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CONSOLIDATED FINANCIAL STATEMENTS

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

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CONSOLIDATED BALANCE SHEET

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 104,733**	¥ 68,935	**$ 872,774**
Time deposits (Note 16)	**3,217**	2,423	**26,805**
Marketable securities (Notes 4 and 16)	**2,916**	3,018	**24,299**
Receivables (Notes 16 and 17):			
Trade notes and accounts	**100,321**	88,652	**836,006**
Unconsolidated subsidiaries and associated companies	**920**	1,838	**7,666**
Allowance for doubtful accounts	**(1,813)**	(1,994)	**(15,112)**
Total receivables	**99,427**	88,496	**828,560**
Inventories (Note 5)	**122,426**	103,407	**1,020,215**
Deferred tax assets (Note 13)	**21,196**	10,795	**176,636**
Other current assets (Notes 16 and 17)	**17,817**	13,179	**148,472**
Total current assets	**371,731**	290,252	**3,097,762**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6 and 7)	**14,742**	14,330	**122,847**
Buildings and structures (Notes 6 and 7)	**104,283**	100,481	**869,026**
Machinery and vehicles (Note 6)	**56,276**	48,917	**468,966**
Furniture and fixtures (Note 6)	**105,404**	100,729	**878,370**
Lease assets (Note 6)	**8,207**	5,081	**68,390**
Construction in progress	**892**	157	**7,431**
Total property, plant and equipment	**289,804**	269,695	**2,415,030**
Accumulated depreciation	**(177,660)**	(169,273)	**(1,480,497)**
Net property, plant and equipment	**112,144**	100,423	**934,533**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	**38,182**	32,070	**318,182**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 16)	**2,481**	10,840	**20,674**
Goodwill (Note 6)	**3,836**	4,322	**31,970**
Deferred tax assets (Note 13)	**4,640**	3,032	**38,663**
Asset for retirement benefits (Notes 2(15) and 9)	**6,676**	4,323	**55,633**
Other investments and assets (Notes 6 and 16)	**29,092**	26,112	**242,432**
Allowance for doubtful accounts	**(1,551)**	(1,399)	**(12,928)**
Total investments and other assets	**83,355**	79,298	**694,625**
TOTAL	**¥ 567,230**	¥ 469,973	**$ 4,726,920**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	**¥ 576**	¥ 1,467	**$ 4,803**
Current portion of long-term debt (Notes 8 and 16)	**11,731**	1,043	**97,755**
Payables (Note 16):			
Trade notes and accounts	**43,278**	41,381	**360,649**
Unconsolidated subsidiaries and associated companies	**2,015**	2,113	**16,794**
Other	**19,239**	15,227	**160,323**
Total payables	**64,532**	58,721	**537,766**
Income taxes payable (Note 16)	**14,924**	2,641	**124,367**
Accrued expenses (Note 2(14))	**48,971**	43,516	**408,088**
Deferred tax liabilities (Note 13)	**85**	57	**712**
Other current liabilities (Notes 10 and 17)	**12,571**	9,354	**104,759**
Total current liabilities	**153,390**	116,797	**1,278,250**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**7,579**	14,877	**63,155**
Liability for retirement benefits (Notes 2(15) and 9)	**18,593**	13,781	**154,944**
Deferred tax liabilities (Note 13)	**12,981**	8,956	**108,171**
Other long-term liabilities (Note 10)	**7,404**	7,252	**61,698**
Total long-term liabilities	**46,556**	44,865	**387,967**
EQUITY (Note 11):			
Common stock, no par value:			
Authorized: 600,000,000 shares			
Issued: 277,535,866 shares in 2015 and 2014	**19,210**	19,210	**160,082**
Capital surplus	**16,696**	16,683	**139,129**
Stock acquisition rights (Note 12)	**616**	533	**5,133**
Retained earnings	**314,893**	268,156	**2,624,106**
Treasury stock, at cost			
2015 - 17,903,643 shares			
2014 - 12,118,231 shares	**(24,225)**	(14,075)	**(201,874)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**7,100**	4,209	**59,167**
Deferred loss on derivatives under hedge accounting (Note 17)	**(448)**	(1,534)	**(3,730)**
Foreign currency translation adjustments	**24,022**	4,494	**200,183**
Defined retirement benefit plans (Notes 2(15) and 9)	**(7,085)**	(5,979)	**(59,038)**
Subtotal	**350,779**	291,698	**2,923,158**
Minority interests	**16,506**	16,613	**137,547**
Total equity	**367,285**	308,311	**3,060,704**
TOTAL	**¥ 567,230**	¥ 469,973	**$ 4,726,920**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET SALES	**¥ 707,238**	¥ 616,835	**$ 5,893,647**
COST OF SALES (Note 14)	**389,831**	349,015	**3,248,595**
Gross profit	**317,406**	267,820	**2,645,052**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**259,865**	224,519	**2,165,539**
Operating income	**57,542**	43,301	**479,514**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,533**	1,516	**12,775**
Interest expense	**(342)**	(277)	**(2,852)**
Sales discount	**(2,956)**	(2,628)	**(24,635)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**15,744**	(459)	**131,199**
Foreign exchange loss	**(2,334)**	(11,612)	**(19,447)**
Loss on impairment of long-lived assets (Notes 2(10) and 6)	**(1,785)**	(2,122)	**(14,871)**
(Loss) gain on valuation of derivatives (Note 17)	**(2,342)**	4,461	**(19,516)**
Other - net	**339**	1,345	**2,829**
Other income (expenses), net	**7,858**	(9,774)	**65,481**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**65,399**	33,527	**544,994**
INCOME TAXES (Note 13):			
Current	**20,994**	9,562	**174,949**
Deferred	**(9,364)**	4,089	**(78,033)**
Total income taxes	**11,630**	13,651	**96,916**
NET INCOME BEFORE MINORITY INTERESTS	**53,769**	19,876	**448,079**
MINORITY INTERESTS IN NET INCOME	**(200)**	655	**(1,668)**
NET INCOME	**¥ 53,970**	¥ 19,221	**$ 449,747**

PER SHARE OF COMMON STOCK (Note 19):	Yen		U.S. Dollars (Note 1)
Basic net income	**¥ 206.68**	¥ 72.20	**$ 1.72**
Diluted net income	**206.24**	72.06	**1.72**
Cash dividends applicable to the year	**30.00**	24.00	**0.25**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 53,769**	¥ 19,876	**$ 448,079**
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	**2,935**	1,520	**24,461**
Deferred gain (loss) on derivatives under hedge accounting	**1,086**	(1,091)	**9,054**
Foreign currency translation adjustments	**18,847**	21,248	**157,057**
Defined retirement benefit plans	**(1,095)**	—	**(9,122)**
Share of other comprehensive income in associates	**5**	—	**39**
Total other comprehensive income	**21,779**	21,677	**181,489**
COMPREHENSIVE INCOME (Note 18)	**¥ 75,548**	¥ 41,553	**$ 629,567**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 75,661**	¥ 41,243	**$ 630,507**
Minority interests	**(113)**	311	**(940)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	266,610	¥ 19,210	¥ 16,464	¥ 459	¥ 255,639	¥ (12,971)	¥ 2,345	¥ (443)	¥ (17,405)	—	¥ 263,297	¥ 15,473	¥ 278,770
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	(326)	—	—	—	—	—	(326)	—	(326)
Net income	—	—	—	—	19,221	—	—	—	—	—	19,221	—	19,221
Cash dividends,¥24 per share	—	—	—	—	(6,378)	—	—	—	—	—	(6,378)	—	(6,378)
Acquisition of treasury stock	(1,230)	—	216	—	—	(1,131)	—	—	—	—	(915)	1,122	207
Sale of treasury stock	38	—	3	—	—	27	—	—	—	—	31	—	31
Net change in the year	—	—	—	74	—	—	1,865	(1,091)	21,899	¥ (5,979)	16,768	17	16,786
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	265,418	19,210	16,683	533	268,156	(14,075)	4,209	(1,534)	4,494	(5,979)	291,698	16,613	308,311
Cumulative effect of accounting change	—	—	—	—	(142)	—	—	—	—	—	(142)	(42)	(184)
BALANCE, APRIL 1, 2014 (as restated)	265,418	19,210	16,683	533	268,014	(14,075)	4,209	(1,534)	4,494	(5,979)	291,555	16,571	308,127
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Net income	—	—	—	—	53,970	—	—	—	—	—	53,970	—	53,970
Cash dividends, ¥27 per share	—	—	—	—	(7,090)	—	—	—	—	—	(7,090)	—	(7,090)
Acquisition of treasury stock	(5,837)	—	—	—	—	(10,180)	—	—	—	—	(10,180)	—	(10,180)
Sale of treasury stock	52	—	13	—	—	29	—	—	—	—	42	—	42
Net change in the year	—	—	—	83	—	—	2,891	1,086	19,528	(1,106)	22,482	(66)	22,417
BALANCE, MARCH 31, 2015	259,632	¥ 19,210	¥ 16,696	¥ 616	¥ 314,893	¥ (24,225)	¥ 7,100	¥ (448)	¥ 24,022	¥ (7,085)	¥ 350,779	¥ 16,506	¥ 367,285

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 160,082	$ 139,021	$ 4,441	$2,234,635	$ (117,288)	$ 35,077	$ (12,785)	$ 37,451	$ (49,824)	$2,430,813	$ 138,442	$2,569,254
Cumulative effect of accounting change	—	—	—	(1,185)	—	—	—	—	—	(1,185)	(347)	(1,532)
BALANCE, APRIL 1, 2014 (as restated)	160,082	139,021	4,441	2,233,451	(117,288)	35,077	(12,785)	37,451	(49,824)	2,429,627	138,095	2,567,722
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	(10)	—	—	—	—	—	(10)	—	(10)
Net income	—	—	—	449,747	—	—	—	—	—	449,747	—	449,747
Cash dividends, $0.23 per share	—	—	—	(59,083)	—	—	—	—	—	(59,083)	—	(59,083)
Acquisition of treasury stock	—	—	—	—	(84,832)	—	—	—	—	(84,832)	—	(84,832)
Sale of treasury stock	—	108	—	—	246	—	—	—	—	353	—	353
Net change in the year	—	—	692	—	—	24,090	9,054	162,732	(9,213)	187,354	(548)	186,806
BALANCE, MARCH 31, 2015	$ 160,082	$ 139,129	$ 5,133	$2,624,106	$ (201,874)	$ 59,167	$ (3,730)	$ 200,183	$ (59,038)	$2,923,158	$ 137,547	$3,060,704

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 65,399**	¥ 33,527	**$ 544,994**
Adjustments for:			
Income taxes - paid	**(9,947)**	(9,755)	**(82,890)**
Depreciation and amortization	**28,206**	27,614	**235,046**
Loss on impairment of long-lived assets	**1,785**	2,122	**14,871**
Amortization of goodwill	**1,318**	1,538	**10,985**
(Gain) loss on sales and disposals of property, plant and equipment, net	**(15,744)**	459	**(131,199)**
Foreign exchange (gain) loss	**(7,226)**	2,092	**(60,214)**
Loss (gain) on valuation of derivatives	**2,342**	(4,461)	**19,516**
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	**(6,294)**	(5,423)	**(52,449)**
Increase in inventories	**(6,451)**	(5,994)	**(53,761)**
(Decrease) increase in trade notes and accounts payable	**(1,154)**	6,973	**(9,616)**
Increase in accrued expenses	**2,229**	808	**18,576**
Increase in liability for retirement benefits	**4,785**	1,752	**39,872**
Increase in allowance for doubtful accounts	**1,027**	884	**8,561**
Other - net	**(2,253)**	2,884	**(18,776)**
Total adjustments	**(7,377)**	21,492	**(61,478)**
Net cash provided by operating activities	**58,022**	55,019	**483,516**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**17,964**	1,361	**149,701**
Proceeds from sales and redemption of marketable securities	**3,008**	5,103	**25,070**
Proceeds from sales and redemption of investment securities	**1,377**	2,761	**11,475**
Purchases of property, plant and equipment	**(23,784)**	(27,634)	**(198,203)**
Purchases of intangible assets	**(7,180)**	(6,635)	**(59,832)**
Purchases of investment securities	**(5,399)**	(11,152)	**(44,988)**
Purchases of affiliates' shares	—	(1,059)	—
Purchases of investment in affiliates	—	(2,188)	—
Other - net	**(1,313)**	343	**(10,941)**
Net cash used in investing activities	**(15,326)**	(39,100)	**(127,717)**
FORWARD	**¥ 42,696**	¥ 15,920	**$ 355,800**

CONSOLIDATED STATEMENT OF CASH FLOWS

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
FORWARD	**¥ 42,696**	¥ 15,920	**$ 355,800**
FINANCING ACTIVITIES:			
Decrease in short-term borrowings, net	**(876)**	(5,684)	**(7,297)**
Proceeds from long-term debt	**3,548**	200	**29,563**
Repayments of long-term borrowings	**(1,800)**	—	**(15,000)**
Repayments of lease obligations	**(1,544)**	(1,251)	**(12,868)**
Cash dividends paid	**(7,604)**	(6,687)	**(63,370)**
Increase in treasury stock, net	**(10,175)**	(10)	**(84,791)**
Net cash used in financing activities	**(18,451)**	(13,432)	**(153,762)**
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**8,554**	6,878	**71,279**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**32,798**	9,364	**273,317**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	**2,905**	4,301	**24,209**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER WITH UNCONSOLIDATED SUBSIDIARIES	**95**	210	**790**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**68,935**	55,060	**574,457**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 104,733**	¥ 68,935	**$ 872,774**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BROTHER INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which BROTHER INDUSTRIES, LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The Company has 82 (83 in 2014) subsidiaries at March 31, 2015. The accompanying consolidated financial statements as of March 31, 2015 include the accounts of the Company and its significant 74 (62 in 2014) subsidiaries (together, the "Group"). The remaining 8 (21 in 2014) unconsolidated subsidiaries' combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group.

Details of significant consolidated subsidiaries at March 31, 2015, are listed as follows:

	Equity ownership percentage at March 31, 2015		Capital in thousands of local currency	
	Directly	Indirectly		
Brother International Corporation (Japan)	100.0 %	—	¥	630,000
Brother Real Estate, Ltd.	100.0	—	¥	300,000
Xing Inc.	99.9	—	¥	7,122,649
Brother Sales, Ltd.	100.0	—	¥	3,500,000
Nissei Corporation	60.2	—	¥	3,475,000
Standard Corp.	—	99.9 %	¥	90,000
Brother International Corporation (U.S.A.)	100.0	—	US$	7,034
Brother International Corporation (Canada) Ltd.	—	100.0	C$	11,592
Brother International De Mexico, S.A. De C.V.	—	100.0	MEX$	125,926
Brother Industries (U.S.A.) Inc.	—	100.0	US$	14,000
Brother International Corporation Do Brazil, Ltda.	—	100.0	R$	49,645
Brother International De Chile, Ltda.	—	100.0	CH$	2,801,966
Brother Nordic A/S	—	100.0	DKr.	42,000
Brother International Europe Ltd.	—	100.0	Stg.£	26,500
Brother Holding (Europe) Ltd.	100.0	—	Stg.£	87,013
Brother U.K. Ltd.	—	100.0	Stg.£	17,400
Brother Internationale Industriemachinen GmbH	—	100.0	EURO	9,000
Brother France SAS	—	100.0	EURO	12,000
Brother International GmbH (Germany)	—	100.0	EURO	25,000
Brother Italia S.p.A.	—	100.0	EURO	3,700
Brother Industries (U.K.) Ltd.	100.0	—	Stg.£	9,700
Brother Finance (U.K.) Plc	100.0	—	Stg.£	2,500
Brother Industries (Slovakia) s.r.o.	—	100.0	EURO	5,817
Taiwan Brother Industries, Ltd.	100.0	—	NT$	242,000
Zhuhai Brother Industries, Co., Ltd.	100.0	—	CNY	49,105
Brother International (HK) Ltd.	100.0	—	US$	11,630
Brother Industries Technology (Malaysia) Sdn. Bhd.	100.0	—	MR	21,000
Brother International (Aust.) Pty. Ltd.	100.0	—	A$	2,500
Brother International Singapore Pte. Ltd.	—	100.0	US$	9,527
Brother Machinery (Asia) Ltd.	100.0	—	US$	37,000
Brother Machinery Xian Co., Ltd.	100.0	—	CNY	282,712
Brother Industries (Shenzhen), Ltd.	—	100.0	CNY	218,717
Brother (China) Ltd.	100.0	—	CNY	168,465
Brother Industries (Vietnam) Ltd.	100.0	—	US$	80,000
Brother Technology (Shenzhen) Ltd.	—	100.0	CNY	117,454
Brother Machinery Shanghai Ltd.	—	100.0	CNY	50,000
Brother Industries Saigon, Ltd.	100.0	—	US$	28,000
Brother Industries (Philippines), Inc.	100.0	—	US$	134,000
Brother Machinery Vietnam Co., Ltd.	100.0	—	US$	41,000

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over the estimated useful life reflecting the pattern of the future economic benefits, unless deemed immaterial and charged to income.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The fiscal year end of certain foreign consolidated subsidiaries is December 31. These subsidiaries are consolidated using their financial statements as of the parent fiscal year end, which are prepared solely for consolidation purposes.

The fiscal year end of certain foreign consolidated subsidiaries is December 31. These subsidiaries are consolidated using their financial statements as of their latest fiscal year end, and significant transactions occurring between their fiscal year end and the Company's fiscal year end and the parent fiscal year end are adjusted on consolidation.

(2) Investments in Unconsolidated Subsidiaries and Associated Companies

Investments in five associated companies (five in 2014) are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If these companies had been consolidated or accounted for by the equity method, the effect on the consolidated financial statements would not have been material.

Accordingly, income from the unconsolidated subsidiaries and associated companies is recognized when the Group receives dividends. Unrealized intercompany profits, if any, have not been eliminated in the consolidated financial statements.

(3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(4) Unification of Accounting Policies Applied to Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(5) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(6) Cash Equivalents
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trust, all of which mature or become due within three months of the date of acquisition.

(7) Inventories
Inventories are stated at the lower of cost or net selling value. The company and consolidated manufacturing subsidiaries determine cost by the average method or the first-in, first-out method. The consolidated sales subsidiaries determine cost by using the moving average method (see Note 5).

(8) Marketable and Investment Securities
Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and ii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

For the fiscal year ended March 31, 2014, the Group reclassified certain trading debt securities, and government and corporate bonds with a fair value of ¥3,811 million to available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

(9) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is mainly computed by the declining-balance method, while the straight-line method is mainly applied to property, plant and equipment of consolidated foreign subsidiaries.

The range of useful lives is principally from three to 60 years for buildings and structures, from four to 12 years for machinery and vehicles and from two to 20 years for furniture and fixtures.

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

(10) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(11) Other Investments and Assets
Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method.

(12) Allowance for Doubtful Accounts
The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(13) Bonuses to Directors and Audit & Supervisory Board Members
Bonuses to directors and Audit & Supervisory Board Members are accrued at the end of the year to which such bonuses are attributable.

(14) Warranty Reserve
The Group provides a warranty reserve for repair service to cover all repair expenses based on its past warranty experience and on estimated repair expenses for specific products.

The warranty reserve was included in accrued expenses and amounted to ¥5,458 million ($45,480 thousand) and ¥4,801 million at March 31, 2015 and 2014, respectively.

(15) Retirement and Pension Plans

(i) **Employees' Retirement and Pension Plans** — The Company has a contributory funded defined benefit pension plan and a defined contribution pension plan covering substantially all of its employees. Domestic consolidated subsidiaries have funded and unfunded retirement benefit plans or defined contribution pension plans. Also, certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the consolidated balance sheet date. Certain small subsidiaries apply the simplified method to state the liability at the amount which would be paid if employees retired, less plan assets at the consolidated balance sheet date.

The Company contributed certain available-for-sale securities to the employee retirement benefit trust for the Company's contributory pension plans. The securities held in this trust qualify as plan assets. However, because it was expected that the fund status would remain in surplus, the Company cancelled a certain portion of the securities as plan assets and transferred them in February 2006.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 18).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, asset for retirement benefits as of April 1, 2014, decreased by ¥669 million ($5,574 thousand), liability for retirement benefits as of April 1, 2014, decreased by ¥209 million ($1,739 thousand), and retained earnings as of April 1, 2014, decreased by ¥142 million ($1,185 thousand), respectively. The effect on the consolidated statement of income, net assets per share and basic and diluted net income per share for the year ended March 31, 2015 was immaterial.

(ii) **Retirement Benefits for Directors and Audit & Supervisory Board members** — Certain consolidated subsidiaries provide retirement allowances for directors and Audit & Supervisory Board members. Retirement allowances for directors and Audit & Supervisory Board members are recorded to state the liability which would be paid at the amount if they retired at each consolidated balance sheet date. The retirement benefits for directors and Audit & Supervisory Board members are paid upon the approval of the shareholders.

(16) Asset Retirement Obligations

In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(17) Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheets, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(18) R&D Costs

R&D costs are charged to income as incurred.

(19) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

(20) Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

(21) Foreign Currency Transactions

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

(22) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

(23) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and currency option contracts are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income. Foreign currency forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

(24) Per Share Information
Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

(25) Accounting Changes and Error Corrections
In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

(26) Consolidated Corporate Tax System
The Company and certain consolidated subsidiaries file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(27) New Accounting Pronouncements
Accounting standards for Business Combinations and Consolidated Financial statements— In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) ***Transactions with noncontrolling interest***—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) ***Presentation of the consolidated balance sheet***—In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) ***Presentation of the consolidated statement of income***—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) ***Provisional accounting treatments for a business combination***—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) ***Acquisition-related costs***—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company and domestic subsidiaries expect to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. CHANGES IN PRESENTATION METHOD

(Consolidated statement of income)
For the year ended March 31, 2014, “Gain on sales of investment securities” of ¥468 million was separately presented in the “OTHER INCOME (EXPENSES)” section of the consolidated statement of income. Since the amount decreased significantly and the account was considered immaterial for the year ended March 31, 2015, the amount for the year ended March 31, 2014, was reclassified to “Other – net.”

(Consolidated statement of cash flows)
For the year ended March 31, 2014, “Gain on sales of investment securities” of ¥465 million and “Increase in liability for warranty reserve” of ¥899 million were separately presented in the “OPERATING ACTIVITIES” section of the consolidated statement of cash flows. Since the amounts decreased and the accounts were considered immaterial for the year ended March 31, 2015, the amounts for the year ended March 31, 2014, were reclassified to “Other – net.”

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current:			
Government and corporate bonds	**¥ 2,916**	¥ 3,018	**$ 24,299**
Total	**¥ 2,916**	¥ 3,018	**$ 24,299**
Non-current:			
Marketable equity securities	**¥ 20,885**	¥ 15,734	**$ 174,044**
Government and corporate bonds	**16,403**	15,967	**136,692**
Other	**893**	369	**7,446**
Total	**¥ 38,182**	¥ 32,070	**$ 318,182**

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 9,768**	**¥ 9,612**	**¥ (67)**	**¥ 19,313**
Government and corporate bonds	**19,175**	**54**	**(11)**	**19,219**
Other	**16**	**—**	**—**	**16**
Held-to-maturity	**100**	**0**	**—**	**100**

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,920	¥ 4,791	¥ (121)	¥ 14,590
Government and corporate bonds	18,751	144	(16)	18,880
Other	18	—	—	18
Held-to-maturity	105	0	—	105

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 81,401**	**$ 80,098**	**$ (560)**	**$ 160,939**
Government and corporate bonds	**159,795**	**454**	**(91)**	**160,158**
Other	**137**	**—**	**—**	**137**
Held-to-maturity	**833**	**1**	**—**	**834**

The information of investment securities which were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥ 277**	**¥ 126**	**¥ (1)**

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 146	¥ 50	¥ (0)
Government and corporate bonds	400	8	—
Other	1,096	351	—
Held-to-maturity	819	59	(3)
Total	¥ 2,461	¥ 468	¥ (3)

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$ 2,309**	**$ 1,050**	**$ (8)**

As discussed in Note 2(8), the Group reclassified certain trading debt securities and government and corporate bonds with a fair value of ¥3,811 million to available-for-sale securities. As a result, for the year ended March 31, 2014, investment securities and unrealized gain on available-for-sale securities increased by ¥59 million and ¥38 million in the consolidated balance sheet, respectively.

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise and finished products	**¥ 80,552**	¥ 70,205	**$ 671,264**
Work in process	**12,228**	10,286	**101,896**
Raw materials and supplies	**29,647**	22,915	**247,055**
Total	**¥ 122,426**	¥ 103,407	**$ 1,020,215**

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2015 and 2014.

As a result, for the year ended March 31, 2015, the Group recognized an impairment loss of ¥1,785 million ($14,871 thousand) as other expense for business assets and assets to be disposed of (assets that the Group plans to sell or dispose of through scrapping). The carrying amounts of these assets were written down to the estimated recoverable amount. The recoverable amount of business assets was measured at the value in use or the net selling price at disposition. The discount rates used for computation of the present value of future cash flows were from 8.7% to 11.5%. The recoverable amount of assets to be disposed of was measured at the value in use which was recorded as zero, or the net selling price at disposition which was calculated as estimated selling price less cost to sell.

For the year ended March 31, 2014, the Group recognized an impairment loss of ¥2,122 million as other expense for business assets. The carrying amounts of these assets were written down to the recoverable amount. The recoverable amount of business assets was measured at the value in use or the net selling price at disposition. The discount rate used for computation of the present value of future cash flows was 10.7%.

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Group owns certain rental properties such as office buildings and land in Nagoya and other areas. The net of rental income and operating expenses for those rental properties was ¥889 million ($7,409 thousand) and ¥1,093 million for the years ended March 31, 2015 and 2014, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2014	Decrease	March 31, 2015	March 31, 2015
¥ 9,198	**¥ (1,619)**	**¥ 7,580**	**¥ 16,601**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Decrease	March 31, 2014	March 31, 2014
¥ 9,371	¥ (173)	¥ 9,198	¥ 18,970

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2014	Decrease	March 31, 2015	March 31, 2015
$ 76,652	**$ (13,488)**	**$ 63,164**	**$ 138,343**

Notes: 1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended March 31, 2015, primarily represents the sales of Shinjuku building of ¥697 million ($5,808 thousand) and Shizuoka Kyodo building of ¥313 million ($2,608 thousand).
3) The fair value of properties is mainly measured by the Group in accordance with the Real Estate Appraisal Standard.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans principally from banks with weighted-average interest rate of 2.85% (0.97% in 2014)	**¥ 576**	¥ 1,467	**$ 4,803**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unsecured loans from a bank, due 2021 with interest rates ranging from 0.39 to 1.90% (from 0.39 to 1.73% in 2014)	**¥ 14,905**	¥ 12,900	**$ 124,209**
Lease obligations	**4,404**	3,020	**36,700**
Total	**19,309**	15,920	**160,909**
Less current portion	**(11,731)**	(1,043)	**(97,755)**
Long-term debt, less current portion	**¥ 7,579**	¥ 14,877	**$ 63,155**

Annual maturities of long-term debt at March 31, 2015 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	**¥ 11,731**	**$ 97,755**
2017	**4,765**	**39,710**
2018	**1,138**	**9,485**
2019	**836**	**6,966**
2020 and thereafter	**839**	**6,993**
Total	**¥ 19,309**	**$ 160,909**

9. RETIREMENT AND PENSION PLANS

Retirement Allowances for Directors and Audit & Supervisory Board members

Retirement allowances for directors and Audit & Supervisory Board members are paid subject to approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

Certain consolidated subsidiaries recorded liabilities for their unfunded retirement allowance plan covering all of their directors and Audit & Supervisory Board members.

Employees' Retirement and Pension Plans

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The liability for retirement benefits in the accompanying consolidated balance sheet consisted of retirement allowances for directors and Audit & Supervisory Board members of ¥557 million ($4,639 thousand) and ¥378 million at March 31, 2015 and 2014, respectively, and employees' retirement benefits of ¥18,037 million ($150,305 thousand) and ¥13,402 million at March 31, 2015 and 2014, respectively.

1. Defined Benefit Pension Plans

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥ 67,577**	¥ 61,717	**$ 563,141**
Cumulative effect of accounting change	**460**	—	**3,835**
Balance at beginning of year (as restated)	**68,037**	61,717	**566,976**
Current service cost	**2,755**	2,119	**22,959**
Interest cost	**1,360**	1,615	**11,330**
Actuarial losses	**6,359**	411	**52,991**
Benefits paid	**(2,780)**	(2,644)	**(23,165)**
Past service cost	**(51)**	60	**(427)**
Foreign currency translation adjustments	**(259)**	4,212	**(2,161)**
Others	**140**	88	**1,171**
Balance at end of year	**¥ 75,561**	¥ 67,577	**$ 629,674**

Certain subsidiaries adopt a simplified method for calculating their retirement and pension plans.

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 58,498**	¥ 52,062	**$ 487,483**
Expected return on plan assets	**1,910**	1,754	**15,915**
Actuarial gains	**4,077**	1,842	**33,978**
Contributions from the employer	**2,111**	2,542	**17,591**
Benefits paid	**(2,515)**	(2,300)	**(20,958)**
Foreign currency translation adjustments	**47**	2,507	**396**
Others	**72**	90	**598**
Balance at end of year	**¥ 64,200**	¥ 58,498	**$ 535,003**

Certain subsidiaries adopt a simplified method for calculating their retirement and pension plans.

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥ 70,645**	¥ 62,904	**$ 588,711**
Plan assets	**(64,200)**	(58,498)	**(535,003)**
	6,445	4,406	**53,709**
Unfunded defined benefit obligation	**4,916**	4,673	**40,963**
Net liability arising from defined benefit obligation	**¥ 11,361**	¥ 9,079	**$ 94,672**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥ 18,037**	¥ 13,402	**$ 150,305**
Asset for retirement benefits	**(6,676)**	(4,323)	**(55,633)**
Net liability arising from defined benefit obligation	**¥ 11,361**	¥ 9,079	**$ 94,672**

Certain subsidiaries adopt a simplified method for calculating their retirement and pension plans.

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥ 2,755**	¥ 2,119	**$ 22,959**
Interest cost	**1,360**	1,615	**11,330**
Expected return on plan assets	**(1,910)**	(1,754)	**(15,915)**
Recognized actuarial losses	**1,419**	2,362	**11,823**
Amortization of prior service cost	**(78)**	(36)	**(651)**
Others	**15**	9	**125**
Net periodic benefit costs	**¥ 3,561**	¥ 4,314	**$ 29,672**

Certain subsidiaries adopt a simplified method for calculating their retirement and pension plans.

(5) Other comprehensive income on defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Prior service cost	**¥ 27**	—	**$ 224**
Actuarial losses	**863**	—	**7,189**
Total	**¥ 890**	—	**$ 7,413**

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ 78**	¥ 56	**$ 651**
Unrecognized actuarial losses	**9,311**	8,597	**77,595**
Total	**¥ 9,390**	¥ 8,653	**$ 78,246**

(7) Plan assets

a. Components of plan assets

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

	2015	2014
Debt investments	**26%**	29%
Equity investments	**28**	28
Cash and cash equivalents	**3**	5
General insurance funds	**25**	25
Alternatives	**15**	10
Others	**3**	3
Total	**100%**	100%

The employee' retirement benefit trusts consist of 5% of the plan assets as of both March 31, 2015 and 2014.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	**Principally from 0.7% to 3.3%**	Principally from 1.0% to 4.5%
Expected rate of return on plan assets	**Principally from 1.0% to 3.3%**	Principally from 1.0% to 6.2%

2. Defined Contribution Pension Plans

Total contribution for defined contribution pension plans was ¥2,166 million ($18,049 thousand) and ¥2,080 million for the years ended March 31, 2015 and 2014, respectively.

10. ASSET RETIREMENT OBLIGATIONS

(a) Outline of Asset Retirement Obligations

The Group's asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements, the restoration of premises to the original condition, and the removal of LCD monitors in karaoke machines upon the termination of the lease of karaoke houses.

(b) Method applied to computation of the asset retirement obligations

The estimated periods until the asset retirement obligations are settled are four to 15 years from the acquisition date. The discount rates used for computation of the asset retirement obligations are 0.02% to 1.36%.

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 1,048**	¥ 1,039	**$ 8,732**
Additional provisions associated with purchases of property, plant and equipment	**446**	87	**3,718**
Reconciliation associated with passage of time	**16**	13	**132**
Reduction associated with settlement of asset retirement obligations	**(68)**	(110)	**(564)**
Other	**32**	18	**266**
Balance at end of year	**¥ 1,474**	¥ 1,048	**$ 12,284**

Asset retirement obligations above were included in both "Other current liabilities" in the "CURRENT LIABILITIES" section and "Other long-term liabilities" in the "LONG-TERM LIABILITIES" section in the accompanying consolidated balance sheet.

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. STOCK OPTIONS

The stock options outstanding as of March 31, 2015, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	Six directors	46,000 shares	March 19, 2007	¥1 ($ 0.01)	30 years starting on the day following the stock option grant date
2008 Stock Option	Six directors	65,100 shares	March 24, 2008	¥1 ($ 0.01)	Same as above
2009 Stock Option	Five directors	114,500 shares	March 23, 2009	¥1 ($ 0.01)	Same as above
2010 Stock Option	Four directors 14 executive officers	51,900 shares 49,600 shares	March 23, 2010	¥1 ($ 0.01)	Same as above
2011 Stock Option	Four directors 13 executive officers	43,200 shares 40,300 shares	March 23, 2011	¥1 ($ 0.01)	Same as above
2012 Stock Option	Three directors 16 executive officers	44,600 shares 61,800 shares	March 23, 2012	¥1 ($ 0.01)	Same as above
2013 Stock Option	Two directors 16 executive officers	36,600 shares 69,500 shares	March 21, 2013	¥1 ($ 0.01)	Same as above
2014 Stock Option	Three directors 16 executive officers	30,800 shares 49,600 shares	March 27, 2014	¥1 ($ 0.01)	Same as above
2015 Stock Option	Six directors 13 executive officers	37,300 shares 28,800 shares	March 18, 2015	¥1 ($ 0.01)	Same as above

The stock option activity is as follows:

	2015 Stock Option	2014 Stock Option	2013 Stock Option	2012 Stock Option	2011 Stock Option	2010 Stock Option	2009 Stock Option	2008 Stock Option	2007 Stock Option
	(shares)	(shares)	(shares)	(shares)	(shares)	(shares)	(shares)	(shares)	(shares)
Year ended March 31, 2014									
Non-vested									
April 1, 2013 – Outstanding	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—
Canceled	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—
March 31, 2014 – Outstanding	—	—	—	—	—	—	—	—	—
Vested									
April 1, 2013 – Outstanding	—	—	106,100	106,400	79,500	93,500	86,300	34,000	12,000
Vested	—	80,400	—	—	—	—	—	—	—
Exercised	—	—	—	3,300	—	—	19,100	7,600	—
Canceled	—	—	—	—	—	—	—	—	—
March 31, 2014 – Outstanding	—	80,400	106,100	103,100	79,500	93,500	67,200	26,400	12,000
Year ended March 31, 2015									
Non-vested									
April 1, 2014 – Outstanding	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—
Canceled	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—
March 31, 2015 – Outstanding	—	—	—	—	—	—	—	—	—
Vested									
April 1, 2014 – Outstanding	—	80,400	106,100	103,100	79,500	93,500	67,200	26,400	12,000
Vested	66,100	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	19,000	12,200	—	—
Canceled	—	—	—	—	—	—	—	—	—
March 31, 2015 – Outstanding	66,100	80,400	106,100	103,100	79,500	74,500	55,000	26,400	12,000
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)
Average stock price at exercise	—	—	—	—	—	¥2,131	¥1,869	—	—
	(—)	(—)	(—)	(—)	(—)	($17.76)	($15.58)	(—)	(—)
Fair value price at grant date	¥1,615	¥1,169	¥850	¥929	¥1,018	¥899	¥642	¥915	¥1,350
(directors)	($13.46)	($9.74)	($7.08)	($7.74)	($8.48)	($7.49)	($5.35)	($7.63)	($11.25)
Fair value price at grant date	¥1,655	¥1,157	¥880	¥957	¥1,034	¥912	—	—	—
(executive officers)	($13.79)	($9.64)	($7.33)	($7.98)	($8.62)	($7.60)	(—)	(—)	(—)

The Assumptions Used to Measure Fair Value of 2015 Stock Option (directors)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.05%
Estimated remaining outstanding period:	10 years
Estimated dividend rate:	1.87%
Risk free interest rate:	0.41%

The Assumptions Used to Measure Fair Value of 2015 Stock Option (executive officers)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	42.60%
Estimated remaining outstanding period:	8 years
Estimated dividend rate:	2.04%
Risk free interest rate:	0.27%

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35% and 38% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred Tax Assets:			
Inventories	**¥ 12,593**	¥ 11,404	**$ 104,938**
Tax loss carryforwards	**11,621**	12,728	**96,840**
Depreciation	**5,214**	4,052	**43,447**
Liability for retirement benefits	**4,266**	4,620	**35,548**
Write-down of investment securities	**3,527**	3,982	**29,395**
Accrued bonuses	**2,482**	2,444	**20,681**
Accrued expenses	**2,414**	1,890	**20,120**
Warranty reserve	**1,261**	1,144	**10,511**
Allowance for doubtful accounts	**1,153**	912	**9,610**
Other	**6,483**	5,663	**54,025**
Less valuation allowance	**(19,731)**	(27,592)	**(164,421)**
Total deferred tax assets	**31,283**	21,247	**260,696**
Deferred Tax Liabilities:			
Undistributed earnings of foreign subsidiaries	**(6,519)**	(5,584)	**(54,325)**
Asset for retirement benefits	**(2,924)**	(3,604)	**(24,370)**
Unrealized gain on available-for-sale securities	**(2,810)**	(1,397)	**(23,419)**
Differences between book and tax bases of property, plant and equipment	**(2,611)**	(1,614)	**(21,759)**
Securities withdrawn from retirement benefit trust	**(2,582)**	(2,845)	**(21,516)**
Other	**(1,067)**	(1,389)	**(8,892)**
Total deferred tax liabilities	**(18,514)**	(16,434)	**(154,281)**
Net deferred tax assets	**¥ 12,770**	¥ 4,814	**$ 106,415**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**35.33 %**	37.70 %
Net change in valuation allowance	**(11.19)**	3.95
Tax credit for R&D expenses	**(5.64)**	(1.00)
Lower income tax rates applicable to income in certain foreign countries	**(4.80)**	(9.38)
Undistributed earnings of foreign subsidiaries	**1.88**	3.81
Expenses not deductible for income tax purposes	**1.83**	4.60
Tax sparing credit	**(0.43)**	(0.46)
Effect of a change in statutory tax rate	**(0.42)**	1.02
Revenues not recognized for income tax purposes	**(0.34)**	(1.30)
Other – net	**1.58**	1.78
Actual effective tax rate	**17.78 %**	40.72 %

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.83% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.06%. The effect of these changes was to increase deferred tax assets, net of deferred tax liabilities, by ¥478 million ($3,987 thousand) and accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥284 million ($2,364 thousand) and decrease deferred loss on derivatives under hedge accounting by ¥17 million ($139 thousand) and defined retirement benefit plans by ¥63 million ($528 thousand) in the consolidated balance sheet as of March 31, 2015, and to decrease income taxes—deferred in the consolidated statement of income for the year then ended by ¥275 million ($2,290 thousand).

14. R&D COSTS

R&D costs charged to income were ¥42,524 million ($354,363 thousand) and ¥40,137 million for the years ended March 31, 2015 and 2014, respectively.

15. LEASES

(As lessee)
The minimum rental commitments under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Operating leases:			
Due within one year	**¥ 2,471**	¥ 2,128	**$ 20,590**
Due after one year	**8,489**	8,696	**70,740**
Total	**¥ 10,960**	¥ 10,824	**$ 91,331**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts and currency option contracts.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Bank loans are mainly used to fund ongoing operations. The long-term portion of bank loans is borrowed with fixed interest rates.

Derivatives mainly include forward foreign currency contracts and currency option contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, payables and share acquisitions through M&A. Please see Note 17 for further details about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to held-to-maturity financial investments, the Group manages its exposure to credit risk by limiting investments to high credit rated bonds in accordance with its internal guidelines.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2015.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk of trade receivables is hedged principally by forward foreign currency contracts and currency option contracts. In addition, when foreign currency trade receivables and payables are expected to arise from forecasted transactions, forward foreign currency contracts and currency option contracts may be used to hedge foreign exchange risk resulting from forecasted transactions expected to occur within one year.

Transactions of share acquisitions through M&A are also exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

The executions and administration of derivatives have been approved by those who are granted authority based on the internal guidelines which prescribe the authority and the limit for each transaction.

Liquidity risk management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk with adequate financial planning by each company.

(4) Fair values of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 17 for information related to the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 104,733	¥ 104,733	—
Time deposits	3,217	3,217	—
Marketable securities	2,916	2,916	—
Receivables	99,427	99,427	—
Investment securities	35,732	35,732	¥ 0
Investments in and advances to unconsolidated subsidiaries and associated companies	749		
Other investments and assets (including current portion)	99		
Allowance for doubtful accounts	(502)		
Net investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	346	347	0
Total	¥ 246,371	¥ 246,371	¥ 0
Short-term borrowings	¥ 576	¥ 576	—
Current portion of long-term debt	11,731	11,731	—
Payables	64,532	64,532	—
Income taxes payable	14,924	14,924	—
Long-term debt	7,579	7,600	¥ 21
Total	¥ 99,341	¥ 99,362	¥ 21

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 68,935	¥ 68,935	—
Time deposits	2,423	2,423	—
Marketable securities	3,018	3,018	¥ 0
Receivables	88,496	88,496	—
Investment securities	30,575	30,575	—
Investments in and advances to unconsolidated subsidiaries and associated companies (including current portion)	5,310		
Other investments and assets (including current portion)	96		
Allowance for doubtful accounts	(353)		
Net investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	5,054	5,049	(5)
Total	¥ 198,500	¥ 198,495	¥ (5)
Short-term borrowings	¥ 1,467	¥ 1,467	—
Current portion of long-term debt	1,043	1,043	—
Payables	58,721	58,721	—
Income taxes payable	2,641	2,641	—
Long-term debt	14,877	14,875	¥ (2)
Total	¥ 78,748	¥ 78,746	¥ (2)

	Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	**$ 872,774**	**$ 872,774**	—
Time deposits	**26,805**	**26,805**	—
Marketable securities	**24,299**	**24,299**	—
Receivables	**828,560**	**828,560**	—
Investment securities	**297,768**	**297,768**	**$ 1**
Investments in and advances to unconsolidated subsidiaries and associated companies	**6,241**		
Other investments and assets (including current portion)	**826**		
Allowance for doubtful accounts	**(4,180)**		
Net investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	**2,887**	**2,889**	**1**
Total	**$ 2,053,094**	**$ 2,053,095**	**$ 2**
Short-term borrowings	**$ 4,803**	**$ 4,803**	—
Current portion of long-term debt	**97,755**	**97,755**	—
Payables	**537,766**	**537,766**	—
Income taxes payable	**124,367**	**124,367**	—
Long-term debt	**63,155**	**63,330**	**$ 175**
Total	**$ 827,845**	**$ 828,020**	**$ 175**

Cash and cash equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities
The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

The carrying values of investment trusts approximate fair value because of their short maturities.

The fair value information for marketable and investment securities by classification is included in Note 4.

Receivables and payables
The carrying values of receivables and payables approximate fair value because of their short maturities.

Short-term borrowings, current portion of long-term debt and long-term debt
The carrying values of short-term borrowings and current portion of long-term bank loans approximate fair value because of their short maturities.

The fair values of long-term bank loans are determined by discounting the total balance of principal and interest at a rate which reflects the remaining term of the loan and the Group's credit risk.

Carrying amounts of lease obligations approximate fair value because neither the risk free rate nor the Group's credit profile has changed significantly since the date of lease inception.

Income taxes payable
The carrying values of income taxes payable approximate fair value because of their short maturities.

Derivatives
Information related to the fair value of derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Equity securities that do not have a quoted market price in an active market	**¥ 1,573**	¥ 1,144	**$ 13,105**
Investments in limited liability partnerships that do not have a quoted market price in an active market	**877**	351	**7,308**
Investments in and advances to unconsolidated subsidiaries and associated companies	**1,732**	5,557	**14,433**
Total	**¥ 4,182**	¥ 7,053	**$ 34,847**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 104,733**	—	—	—
Time deposits	**3,217**	—	—	—
Marketable securities	**2,916**	—	—	—
Receivables	**99,427**	—	—	—
Investment securities:				
Held-to-maturity securities	—	**¥ 100**	—	—
Available-for-sale securities with contractual maturities	—	**14,007**	**¥ 2,120**	**¥ 177**
Investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	**18**	**47**	**14**	**769**
Total	**¥ 210,311**	**¥ 14,154**	**¥ 2,133**	**¥ 946**

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 68,935	—	—	—
Time deposits	2,423	—	—	—
Marketable securities	3,018	—	—	—
Receivables	88,496	—	—	—
Investment securities:				
Available-for-sale securities with contractual maturities	—	¥ 12,156	¥ 3,296	¥ 515
Investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	55	782	294	4,276
Total	¥ 162,926	¥ 12,937	¥ 3,590	¥ 4,791

	Thousands of U.S. Dollars			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 872,774**	—	—	—
Time deposits	**26,805**	—	—	—
Marketable securities	**24,299**	—	—	—
Receivables	**828,560**	—	—	—
Investment securities:				
Held-to-maturity securities	—	**$ 833**	—	—
Available-for-sale securities with contractual maturities	—	**116,722**	**$ 17,663**	**$ 1,473**
Investments in and advances to unconsolidated subsidiaries and associated companies and other investments and assets	**153**	**391**	**113**	**6,409**
Total	**$ 1,752,592**	**$ 117,947**	**$ 17,777**	**$ 7,882**

Please see Note 8 for annual maturities of long-term debt.

17. DERIVATIVES

The Group enters into foreign currency forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions with high credit ratings, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2014

	Millions of Yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ **13,642**	—	¥ **1**	¥ **1**
Euro	**5,035**	—	**412**	**412**
Pound Sterling	**578**	—	**(9)**	**(9)**
Yen	**24,651**	—	**(140)**	**(140)**
Mexican Peso	**669**	—	**6**	**6**
Korean Won	**323**	—	**(2)**	**(2)**
Indonesia Rupiah	**145**	—	**(1)**	**(1)**
Taiwan Dollar	**311**	—	**(6)**	**(6)**
India Rupee	**443**	—	**1**	**1**
Buying:				
U.S. Dollar	¥ **2,484**	—	¥ **27**	¥ **27**
Euro	**53**	—	**(1)**	**(1)**
Yen	**25**	—	**(0)**	**(0)**
Pound Sterling *3)	**103,351**	—	**(2,828)**	**(2,828)**
Currency option contracts:				
Selling:				
Call				
Euro	¥ **16,551**	—	¥ **12**	¥ **(12)**
(Option fee)	**(—)**	—		
Swiss Franc	**248**	—	**37**	**(36)**
(Option fee)	**(1)**	—		
Canadian Dollar	**3,124**	—	**13**	**(13)**
(Option fee)	**(—)**	—		
Buying:				
Call				
U.S. Dollar	¥ **1,562**	—	¥ **40**	¥ **40**
(Option fee)	**(—)**	—		
Euro	**111**	—	**—**	**(1)**
(Option fee)	**(1)**	—		
Yen	**16,551**	—	**3**	**3**
(Option fee)	**(—)**	—		

Notes: 1) The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.
2) Certain option premiums are not received or paid because these currency option contracts are zero cost option contracts in which the premiums of the written options are the same as those paid for the options that are purchased.
3) Hedge accounting is not applied to a certain portion of foreign currency forward contracts used for financing the acquisition of subsidiaries' shares which do not qualify for hedge accounting.

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 11,494	—	¥ 14	¥ 14
Euro	3,076	—	(464)	(464)
Pound Sterling	443	—	(83)	(83)
Yen	31,502	—	243	243
Mexican Peso	754	—	(4)	(4)
Korean Won	295	—	(3)	(3)
Indonesia Rupiah	64	—	(2)	(2)
Taiwan Dollar	207	—	1	1
India Rupee	288	—	(18)	(18)
Philippine Peso	14	—	0	0
Buying:				
U.S. Dollar	¥ 3,635	—	¥ (19)	¥ (19)
Euro	256	—	(0)	(0)
Yen	1,764	—	(36)	(36)
Swiss Franc	1,706	—	32	32
Currency option contracts:				
Selling:				
Call				
Euro	¥ 5,099	—	¥ 491	¥ (302)
(Option fee)	(189)	—		
Pound Sterling	149	—	16	(11)
(Option fee)	(5)	—		
Swiss Franc	588	—	0	(0)
(Option fee)	(—)	—		
Canadian Dollar	2,676	—	17	(17)
(Option fee)	(—)	—		
Buying:				
Call				
U.S. Dollar	¥ 1,338	—	¥ 21	¥ 21
(Option fee)	(—)	—		
Euro	319	—	(2)	(2)
(Option fee)	(—)	—		
Yen	2,624	—	2	(103)
(Option fee)	(105)	—		
Interest rate swaps:	¥ 250	—	¥ (1)	¥ (1)
(fixed rate payment, floating rate receipt)				

Notes: 1) The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.
2) Certain option premiums are not received or paid because these currency option contracts are zero cost option contracts in which the premiums of the written options are the same as those paid for the options that are purchased.

At March 31, 2015	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	**$ 113,681**	—	**$ 11**	**$ 11**
Euro	**41,956**	—	**3,434**	**3,434**
Pound Sterling	**4,813**	—	**(79)**	**(79)**
Yen	**205,427**	—	**(1,164)**	**(1,164)**
Mexican Peso	**5,573**	—	**53**	**53**
Korean Won	**2,689**	—	**(14)**	**(14)**
Indonesia Rupiah	**1,211**	—	**(8)**	**(8)**
Taiwan Dollar	**2,594**	—	**(50)**	**(50)**
India Rupee	**3,693**	—	**7**	**7**
Buying:				
U.S. Dollar	**$ 20,698**	—	**$ 226**	**$ 226**
Euro	**440**	—	**(6)**	**(6)**
Yen	**211**	—	**(3)**	**(3)**
Pound Sterling *3)	**861,254**	—	**(23,567)**	**(23,567)**
Currency option contracts:				
Selling:				
Call				
Euro	**$ 137,922**	—	**$ 102**	**$ (102)**
(Option fee)	**(—)**	—		
Swiss Franc	**2,063**	—	**308**	**(299)**
(Option fee)	**(9)**	—		
Canadian Dollar	**26,037**	—	**110**	**(110)**
(Option fee)	**(—)**	—		
Buying:				
Call				
U.S. Dollar	**$ 13,018**	—	**$ 334**	**$ 334**
(Option fee)	**(—)**	—		
Euro	**923**	—	**—**	**(8)**
(Option fee)	**(8)**	—		
Yen	**137,922**	—	**27**	**27**
(Option fee)	**(—)**	—		

Notes: 1) The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.
2) Certain option premiums are not received or paid because these currency option contracts are zero cost option contracts in which the premiums of the written options are the same as those paid for the options that are purchased.
3) Hedge accounting is not applied to a certain portion of foreign currency forward contracts used for financing the acquisition of subsidiaries' shares which do not qualify for hedge accounting.

Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014

	Millions of Yen			
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	**¥ 28,888**	—	**¥ 2,259**
Pound Sterling	Receivables	**7,141**	—	**50**
Korean Won	Receivables	**129**	—	**(2)**
Taiwan Dollar	Receivables	**122**	—	**2**
India Rupee	Receivables	**143**	—	**(2)**
Buying:				
Pound Sterling *2)	Forecasted transactions for investments denominated in foreign currencies	**103,351**	—	**(2,968)**

	Millions of Yen			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	Receivables	¥ 104	—	¥ (0)
Euro	Receivables	43,218	—	(2,031)
Pound Sterling	Receivables	5,027	—	(323)
Korean Won	Receivables	97	—	0
Indonesia Rupiah	Receivables	79	—	(3)
Taiwan Dollar	Receivables	70	—	3
India Rupee	Receivables	95	—	(9)
Philippine Peso	Receivables	248	—	7

	Thousands of U.S. Dollars			
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	**$ 240,732**	—	**$ 18,826**
Pound Sterling	Receivables	**59,510**	—	**413**
Korean Won	Receivables	**1,071**	—	**(14)**
Taiwan Dollar	Receivables	**1,013**	—	**14**
India Rupee	Receivables	**1,192**	—	**(13)**
Buying:				
Pound Sterling *2)	Forecasted transactions for investments denominated in foreign currencies	**861,254**	—	**(24,736)**

Notes: 1) The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.
2) Hedge accounting is applied to a certain portion of foreign currency forward contracts used for financing the acquisition of subsidiaries' shares which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items.

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 4,466**	¥ 2,152	**$ 37,216**
Reclassification adjustments to profit or loss	**(238)**	(787)	**(1,986)**
Amount before income tax effect	**4,228**	1,365	**35,231**
Income tax effect	**(1,292)**	154	**(10,770)**
Total	**¥ 2,935**	¥ 1,520	**$ 24,461**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	**¥ (693)**	¥ (15,035)	**$ (5,773)**
Reclassification adjustment to profit or loss	**2,399**	13,374	**19,988**
Amount before income tax effect	**1,706**	(1,661)	**14,215**
Income tax effect	**(619)**	570	**(5,161)**
Total	**¥ 1,086**	¥ (1,091)	**$ 9,054**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 18,847**	¥ 21,248	**$ 157,057**
Total	**¥ 18,847**	¥ 21,248	**$ 157,057**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ (2,230)**	—	**$ (18,585)**
Reclassification adjustments to profit or loss	**1,341**	—	**11,172**
Amount before income tax effect	**(890)**	—	**(7,413)**
Income tax effect	**(205)**	—	**(1,709)**
Total	**¥ (1,095)**	—	**$ (9,122)**
Share of other comprehensive income in associates:			
Gains arising during the year	**¥ 5**	—	**$ 39**
Total	**¥ 5**	—	**$ 39**
Total other comprehensive income	**¥ 21,779**	¥ 21,677	**$ 181,489**

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2015				
Basic EPS				
Net income available to common shareholders	**¥ 53,970**	**261,125**	**¥ 206.68**	**$ 1.72**
Effect of dilutive securities				
Stock acquisition rights		**559**		
Diluted EPS				
Net income for computation	**¥ 53,970**	**261,684**	**¥ 206.24**	**$ 1.72**
For the year ended March 31, 2014				
Basic EPS				
Net income available to common shareholders	¥ 19,221	266,214	¥ 72.20	
Effect of dilutive securities				
Stock acquisition rights		506		
Diluted EPS				
Net income for computation	¥ 19,221	266,720	¥ 72.06	

20. SUBSEQUENT EVENTS

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors' meeting held on May 15, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends of ¥15 ($0.13) per share	**¥ 3,900**	**$ 32,497**

(2) Acquisition of shares of Domino Printing Sciences plc

On March 11, 2015, the Company announced the acquisition of shares of Domino Printing Sciences plc (“Domino”). On June 11, 2015, after the final approval by the court of the United Kingdom, Domino became a wholly owned consolidated subsidiary of the Company.

1) Overview of the business combination

(a) Outline of the acquired company

Name of acquired company: Domino Printing Sciences plc
(Headquarters: Cambridge, United Kingdom)

Business activities: Development, manufacture and sale of industrial printing equipment and related products

(b) Main reasons for the business combination

- Strong value proposition in industrial printing
- Reinforced growth strategy in digital printing
- Value creation through sharing of best practices by Brother and Domino

(c) Date of the business combination

June 11, 2015

(d) Legal form of the business combination

Acquisition of shares

(e) Name after the business combination

Domino Printing Sciences plc (no change)

(f) Percentage of voting rights acquired

100%

(g) Basis for determination of the acquiring company

The company acquired the shares by cash.

2) Acquisition price and cost of the acquired company by type

Acquisition price:

	Cash	£1,048 million (¥193,186 million* ($1,609,880 thousand))
Acquisition cost:		£1,048 million (¥193,186 million* ($1,609,880 thousand))

* The Japanese yen amounts are tentatively translated amounts.

3) Other fees required for acquisition

It is forecasted that advisory fees and other fees will be incurred. The amount of fees is to be determined.

4) Amount of goodwill incurred, reasons for goodwill, amortization method and period

These amounts are in the process of being calculated.

5) Amount and breakdown of assets and liabilities received on the date of the business combination

These amounts are in the process of being calculated.

(3) Substantial amount of borrowings for financing

On June 15, 2015, Brother entered into a bridge loan agreement with banks for financing the acquisition of Domino shares and conducted the borrowing transaction as follows. The borrowing under the agreement is scheduled to be replaced with permanent finance.

1) Lenders:	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2) Aggregate amount of borrowings:	¥175,000 million ($1,458,333 thousand)
3) Interest rate:	One-month JPY TIBOR + spread
4) Execution date:	June 18, 2015
5) Maturity date:	September 29, 2015
6) Pledged assets:	None

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. The Group consists of five segments, “Printing & Solutions,” “Personal & Home,” “Machinery & Solution,” “Network & Contents,” and “Industrial Part,” in which the Group formulates and implements comprehensive strategies of products and services. “Printing & Solutions” consists of sales and production of communication printing device such as printers and All-in-Ones, and of sales and production of electronic stationary products. “Personal & Home” consists of sales and production of home sewing machines. “Machinery & Solution” consists of sales and production of industrial sewing machines and machine tools. “Network & Contents” consists of sales and production of online karaoke systems, and of content distribution services. “Industrial Part” consists of sales and production of reducers and gears.

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen								
	2015								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	**¥474,257**	**¥ 51,446**	**¥100,617**	**¥ 48,950**	**¥ 17,443**	**¥ 14,524**	**¥707,238**	**—**	**¥707,238**
Intersegment sales or transfers	**—**	**—**	**—**	**—**	**—**	**13,343**	**13,343**	**¥ (13,343)**	**—**
Total	**¥474,257**	**¥ 51,446**	**¥100,617**	**¥ 48,950**	**¥ 17,443**	**¥ 27,867**	**¥720,581**	**¥ (13,343)**	**¥707,238**
Segment profit (loss)	**¥ 35,723**	**¥ 4,929**	**¥ 16,220**	**¥ (856)**	**¥ 287**	**¥ 1,422**	**¥ 57,724**	**¥ (182)**	**¥ 57,542**
Segment assets	**338,147**	**36,110**	**74,281**	**36,855**	**47,020**	**76,919**	**609,332**	**(42,102)**	**567,230**
Other:									
Depreciation	**18,336**	**1,198**	**1,660**	**4,617**	**1,457**	**939**	**28,206**	**—**	**28,206**
Amortization of goodwill	**—**	**—**	**20**	**1,298**	**—**	**—**	**1,318**	**—**	**1,318**
Investments in associated companies	**38**	**—**	**536**	**—**	**—**	**769**	**1,344**	**—**	**1,344**
Increase in property, plant and equipment and intangible assets	**15,745**	**1,215**	**4,053**	**6,253**	**2,840**	**406**	**30,512**	**3,552**	**34,064**

	Millions of Yen								
	2014								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥430,826	¥ 43,276	¥ 63,098	¥ 47,582	¥ 16,099	¥ 15,955	¥616,835	—	¥616,835
Intersegment sales or transfers	—	—	—	—	—	10,379	10,379	¥ (10,379)	—
Total	¥430,826	¥ 43,276	¥ 63,098	¥ 47,582	¥ 16,099	¥ 26,333	¥627,213	¥ (10,379)	¥616,835
Segment profit	¥ 30,958	¥ 4,216	¥ 4,991	¥ 452	¥ 1,106	¥ 1,675	¥ 43,397	¥ (96)	¥ 43,301
Segment assets	294,346	30,496	55,569	34,311	48,136	82,787	545,646	(75,673)	469,973
Other:									
Depreciation	18,714	1,018	1,492	4,317	1,109	963	27,614	—	27,614
Amortization of goodwill	290	—	20	1,228	—	—	1,538	—	1,538
Investments in associated companies	35	—	425	—	—	720	1,180	—	1,180
Increase in property, plant and equipment and intangible assets	18,592	895	2,215	5,404	2,252	474	29,832	5,027	34,859

	Thousands of U.S. Dollars								
	2015								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$3,952,143	$ 428,714	$ 838,476	$ 407,917	$ 145,362	$ 121,036	$5,893,647	—	$5,893,647
Intersegment sales or transfers	—	—	—	—	—	111,192	111,192	$ (111,192)	—
Total	$3,952,143	$ 428,714	$ 838,476	$ 407,917	$ 145,362	$ 232,228	$6,004,839	$ (111,192)	$5,893,647
Segment profit (loss)	$ 297,688	$ 41,077	$ 135,165	$ (7,136)	$ 2,390	$ 11,848	$ 481,031	$ (1,517)	$ 479,514
Segment assets	2,817,892	300,915	619,007	307,129	391,835	640,993	5,077,770	(350,850)	4,726,920
Other:									
Depreciation	152,797	9,980	13,833	38,473	12,140	7,823	235,046	—	235,046
Amortization of goodwill	—	—	166	10,820	—	—	10,985	—	10,985
Investments in associated companies	321	—	4,466	—	—	6,411	11,198	—	11,198
Increase in property, plant and equipment and intangible assets	131,205	10,126	33,776	52,110	23,664	3,387	254,269	29,599	283,868

Notes:
(1) "Others" consists of real estate and other areas of business.
(2) Reconciliation amounts are as follows:
1) Reconciliation amounts of ¥13,343 million ($111,192 thousand) and ¥10,379 million for intersegment sales or transfers as of March 31, 2015 and 2014, respectively, are for the elimination of intercompany transactions.
2) Reconciliation amounts of ¥182 million ($1,517 thousand) and ¥96 million for segment profit as of March 31, 2015 and 2014, respectively, are for the elimination of intercompany transactions.
3) Reconciliation amounts of ¥42,102 million ($350,850 thousand) and ¥75,673 million for segment assets as of March 31, 2015 and 2014, respectively, include elimination of intercompany balances of ¥78,381 million ($653,175 thousand) and ¥94,973 million respectively, and corporate assets of ¥36,279 million ($302,325 thousand) and ¥19,300 million, respectively, which are not allocated to reportable segments.
4) Reconciliation amounts of ¥3,552 million ($29,599 thousand) and ¥5,027 million for increase in property, plant and equipment and intangible assets for the years ended March 31, 2015 and 2014, respectively, are for corporate assets that are not allocated to reportable segments.

4. Information about Geographical Areas

(a) Sales

Millions of Yen						
2015						
Japan	U.S.A.	Americas and others	Europe	China	Asia and others	Total
¥ 127,874	**¥ 184,152**	**¥ 48,679**	**¥ 174,492**	**¥ 97,387**	**¥ 74,653**	**¥ 707,238**

Millions of Yen						
2014						
Japan	U.S.A.	Americas and others	Europe	China	Asia and others	Total
¥ 126,423	¥ 157,119	¥ 47,112	¥ 163,052	¥ 62,748	¥ 60,381	¥ 616,835

Thousands of U.S. Dollars						
2015						
Japan	U.S.A.	Americas and others	Europe	China	Asia and others	Total
$ 1,065,617	**$ 1,534,603**	**$ 405,659**	**$ 1,454,098**	**$ 811,558**	**$ 622,112**	**$ 5,893,647**

Note: Sales are classified by country or region based on the locations of customers.

(b) Property, plant and equipment

Millions of Yen							
2015							
Japan	Americas	Europe	China	Vietnam	Philippines	Asia and others	Total
¥ 56,510	**¥ 7,035**	**¥ 4,702**	**¥ 13,900**	**¥ 13,709**	**¥ 14,537**	**¥ 1,751**	**¥ 112,144**

Millions of Yen							
2014							
Japan	Americas	Europe	China	Vietnam	Philippines	Asia and others	Total
¥ 55,195	¥ 6,432	¥ 4,869	¥ 12,331	¥ 10,092	¥ 9,613	¥ 1,890	¥ 100,423

Thousands of U.S. Dollars							
2015							
Japan	Americas	Europe	China	Vietnam	Philippines	Asia and others	Total
$ 470,917	**$ 58,622**	**$ 39,186**	**$ 115,836**	**$ 114,238**	**$ 121,139**	**$ 14,595**	**$ 934,533**

Change in presentation

Property, plant and equipment located in the “Philippines”, which had been included in “Asia and others” for the year ended March 31, 2014, is disclosed separately effective for the year ended March 31, 2015, because the amount exceeded 10% of consolidated property, plant and equipment at March 31, 2015.

To reflect this change in presentation, the information on property, plant and equipment at March 31, 2014 has been reclassified to “Philippines” in the amount of ¥9,613 million and “Asia and others” in the amount of ¥1,890 million compared with “Asia and others” of ¥11,503 million reported in the prior year’s financial statement.

5. Impairment Losses of Assets by Reportable Segment

	Millions of Yen							
	2015							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Impairment losses of assets	—	—	—	**¥ 108**	**¥ 1,173**	**¥ 365**	**¥ 139**	**¥ 1,785**

	Millions of Yen							
	2014							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Impairment losses of assets	¥ 2,008	—	—	¥ 113	—	—	—	¥ 2,122

	Thousands of U.S. Dollars							
	2015							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Impairment losses of assets	—	—	—	**$ 901**	**$ 9,771**	**$ 3,039**	**$ 1,160**	**$ 14,871**

Note:
(1) Amounts of “Others” is related to real estate of business.
(2) Amounts of “Intersegment eliminations” is related to corporate assets that are not attributable to the reportable segments.

6. Amount of Goodwill by Reportable Segment

	Millions of Yen							
	2015							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Goodwill at March 31, 2015	—	—	**¥ 169**	**¥ 3,667**	—	—	—	**¥ 3,836**

	Millions of Yen							
	2014							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Goodwill at March 31, 2014	—	—	¥ 189	¥ 4,133	—	—	—	¥ 4,322

	Thousands of U.S. Dollars							
	2015							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Intersegment eliminations	Total
Goodwill at March 31, 2015	—	—	**$ 1,407**	**$ 30,562**	—	—	—	**$ 31,970**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BROTHER INDUSTRIES, LTD.:

We have audited the accompanying consolidated balance sheet of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries (the "Company") as of March 31, 2015, and the related consolidated statement of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

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Emphasis of Matter

1. As discussed in Note 20(2) to the consolidated financial statements, the Company acquired shares of Domino Printing Science plc which became a wholly owned consolidated subsidiary. Our opinion is not modified in respect of this matter.
2. As discussed in Note 20(3) to the consolidated financial statements, the Company entered into a bridge loan agreement and conducted borrowing transactions. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2015

Member of
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