more of net sales recorded in the consolidated statements of income for the years ended March 31, 2015 and 2014.

(e) Information about impairment loss on fixed assets for each reportable segment

Fiscal years ended March 31, 2015 and 2014: Not applicable

- (f) Information about amortization and balance of goodwill for each reportable segment:

| | Year ended March 31, 2015 | | | | |
|---------------------|---------------------------|-----------------------------------|-----------------------|-------|--------------|
| | Millions of yen | | | | |
| | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Amortization | ¥ 117 | ¥ 0 | ¥ — | ¥ — | ¥ 117 |
| Balance at March 31 | 719 | 2 | — | — | 721 |

| | Year ended March 31, 2014 | | | | |
|---------------------|---------------------------|-----------------------------------|-----------------------|-------|--------------|
| | Millions of yen | | | | |
| | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Amortization | ¥ 99 | ¥ 0 | ¥ — | ¥ — | ¥ 99 |
| Balance at March 31 | 637 | 3 | — | — | 640 |

| | Year ended March 31, 2015 | | | | |
|---------------------|---------------------------|-----------------------------------|-----------------------|-------|--------------|
| | Thousands of U.S. dollars | | | | |
| | Electronic Components | Electronic Chemicals / FA Systems | Information Equipment | Other | Consolidated |
| Amortization | \$ 975 | \$ 0 | \$ — | \$ — | \$ 975 |
| Balance at March 31 | 5,991 | 17 | — | — | 6,008 |

- (g) Information about gains on negative goodwill for each reportable segment

Fiscal years ended March 31, 2015 and 2014: Not applicable

21. Subsequent Events

There were no significant subsequent events for the years ended March 31, 2015 and 2014.