

**NIPPON CHEMI-CON CORPORATION**

**REPORT OF CONSOLIDATED  
FINANCIAL STATEMENTS**

For the years ended  
March 31, 2015 and 2014

## Independent Auditor's Report

The Board of Directors  
Nippon Chemi-Con Corporation

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

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

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

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 26, 2015

**FINANCIAL HIGHLIGHTS**  
**NIPPON CHEMI-CON CORPORATION**  
Five years ended March 31

	Millions of yen except for per share amounts				
	2015	2014	2013	2012	2011
Net sales	¥ 123,365	¥ 113,962	¥ 92,959	¥ 100,290	¥ 127,790
Net income (loss)	¥ 5,362	¥ 3,315	¥ (9,252)	¥ (4,909)	¥ 3,297
Net income (loss) per share:					
Basic	¥ 32.91	¥ 22.34	¥ (65.01)	¥ (34.49)	¥ 23.17
Diluted	¥ -	¥ -	¥ -	¥ -	¥ -
Net assets per share	¥ 477.23	¥ 390.16	¥ 355.46	¥ 388.49	¥ 429.82

	Thousands of U.S. dollars except for per share amounts				
	2015	2014	2013	2012	2011
Net sales	\$ 1,026,591	\$ 948,347	\$ 773,565	\$ 834,573	\$ 1,063,412
Net income (loss)	\$ 44,628	\$ 27,592	\$ (76,995)	\$ (40,854)	\$ 27,442
Net income (loss) per share:					
Basic	\$ 0.27	\$ 0.19	\$ (0.54)	\$ (0.29)	\$ 0.19
Diluted	\$ -	\$ -	\$ -	\$ -	\$ -
Net assets per share	\$ 3.97	\$ 3.25	\$ 2.96	\$ 3.23	\$ 3.58

- Notes:
1. Basic net income (loss) per share amounts are based on the average number of common shares outstanding during each year.
  2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
  3. As stated in Change in accounting policies, Nippon Chemi-con Corporation adopted the Accounting Standard for Retirement Benefits, etc. and implemented transitional handling as provided in clause of Section 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share for the consolidated fiscal year under review rose ¥7.80.
  4. U.S. dollar amounts have been translated from yen at the rate of ¥120.17= U.S. \$1, as referred to in Note 1 to the consolidated financial statements.

## To Our Stakeholders



Ikuo Uchiyama

### Overview of Operating Results

With respect to the global economy for the fiscal year ended March 31, 2015, both personal consumption and employment levels improved in the United States and the overall economy trended upwards. However, the pace of economic growth slowed down in China and although some parts of Europe recovered, the overall growth was low. In Japan, the effect of the consumption tax increase initially slowed down economic recovery, but exports increased because of the continued weak yen and employment also improved due to the fiscal measures taken. Overall, the Japanese economy gradually recovered.

With regard to the market conditions that affect Nippon Chemi-Con group, base station communications equipment for mobile communications systems did well overseas and demand for products for use by the industrial equipment sector, such as machine tools and industrial robots, was steady.

Under these business conditions Nippon Chemi-Con group implemented the measures outlined in our "Seventh Medium-term Management Plan" established in April 2014. Specifically, we appointed one outside director to reinforce governance in June 2014, and we also introduced the executive officer system to enable the delegation of authority and increase the speed of management. In addition, we consolidated our four subsidiaries in the Iwate region that had complementing businesses and merged them into Chemi-Con Iwate Corporation. By doing this we strengthened our aluminum electrolytic capacitor business by integrating production from materials to assembly.

With respect to product development, we have been emphasizing the development of products for growth markets, such as automotive electronics equipment, industrial equipment and new energy related equipment. We have developed radial lead type aluminum electrolytic capacitors that are both vibration resistant and heat resistant for the electronic control units used for electric power steering in automobiles. In our lineup of capacitors for the inverter power supplies of industrial equipment and home appliances, and for solar power generating power conditioners, we have increased the withstand voltage of our large can type aluminum electrolytic capacitors and developed capacitors that suppress self-heating and have a higher ripple current capability. Furthermore, we have expanded our lineup of conductive polymer hybrid aluminum electrolytic capacitors which use new materials, to develop products for base station devices with increased rated voltages and to develop products with improved humidity resistance for automobile use.

On June 24, 2014, our head office and relevant sales offices were subjected to an on-site investigation conducted by the Japan Fair Trade Commission due to a suspected violation of the Antimonopoly Act of Japan with respect to sales of aluminum electrolytic capacitors, tantalum electrolytic capacitors and electric double layer capacitors. Nippon Chemi-Con group is also been subjected to investigations conducted by competition authorities of the United States, EU, China and other countries, with respect to various capacitors, including aluminum electrolytic capacitors. Nippon Chemi-Con group is responding sincerely to the investigations conducted by the Japan Fair Trade Commission and the respective competition authorities of other countries.

Our consolidated results for the year ended March 31, 2015 were net sales of 123,365 million yen (a year-on-year increase of 8.3 %), operating income of 5,122 million yen (a 3.8 % increase), ordinary income of 6,207 million yen (a 44.2 % increase) and net income of 5,362 million yen (a 61.7 % increase).

### **Operating Results by Segment**

The following presents a breakdown of sales by business segment.

1. Capacitors (112,624 million yen, 91.3 % of total sales)

Sales of capacitors grew by 7.8 % from the previous term due to the increase in demand for inverters and industrial equipment and also due to an increase in sales of electric double layer capacitors.

2. Mechanical parts and other parts (2,720 million yen, 2.2 % of total sales)

Sales of this segment decreased by 1.9% from the previous term due to a decrease in sales of amorphous choke coils and other parts, though sales of CMOS camera modules increased.

3. Capacitor materials (5,902 million yen, 4.8 % of total sales)

Sales of capacitor materials grew by 19.9 % from the previous term, mainly due to the increase in demand for electrode foil for aluminum electrolytic capacitors.

4. Other products (2,118 million yen, 1.7 % of total sales)

Sales of other products increased by 15.3 % from the previous term, mainly due to an increase in sales of resale products.

### **Outlook for Fiscal 2015**

With respect to future prospects, domestically the decrease in crude oil prices and the weak yen have led to improved company revenues, so the economy is expected to undergo gradual recovery. It is also expected that the U.S. economy will remain stable. However, the future business environment is expected to continue to be uncertain due to the gradual slowing of economic growth in China and because economies in some emerging countries are continuing to struggle.

Nippon Chemi-Con group will continue to implement various measures for management innovations based on the "Seventh Medium-term Management Plan" that was launched in April 2014. Our main growth strategy centers on establishing an overwhelming competitive position in our main aluminum electrolytic capacitors business by increasing the speed of new product development and improving the production efficiency at our overseas factories. We shall also expand sales of electric double layer capacitors to the automobile industry making it our second business pillar, and we will focus on developing new markets by reinforcing our sales activities in the industrial equipment sector.

Furthermore, we will promote management innovations by reinforcing our "MI (Management Innovation) Activities" that are being implemented companywide to achieve sustainable growth even in today's fast-changing market environment. Specifically, we shall clarify our problems from four points of view: "Finance," "customers," "internal business processes" and "learning and growth." We will make an effort to strengthen the nature of our company by investigating these problems in depth.


In order to strengthen the management foundation of our overseas affiliates, we shall reorganize our business structure in the Hong Kong area. As of July 1, 2015 Chemi-Con Material Logistics Ltd., which is our capacitor material logistics base, will be integrated with Hong Kong Chemi-Con Ltd., which is our sales base for capacitors and other

products. This will be implemented to reinforce the management structure and improve business efficiency. Liquidation of Chemi-Con Material Logistics Ltd. is scheduled to be completed on March 31, 2016.

Nippon Chemi-Con group will continue to work together on management innovations to achieve our "Seventh Medium-term Management Plan."

I ask for the continued support of all our stakeholders.

June 26, 2015



Ikuo Uchiyama  
President

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheets

For the years ended March 31, 2015 and 2014

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Current assets:</b>			
Cash on hand and in banks (Note 4)	¥ 24,483	¥ 24,628	\$ 203,741
Notes and accounts receivable -trade	27,303	25,577	227,208
Inventories (Note 5)	22,709	20,879	188,975
Accounts receivable – other	6,363	4,851	52,958
Deferred tax assets (Note 8)	220	188	1,838
Other current assets	648	557	5,399
Less allowance for doubtful accounts	(40)	(64)	(338)
Total current assets	<u>81,689</u>	<u>76,619</u>	<u>679,783</u>
<b>Property, plant and equipment:</b>			
Buildings and structures	38,846	37,648	323,264
Machinery, equipment and others	129,384	122,289	1,076,676
Land	7,048	7,018	58,654
Lease assets	606	662	5,050
Construction in progress	1,461	1,319	12,164
Sub total	<u>177,348</u>	<u>168,938</u>	<u>1,475,810</u>
Less accumulated depreciation	<u>(133,636)</u>	<u>(124,682)</u>	<u>(1,112,060)</u>
Property, plant and equipment, net	<u>43,711</u>	<u>44,255</u>	<u>363,749</u>
<b>Intangible fixed assets</b>	<b>1,699</b>	<b>2,016</b>	<b>14,146</b>
<b>Investments and other assets :</b>			
Investment securities (Notes 6 and 14)	18,025	15,381	149,997
Long-term loans receivable	24	38	207
Deferred tax assets (Note 8)	307	242	2,558
Other	1,234	1,247	10,271
Less allowance for doubtful accounts	(35)	(31)	(295)
Total investments and other assets	<u>19,556</u>	<u>16,877</u>	<u>162,739</u>
Total assets	<u>¥ 146,657</u>	<u>¥ 139,769</u>	<u>\$ 1,220,418</u>

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

## Consolidated Balance Sheets

For the years ended March 31, 2015 and 2014

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2014
<b>Current liabilities:</b>			
Notes and accounts payable - trade	¥ 7,868	¥ 6,854	\$ 65,475
Short-term debt (Note 7)	21,560	14,383	179,414
Accounts payable-other	7,464	6,873	62,113
Income taxes payable (Note 8)	487	638	4,059
Accrued expenses	2,095	1,894	17,437
Bonus reserve	1,772	1,587	14,746
Provision for loss on disaster	-	51	-
Provision for structure reform	-	53	-
Notes payable – equipments	181	36	1,507
Other current liabilities	676	356	5,631
Total current liabilities	42,106	32,730	350,388
<b>Long-term liabilities:</b>			
Long-term debt (Note 7)	16,552	30,985	137,744
Deferred tax liabilities (Note 8)	1,062	747	8,840
Provision for environmental safety measures	202	202	1,683
Net defined benefit liability (Note 9)	8,163	10,900	67,932
Other long-term liabilities	424	358	3,531
Total long-term liabilities	26,405	43,194	219,732
Total liabilities	68,511	75,924	570,120
<b>Net assets:</b>			
<b>Shareholders' equity</b>			
Common stock			
Authorized 396,132,000 shares issued and outstanding, 163,148,334 shares in 2014 and 163,148,334 shares in 2015	21,526	21,526	179,129
Capital surplus	28,568	39,838	237,731
Retained earnings	21,846	4,059	181,798
Treasury shares (Note 12)	(64)	(53)	(533)
Total shareholders' equity	71,876	65,369	598,126
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on securities	2,051	1,317	17,071
Foreign currency translation adjustments	5,324	306	44,310
Remeasurements of defined benefit plans	(1,490)	(3,406)	(12,407)
Total accumulated other comprehensive income	5,885	(1,782)	48,974
<b>Minority interests</b>	384	257	3,197
Total net assets	78,146	63,844	650,298
Total liabilities and net assets	¥ 146,657	¥ 139,769	\$ 1,220,418

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



NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Operations  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥ 123,365	¥ 113,962	\$ 1,026,591
Cost of sales	97,953	90,452	815,124
Gross profit	25,411	23,510	211,466
Selling, general and administrative expenses (Notes 15 and 16)	20,289	18,577	168,839
Operating income	5,122	4,933	42,627
Non-operating income:			
Interest income	94	62	788
Dividend earned	92	86	769
Foreign exchange gains	1,312	-	10,923
Equity in earnings of affiliated companies	626	386	5,211
Other	136	148	1,136
Total non-operating income	2,262	683	18,830
Non-operating expenses:			
Interest expense	486	654	4,050
Financing expenses	667	299	5,552
Foreign exchange losses	-	286	-
Other	23	72	198
Total non-operating expenses	1,177	1,312	9,801
Ordinary income	6,207	4,304	51,656
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 17)	24	364	203
Subsidy	453	79	3,770
Other	1	35	11
Total extraordinary income	478	479	3,984
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 18)	98	109	816
Impairment loss	-	65	-
Other	0	8	0
Total extraordinary loss	98	183	817
Income before income taxes and minority interests	6,588	4,600	54,823
Income taxes (Note 8):			
Current	1,096	1,175	9,128
Deferred	46	29	390
	1,143	1,205	9,518
Income before minority interest	5,444	3,395	45,304
Minority interests	81	79	676
Net income	¥ 5,362	¥ 3,315	\$ 44,628
Net income per share:	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Basic	¥ 32.91	¥ 22.34	\$ 0.27
Diluted	-	-	-
Cash dividends per share (Note 20)	3.00	-	0.03

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Comprehensive Income  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 5,444	¥ 3,395	\$ 45,304
Other comprehensive income			
Net unrealized holding gains on securities	725	347	6,039
Foreign currency translation adjustments	4,925	5,305	40,983
Remeasurements of defined benefit plans	1,898	-	15,799
Share in other comprehensive income of associates accounted for using equity method	164	187	1,367
Total other comprehensive income	7,713	5,840	64,190
Comprehensive income	¥ 13,158	¥ 9,235	\$ 109,495
Attributable to:			
Shareholders of Nippon Chemi-Con Corporation	13,030	9,136	108,437
Minority interests	127	99	1,057

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

Consolidated Statements of Changes in Net Assets  
For the years ended March 31, 2015 and 2014

For the Year Ended March 31, 2015

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2014	¥ 21,526	¥ 39,838	¥ 4,059	¥ (53)	¥ 65,369
Cumulative effect of change in accounting policies (Note 3)			1,154		1,154
Restated balance at April 1, 2014	21,526	39,838	5,213	(53)	66,524
Changes of items during year					
Deficit disposition		(11,269)	11,269		-
Net income			5,362		5,362
Purchase of treasury shares				(10)	(10)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(11,269)	16,632	(10)	5,352
Balance as of March 31, 2015	¥ 21,526	¥ 28,568	¥ 21,846	¥ (64)	¥ 71,876

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments:	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets at end of current year
Balance at April 1, 2014	¥ 1,317	¥ 306	¥ (3,406)	¥ (1,782)	¥ 257	¥ 63,844
Cumulative effect of change in accounting policies (Note 3)						1,154
Restated balance at April 1, 2014	1,317	306	(3,406)	(1,782)	257	64,998
Changes of items during year						
Deficit disposition						-
Net income						5,362
Purchase of treasury shares						(10)
Net changes of items other than shareholders' equity	734	5,018	1,915	7,667	127	7,795
Total changes of items during year	734	5,018	1,915	7,667	127	13,147
Balance as of March 31, 2015	¥ 2,051	¥ 5,324	¥ (1,490)	¥ 5,885	¥ 384	¥ 78,146

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

Consolidated Statements of Changes in Net Assets  
For the years ended March 31, 2015 and 2014

	Shareholders' equity (Note 11)				
	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2014	\$ 179,129	\$ 331,514	\$ 33,780	\$ (448)	\$ 543,976
Cumulative effect of change in accounting policies (Note 3)			9,606		9,606
Restated balance at April 1, 2014	179,129	331,514	43,386	(448)	553,583
Changes of items during year					
Deficit disposition		(93,783)	93,783		-
Net income			44,628		44,628
Purchase of treasury shares				(85)	(85)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(93,783)	138,412	(85)	44,543
Balance as of March 31, 2015	\$ 179,129	\$ 237,731	\$ 181,798	\$ (533)	\$ 598,126

	Accumulated other comprehensive income (Note 19)					
	Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments:	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets at end of current year
Balance at April 1, 2014	\$ 10,961	\$ 2,547	\$ (28,343)	\$ (14,834)	\$ 2,139	\$ 531,281
Cumulative effect of change in accounting policies (Note 3)						9,606
Restated balance at April 1, 2014	10,961	2,547	(28,343)	(14,834)	2,139	540,888
Changes of items during year						
Deficit disposition						-
Net income						44,628
Purchase of treasury shares						(85)
Net changes of items other than shareholders' equity	6,110	41,762	15,936	63,809	1,057	64,867
Total changes of items during year	6,110	41,762	15,936	63,809	1,057	109,410
Balance as of March 31, 2015	\$ 17,071	\$ 44,310	\$ (12,407)	\$ 48,974	\$ 3,197	\$ 650,298

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

Consolidated Statements of Changes in Net Assets  
For the years ended March 31, 2015 and 2014

For the Year Ended March 31, 2014

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2013	¥ 17,884	¥ 36,196	¥ 743	¥ (42)	¥ 54,782
Cumulative effect of change in accounting policies					-
Restated balance at April 1, 2013	17,884	36,196	743	(42)	54,782
Changes of items during year					
Issuance of new shares	3,641	3,641			7,283
Net income			3,315		3,315
Purchase of treasury shares				(11)	(11)
Net changes of items other than shareholders' equity					
Total changes of items during year	3,641	3,641	3,315	(11)	10,587
Balance as of March 31, 2014	¥ 21,526	¥ 39,838	¥ 4,059	¥ (53)	¥ 65,369

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments:	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets at end of current year
Balance at April 1, 2013	¥ 956	¥ (5,153)	¥ -	¥ (4,197)	¥ 168	¥ 50,754
Cumulative effect of change in accounting policies						-
Restated balance at April 1, 2013	956	(5,153)	-	(4,197)	168	50,754
Changes of items during year						
Issuance of new shares						7,283
Net income						3,315
Purchase of treasury shares						(11)
Net changes of items other than shareholders' equity	360	5,459	(3,406)	2,414	88	2,502
Total changes of items during year	360	5,459	(3,406)	2,414	88	13,090
Balance as of March 31, 2014	¥ 1,317	¥ 306	¥ (3,406)	¥ (1,782)	¥ 257	¥ 63,884

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Cash Flows  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 6,588	¥ 4,600	\$ 54,823
Depreciation and amortization	7,910	8,560	65,826
Amortization of goodwill	-	0	-
Increase in net defined benefit liability	209	495	1,743
Decrease in allowance for doubtful accounts	(29)	(2)	(241)
Decrease in provision for environmental safety measures	(0)	(0)	(6)
Interest and dividend income	(187)	(149)	(1,558)
Interest expense	486	654	4,050
Foreign exchange gains	(364)	(485)	(3,032)
Equity in earnings of affiliated companies	(626)	(386)	(5,211)
Loss (gain) on sales of shares of subsidiaries and associates	73	(255)	612
Increase in notes and accounts receivable	(580)	(2,998)	(4,833)
Increase (decrease) in inventories	(369)	2,397	(3,076)
Increase in notes and accounts payable	6	430	52
Increase in accounts payable – other	76	651	639
Other	(1,008)	125	(8,394)
Sub total	<u>12,184</u>	<u>13,638</u>	<u>101,393</u>
Interest and dividends received	316	262	2,632
Interest paid	(456)	(753)	(3,802)
Income taxes paid	(1,313)	(986)	(10,926)
Net cash provided by operating activities	<u>10,730</u>	<u>12,161</u>	<u>89,297</u>
<b>Cash flows from investing activities:</b>			
Increase in time deposit	(2,098)	(1,533)	(17,465)
Decrease in time deposit	2,389	2,241	19,881
Purchase of property, plant and equipment	(4,429)	(3,503)	(36,863)
Proceeds from sales of property, plant and equipment	46	664	384
Purchase of intangible fixed assets	(195)	(112)	(1,628)
Purchase of investment securities	(1)	(1)	(10)
Proceeds from sales of investment securities	5	84	45
Payments of loans receivable	(28)	(54)	(235)
Collection of loans receivable	44	39	374
Other	(1)	553	(14)
Net cash provided by investing activities	<u>(4,269)</u>	<u>(1,620)</u>	<u>(35,532)</u>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term debt	(3,087)	(4,350)	(25,694)
Proceeds from long-term debt	1,400	4,000	11,651
Repayments of long-term debt	(5,337)	(14,469)	(44,415)
Proceeds from issuance of common shares	-	7,283	-
Purchase of treasury shares	(10)	(11)	(85)
Repayments of lease obligations	(640)	(592)	(5,327)
Proceeds from sales and leasebacks	-	1,997	-
Net cash provided by financing activities	<u>(7,675)</u>	<u>(6,143)</u>	<u>(63,871)</u>
Effect of exchange rate changes on cash and cash equivalents	1,310	1,408	10,906
Net increase in cash and cash equivalents	<u>96</u>	<u>5,806</u>	<u>799</u>
Cash and cash equivalents at beginning of year	23,871	18,065	198,649
Cash and cash equivalents at end of year (Note 4)	<u>¥ 23,967</u>	<u>¥ 23,871</u>	<u>\$ 199,448</u>

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

## **1. Basis of Presenting the Consolidated Financial Statements**

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.17= U.S. \$1, the rate of exchange on March 31, 2015 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and affiliated companies is as follows:

	<b>2015</b>
Consolidated subsidiaries	<b>27</b>
Affiliated companies	<b>2</b>

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value.

### (2) Financial Instruments

#### Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in the net profit or loss for the period.

The cost of securities sold is determined by the moving average method.

#### Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the “Accounting Standard for Financial Instruments”, added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

### (3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.



#### (4) Depreciation

Depreciation for property, plant and equipment (except for lease assets) is computed primarily using the declining-balance method over the estimated useful lives of the assets, except for buildings owned by the Company and its domestic subsidiaries (excluding leasehold improvements) for which the straight-line method is applied. Intangible fixed assets are primarily amortized using the straight-line method.

Finance lease assets that transfer ownership are depreciated as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

#### (5) Allowance for Doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

#### (6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

#### (7) Provision for Environmental Safety Measures

In accordance with the “Law Concerning Special Measures for Promotion of Proper Treatment of Poly Chlorinated Biphenyl Waste (PCB Waste),” the Company provides the estimated amount which will be required at the balance sheet date for the disposal of PCB Waste that will be generated through the Company’s operations

#### (8) Retirement benefit

The retirement benefit obligation for employee is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Unrecognized prior service costs are amortized on a straight-line basis over the period, which are shorter than the average remaining year of service of employees (primarily 16 years) from the year in which they arise. The unrecognized actuarial differences are amortized on a straight-line basis over the period, which are shorter than the average remaining year of service of employees (primarily 16 years) from the year following the year in which they arise.

## (9) Significant hedge accounting

### 1) Hedge accounting

The exceptional accounting method is adopted to the interest swap agreements which conform to the special regulated terms.

The recognition of gains and losses on foreign monetary rights or obligations at a preset price is adopted to currency swap agreements which conform to a certain terms.

### 2) Hedging instruments and hedged items

Hedging instruments

Interest swap and currency swap

Hedged items

Interest of loans and loans denominated in foreign currencies

### 3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap and currency swap agreements to hedge risks from fluctuation in interest rate of loans and risks from foreign exchange.

The hedged items are assessed at each contract.

### 4) Assessment of hedge effectiveness

Interest swap and currency swap contracts are executed according to the risk control policy of the Company.

These contracts meet the terms and conditions below:

- i) Notional amount of interest swap agrees with the principal amount of long-term debt.
- ii) The contract term and maturity of interest swap agrees with those of loans.
- iii) The index of variable interest from interest swap agrees with that of variable interest from loans.
- iv) The revised condition of interest swap agrees with that of loans.
- v) The receipt and payment conditions of interest swap are fixed through the swap contract period.

Currency swap agreement is correspond to loans denominated in foreign currencies in its principal and term.

Assessment of hedge effectiveness of interest swap and currency swap agreements are omitted due to conforming to the special regulated terms.

## (10) Foreign Currency Translation

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

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" in Net Assets.

(11) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The company and its wholly-owned domestic subsidiaries adopt the Japanese consolidated taxation system. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(12) Consumption taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(13) Net income and Cash dividends per Share

Basic net income per share is based on the average number of common shares outstanding during each year. Cash dividends per share shown for each year in the accompanying Consolidated Statements of Operations represents dividends approved by shareholders in the respective years.

(14) Research and Development Expense and Computer Software

Research and development expense is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(15) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

### **3. Changes in accounting policies**

The Company and its domestic subsidiaries adopted Section 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the net defined benefit liability decreased by ¥1,154 million (\$9,606 thousand) and retained earnings increased by ¥1,154 million (\$9,606 thousand) at April 1, 2014. The effect of the adoption on the consolidated statement of operations for the year ended March 31, 2015 was not material.

The effects on per share information are stated in the relevant place.

#### 4. Cash and cash equivalents

Reconciliation of cash and cash equivalents to the amount disclosed on the balance sheets at March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash on hand and in banks	¥ 24,483	¥ 24,628	\$ 203,741
Time deposits with a deposit term of over 3 months	(515)	(756)	(4,292)
Cash and cash equivalents	<u>¥ 23,967</u>	<u>¥ 23,871</u>	<u>\$ 199,448</u>

#### 5. Inventories

Inventories at March 31, 2015 and 2014 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Finished goods and merchandise	¥ 9,298	¥ 8,191	\$ 77,381
Work-in-process	9,242	8,593	76,908
Raw materials and supplies	4,168	4,094	34,686
Total	<u>¥ 22,709</u>	<u>¥ 20,879</u>	<u>\$ 188,975</u>

## 6. Investment securities

At March 31, 2015 and 2014, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, were as follows:

	Millions of yen							
	2015				2014			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	¥ 2,338	¥ 2,912	¥ 24	¥ 5,226	¥ 2,342	¥ 1,960	¥ 48	¥ 4,255
Others	110	3	-	114	109	-	1	108
Total	<u>¥ 2,449</u>	<u>¥ 2,916</u>	<u>¥ 24</u>	<u>¥ 5,341</u>	<u>¥ 2,452</u>	<u>¥ 1,960</u>	<u>¥ 49</u>	<u>¥ 4,363</u>

Thousands of U.S. dollars (Note 1)

	2015			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:				
Equity securities	\$ 19,461	\$ 24,235	\$ 200	\$ 43,496
Others	922	32	-	955
Total	<u>\$ 20,384</u>	<u>\$ 24,267</u>	<u>\$ 200</u>	<u>\$ 44,451</u>

## 7. Short-term and long-term debt

The weighted average interest rates applicable to loans for the years ended March 31, 2015 and 2014 were 1.11% and 1.03%, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
	Bank loans and overdrafts	¥ 5,608	¥ 8,427
Current portion of long-term debt	14,588	5,337	121,395
Lease obligations (Short-term)	1,363	618	11,344
Total	<u>¥ 21,560</u>	<u>¥ 14,383</u>	<u>\$ 179,414</u>

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Loans:			
Loans, principally from banks and insurance companies due from 2015 to 2020 with interest rates ranging from 0.79% to 5.20%	¥ 30,923	¥ 34,857	\$ 257,333
Lease obligations (Long-term)	217	1,464	1,806
	<u>31,140</u>	<u>36,322</u>	<u>259,140</u>
Less: current portion	(14,588)	(5,337)	(121,395)
Total	<u>¥ 16,552</u>	<u>¥ 30,985</u>	<u>\$ 137,744</u>

## 8. Income Taxes

The Company is subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 35.44 % for the years ended March 31, 2015. The effective tax rates on the statements of operations differ from the statutory tax rates primarily because of the effect of expenses not deductible for tax purposes.

Significant components of deferred tax assets and liabilities as at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Deferred tax assets:</b>			
Bonus reserve	¥ 535	¥ 523	\$ 4,455
Net defined benefit liability	2,510	3,747	20,891
Tax loss carry forwards	9,257	10,792	77,034
Unrealized gain on inventories	78	68	654
Loss on devaluation of investments in subsidiaries	1,645	1,791	13,693
Loss on devaluation of inventories	226	209	1,887
Accrued expenses	98	135	821
Other	637	730	5,305
Total gross deferred tax assets	<u>14,990</u>	<u>17,997</u>	<u>124,744</u>
Valuation allowance	(14,167)	(17,317)	(117,896)
Total deferred tax assets	<u>822</u>	<u>680</u>	<u>6,848</u>
<b>Deferred tax liabilities:</b>			
Net unrealized gains on securities	(935)	(677)	(7,783)
Depreciation recorded by foreign subsidiaries	(282)	(250)	(2,353)
Other	(201)	(106)	(1,672)
Total deferred tax liabilities	<u>(1,419)</u>	<u>(1,033)</u>	<u>(11,809)</u>
Net deferred tax liabilities	<u>¥ (596)</u>	<u>¥ (352)</u>	<u>\$ (4,960)</u>

For the year ended March 31, 2015 and 2014 the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	<b>2015</b>		2014	
Statutory tax rate	<b>35.44</b>	%	37.81	%
Increase (decrease) in taxes resulting from:				
Expenses not deductible for income tax purposes	<b>0.35</b>		0.54	
Capita levy on inhabitant tax	<b>0.62</b>		0.92	
Overseas withholding taxes	<b>3.11</b>		2.95	
Revenues not taxable such as dividend income	<b>(7.75)</b>		(6.52)	
Change in the valuation allowance	<b>(15.97)</b>		(9.44)	
Difference in subsidiaries' tax rates	<b>(3.73)</b>		(8.95)	
Effect of eliminated dividends	<b>7.51</b>		6.51	
Other	<b>(2.22)</b>		2.38	
Effective income tax rate	<b>17.36</b>	%	26.20	%

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 35.44% to 33.10% and 32.34% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. Additionally, beginning from fiscal years starting on or after April 1, 2015, the use of tax loss carryforwards will be limited to the amount equivalent to 65% of taxable income before deducting tax loss carryforwards, and beginning from fiscal year starting on or after April 1, 2017, the use of tax loss carryforwards will be limited to the amount equivalent to 50% of taxable income before deducting tax loss carryforwards. The effect of these amendments was not material.



## 9. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at the beginning of the year	¥ 24,925	¥ 24,475	\$ 207,422
Cumulative effect of change in accounting policies	(1,154)	-	(9,606)
Restated balance at the beginning of the year	23,771	24,475	197,815
Service cost	833	998	6,931
Interest cost	342	383	2,853
Actuarial loss	(43)	(46)	(360)
Retirement benefit paid	(990)	(912)	(8,242)
Other	94	27	785
Balance at the end of the year	¥ 24,007	¥ 24,925	\$ 199,783

The changes in the plan assets for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at the beginning of the year	¥ 14,025	¥ 12,580	\$ 116,710
Expected return on plan assets	179	161	1,490
Actuarial loss	1,402	925	11,673
Contributions by the company	913	919	7,601
Retirement benefit paid	(656)	(597)	(5,467)
Other	(19)	35	(158)
Balance at the end of the year	¥ 15,844	¥ 14,025	\$ 131,850

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheets as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded defined benefit obligation	¥ 15,853	¥ 17,063	\$ 131,925
Pension assets	(15,844)	(14,025)	(131,850)
	8	3,038	74
Unfunded defined benefit obligations	8,154	7,862	67,858
Net amount of liabilities and assets in consolidated balance sheet	8,163	10,900	67,932
Net defined benefit liability	8,163	10,900	67,932
Net amount of liabilities and assets in consolidated balance sheet	¥ 8,163	¥ 10,900	\$ 67,932

Note: Certain domestic consolidated subsidiaries adopt a simplified method in calculating of benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service cost	833	998	6,931
Interest cost	342	383	2,853
Expected return on plan assets	(179)	(161)	(1,490)
Amortization of unrecognized actuarial loss	600	644	4,994
Amortization of prior service cost	(149)	(154)	(1,247)
Retirement benefit expense	¥ 1,447	¥ 1,709	\$ 12,042

The breakdown of items in other comprehensive income before tax effect as for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial loss	(2,035)	-	(16,935)
Prior service cost	154	-	1,289
Total	¥ (1,880)	¥ -	\$ (15,645)

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrecognized prior service cost	2,422	4,431	20,159
Unrecognized actuarial loss	(863)	(1,018)	(7,189)
Total	¥ 1,558	¥ 3,413	\$ 12,969

The breakdown of pension assets by major category as of March 31, 2015 and 2014 are as follows:

	2015	2014
Bonds	32%	24%
Equity securities	33%	34%
Cash on hand and in banks	0%	1%
General account	23%	30%
other	12%	11%
Total	100%	100%

Note: Pension plan assets include 7% employee pension trust which has been contributed to pension plan.

The items of actuarial assumptions as of March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	Primarily 1.5%	Primarily 1.5%
Expected rates of long-term return on plan assets	Primarily 1.25%	Primarily 1.25%

Contributions to defined contribution pension plan was ¥115 million.

## 10. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

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

Currency-related transactions

	Millions of yen					
	March 31, 2015			March 31, 2014		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Sell:						
US\$	¥ 6,110	¥ 50	¥ 50	¥ 3,877	¥ 89	¥ 89
Euro	306	36	36	256	4	4
Buy:						
US\$	699	(3)	(3)	519	(4)	(4)
	¥ 7,116	¥ 83	¥ 83	¥ 4,653	¥ 89	¥ 89

	Thousands of U.S. dollars (Note 1)		
	March 31, 2015		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Sell:			
US\$	\$ 50,845	\$ 419	\$ 419
Euro	2,553	307	307
Buy:			
US\$	5,824	(31)	(31)
	\$ 59,223	\$ 696	\$ 696

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

			Millions of yen					
Classification	Item	Hedged liabilities	March 31, 2015			March 31, 2014		
			Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value

Thousands of U.S. dollars (Note 1)

			March 31, 2015		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value

(\*) Fair value of interest rate and currency swaps by exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

2) Interest-related transactions

			Millions of yen					
Classification	Item	Hedged liabilities	March 31, 2015			March 31, 2014		
			Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value

Thousands of U.S. dollars (Note 1)

			March 31, 2015		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value

(\*) Fair value of interest rate swaps by exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

## 11. Shareholders' equity

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

## 12. Treasury shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

	2014	Increase during the year	Decrease during the year	2015
Number of shares	170,023	31,824	-	<b>201,847</b>
Total price (Millions of yen)	¥ 53	¥ 10	-	<b>¥ 64</b>
Total price (Thousands of U.S. dollars)	\$ 448	\$ 85	-	<b>\$ 533</b>

## 13. Pledged assets

There are no pledged assets.

## 14. Related party transactions

Samyoung Electronics Co., Ltd. (Samyoung) is substantively a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

- (1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.
- (2) Sales prices of materials for capacitors and equipments are determined in consideration of the market prices and total costs.
- (3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2015 and 2014 and transactions for the years ended March 31, 2015 and 2014 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015	2014	2015	
Investment securities	¥ 12,500	¥ 10,835	\$	104,027

	Millions of yen					
	2015			2014		
	Transaction amount	Account title	Balance at end of year	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	¥ 4,251	Accounts payable	¥ 369	¥ 3,331	Accounts payable	¥ 335
Sales of materials and equipments	627	Accounts receivable	98	666	Accounts receivable	74
Supply of materials	¥ 1,641	Accounts receivable - other	¥ 162	¥ 1,442	Accounts receivable - other	¥ 88

	Thousands of U.S. dollars (Note 1)		
	2015		
	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	\$ 37,625	Accounts payable	\$ 3,070
Sales of materials and equipments	5,225	Accounts receivable	820
Supply of materials	\$ 13,657	Accounts receivable - other	\$ 1,355

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2015 and 2014, and for the years then ended, was follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015	2014	2015	
Total current assets	¥ 32,403	¥ -	\$	269,649
Total fixed assets	21,523	-		179,112
Total current liabilities	2,968	-		24,703
Total long-term liabilities	787	-		6,556
Total net assets	50,171	-		417,501
Net sales	29,087	-		242,056
Income before income taxes	2,323	-		19,332
Net income	1,873	-		15,587

## 15. Selling, general and administrative expenses

The following are the major elements of selling, general and administrative expenses for the years ended March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Freight and transportation	¥ 3,524	¥ 3,360	\$ 29,330
Salaries and wages	4,261	3,861	35,466
Provision for bonus reserve	826	679	6,873
Retirement benefit expenses	685	698	5,706
Depreciation	961	998	8,002
Research and development expenses	4,160	3,872	34,622

## 16. Research and Development expenses

The total amounts of research and development expenses for the years ended March 31, 2015 and 2014 are as follows and all of them are charged to income as incurred.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Research and development expenses	¥ 4,160	¥ 3,872	\$ 34,622

## 17. Gain on sales of property, plant and equipment

Gain from retirement of property, plant and equipment for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Buildings and structures	¥ 14	¥ 357	\$ 122
Machinery, equipment and others	9	7	81
Total	¥ 24	¥ 364	\$ 203

## 18. Loss on disposal of property, plant and equipment

Loss from retirement of property, plant and equipment for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Buildings and structures	¥ 5	¥ 7	\$ 45
Machinery, equipment and others	92	101	771
Total	¥ 98	¥ 109	\$ 816



## 19. Other comprehensive income

For the year ended March 31, 2015 and 2014, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net unrealized holding gains on securities			
Increase during the year	¥ 982	¥ 578	\$ 8,173
Reclassification adjustments	(1)	(35)	(10)
Before deferred tax adjustments	980	543	8,162
Deferred tax amounts	(255)	(195)	(2,123)
Net unrealized holding gains on securities	725	347	6,039
Foreign currency translation adjustments			
Increase during the year	4,925	5,305	40,983
Foreign currency translation adjustments	4,925	5,305	40,983
Remeasurements of defined benefit plans			
Increase during the year	1,424	-	11,852
Reclassification adjustments	455	-	3,793
Before deferred tax adjustments	1,880	-	15,645
Deferred tax amounts	18	-	154
Remeasurements of defined benefit plans	1,898	-	15,799
Share in other comprehensive income of associates accounted for using the equity method			
Increase during the year	161	187	1,341
Reclassification adjustments	3	-	26
Share in other comprehensive income of associates accounted for using the equity method	164	187	1,367
Total other comprehensive income	¥ 7,713	¥ 5,840	\$ 64,190

## 20. Dividends

(1) Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1) Dividends paid

None

2) Dividends for which the record date came during the year ended March 31, 2015, but for which the effective date will come after said period.

Resolution	Type of shares	Total dividend (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2015	Common stock	¥ 488	\$ 4,068	Retained earnings	¥ 3.00	\$ 0.03	March 31, 2015	June 29, 2015

(2) Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1) Dividends paid

None

2) Dividends for which the record date came during the year ended March 31, 2014, but for which the effective date will come after said period.

None

## 21. Financial instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds by borrowing from banks, issuing corporate bonds and capital increase. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risk of fluctuation of exchange rates and interest rates.

2) Detail of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year. Short-term and long-term debt are used for the Company's operation and capital expenditure. Variable interest rate loans are exposed to the risk of interest rate fluctuations. Interest rate swap transactions are used as hedges to fix interest expenses for a portion of long-term variable interest rate debts.

Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management regulation etc.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (fluctuation risk of currencies and interests)

The Company hedges foreign currency fluctuation risk of trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contract periods within half year in principle.

The Company enters into the interest swap contract to mitigate the risk of interest rate fluctuations on debts. With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company enters into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (the risk that the Company may not be able to meet its obligations on scheduled due dates)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

#### 4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10 "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

#### 5) Concentration of credit risk

There is no operating credit for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them on March 31, 2015 and 2014 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to “Notes 2. Summary of significant Accounting Policies”.

	Millions of yen					
	March 31, 2015			March 31, 2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash on hand and in banks	¥ 24,483	¥ 24,483	¥ -	¥ 24,628	¥ 24,628	¥ -
2) Accounts receivable-trade	27,303	27,303	-	25,577	25,577	-
3) Investment securities						
i) Investments in securities	5,341	5,341	-	4,363	4,363	-
ii) Investments in stock of subsidiaries and affiliates	12,454	10,601	(1,853)	10,785	6,717	(4,067)
Total assets	¥ 69,583	¥ 67,730	¥ (1,853)	¥ 65,354	¥ 61,287	¥ (4,067)
1) Accounts payable-trade	7,868	7,868	-	-	-	-
2) Accounts payable-other	7,464	7,464	-	-	-	-
3) Short-term debt						
(Except for lease obligations)	20,196	20,196	-	13,764	13,764	-
4) Long-term debt						
(Except for lease obligations)	16,335	16,421	85	29,520	29,444	(76)
Total liabilities	¥ 51,865	¥ 51,951	¥ 85	¥ 43,284	¥ 43,208	¥ (76)
Derivative transactions	¥ 83	¥ 83	¥ -	¥ 89	¥ 89	¥ -

Thousands of U.S. dollars (Note 1)

	March 31, 2015		
	Carrying amount	Fair value	Difference
1) Cash on hand and in banks	\$ 203,741	\$ 203,741	\$ -
2) Accounts receivable-trade	227,208	227,208	-
3) Investment securities			
i) Investments in securities	44,451	44,451	-
ii) Investments in stock of subsidiaries and affiliates	103,642	88,218	(15,423)
Total assets	\$ 579,043	\$ 563,620	\$ (15,423)
1) Accounts payable-trade	\$ 65,475	\$ 65,475	\$ -
2) Accounts payable-other	62,113	62,113	-
3) Short-term debt			
(Except for lease obligations)	168,070	168,070	-
4) Long-term debt			
(Except for lease obligations)	135,938	136,653	715
Total liabilities	\$ 431,598	\$ 432,313	\$ 715
Derivative transactions	\$ 696	\$ 696	\$ -

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

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

Assets:

- 1) Cash on hand and in banks and 2) Accounts receivable-trade

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

- 3) Investments in securities

The value of investments in securities is based on quoted market prices of stock exchanges.

Liabilities:

- 1) Accounts payable-trade and 2) Accounts payable-trade-other

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

- 3) Short-term debt (Except for lease obligations)

The fair value of current portion of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

As a result, the book value is used as fair value as their fair value approximates book value due to their short maturity.

The fair value of short-term debt except for current portion of long-term debt is recorded at book value as the fair value approximates book value due to their short maturity.

- 4) Long-term debt (Except for lease obligations)

The fair value of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

Derivative transaction

Refer to "Note 10. Derivatives".

Notes: 2 Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet				
	Millions of yen				Thousands of U.S. dollars (Note 1)
	2015		2014		2015
Unlisted shares	¥	<b>228</b>	¥	232	\$ <b>1,904</b>

These items are excluded from “(3) Investment securities” since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Notes: 3 Monetary claims at March 31, 2015 and 2014

	Millions of yen				Thousands of U.S. dollars (Note 1)
	2015		2014		2015
	Cash on hand and in banks	¥	<b>24,483</b>	¥	24,628
Trade receivables		<b>27,303</b>		25,577	<b>227,208</b>
Total	¥	<b>51,787</b>	¥	<b>50,205</b>	\$ <b>430,950</b>

Notes: 4 Redemption schedules of corporate long-term debt with maturities at March 31, 2015 and 2014

	Long-term debt				
	Millions of yen				Thousands of U.S. dollars (Note 1)
	2015		2014		2015
2015	¥	<b>14,588</b>	¥	5,337	\$ <b>121,395</b>
2016		<b>15,420</b>		14,337	<b>128,320</b>
2017		<b>254</b>		15,169	<b>2,117</b>
2018		<b>654</b>		3	<b>5,448</b>
2019		<b>4</b>		4	<b>41</b>
2020 and thereafter		<b>0</b>		8	<b>7</b>

## 22. Lease

Lease transactions that do not transfer ownership, whose transaction dates are before March 31, 2008 are as follows:

(1) Acquisition cost, accumulated depreciation and net balance of leased assets at March 31, 2015 and 2014

	Millions of yen					
	2015			2014		
	Acquisition cost	Accumulated depreciation	Net balance	Acquisition cost	Accumulated depreciation	Net balance
Machinery, equipment and others	¥ 18	¥ 18	¥ 0	¥ 18	¥ 15	¥ 2

	Thousands of U.S. dollars (Note 1)		
	2015		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery, equipment and others	\$ 153	\$ 152	\$ 1

(2) Amount of outstanding future lease payments at March 31, 2015 and 2014, including the portion of interest thereon, categorized by contractual maturity:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Within one year	¥ 0	¥ 2	\$ 1
Over one year	-	0	-
Total	¥ 0	¥ 2	\$ 1

(3) Lease expenses, depreciation and interest expense for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Lease expenses	¥ 2	¥ 5	\$ 22
Depreciation	2	4	19
Interest expense	0	0	0

Depreciation is calculated using the straight-line method. The useful economic lives of the lease assets are equal to the lease term and the residual value is assumed to be zero.

The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

## 23. Segment Information

### (1) Overview of reportable segments

The Company has classified its reportable segments as the discrete units from which it obtains financial information, and for which the Board of Directors periodically allocates resources and evaluates performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment “Capacitor”.

The “Capacitor” business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

### (2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2 “Summary of Significant Accounting Policies”. Profits of reportable segments correspond to operating income.

### (3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2015			2014		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales						
Sales to unaffiliated customers	¥ 118,526	¥ 4,838	¥ 123,365	¥ 109,353	¥ 4,609	¥ 113,962
Intersegment sales	-	-	-	-	-	-
Total	<b>118,526</b>	<b>4,838</b>	<b>123,365</b>	109,353	4,609	113,962
Segment profit (loss)	<b>5,337</b>	<b>(215)</b>	<b>5,122</b>	5,092	(158)	4,933
Other						
Depreciation	7,865	44	7,909	8,503	48	8,552
Increase in fixed assets	5,124	79	5,203	3,010	57	3,067

	Thousands of U.S. dollars (Note 1)		
	2015		
	Capacitor	Other	Consolidated
Net sales			
Sales to unaffiliated customers	\$ 986,323	\$ 40,267	\$ 1,026,591
Intersegment sales	-	-	-
Total	<b>986,323</b>	<b>40,267</b>	<b>1,026,591</b>
Segment profit (loss)	<b>44,419</b>	<b>(1,792)</b>	<b>42,627</b>
Other			
Depreciation	65,453	366	65,820
Increase in fixed assets	42,645	658	43,303

- Notes:
1. “Other” includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
  2. Total segment loss corresponds to operating loss in the consolidated statements of operations.
  3. Segment assets are not disclosed since the assets are not allocated to each business segment.



(4) Related information

Related information for the years ended March 31, 2015 and 2014 are as follows:

1) Information by products and services

Information by products and services is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Japan	¥ 29,046	¥ 28,427	\$ 241,709
China	44,167	39,651	367,541
America	12,446	10,443	103,574
Europe	12,039	10,400	100,184
Others	25,666	25,040	213,582
Total	¥ <u>123,365</u>	¥ <u>113,962</u>	\$ <u>1,026,591</u>

ii) Fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Japan	¥ 27,934	¥ 29,070	\$ 232,461
China	3,196	3,315	26,599
America	4,699	3,930	39,108
Europe	38	42	322
Others	7,841	7,897	65,257
Total	¥ <u>43,711</u>	¥ <u>44,255</u>	\$ <u>363,749</u>

iii) Information about major customer

Information about major customer for the year ended March 31, 2015 and 2014 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.

**24. Other**

On June 24, 2014, our head office and relevant sales offices were subjected to an on-site investigation conducted by the Japan Fair Trade Commission due to a suspected violation of the Antimonopoly Act of Japan with respect to sales of aluminum electrolytic capacitors, tantalum electrolytic capacitors and electric double layer capacitors. Nippon Chemi-Con group is also been subjected to investigations conducted by competition authorities of the United States, EU, China and other countries, with respect to various capacitors, including aluminum electrolytic capacitors. Nippon Chemi-Con group is responding sincerely to the investigations conducted by the Japan Fair Trade Commission and the respective competition authorities of other countries.

The investigations are still in progress. Results of the investigations may affect the Group's operating results.