Financial Report 2015

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries Years ended March 31

Financial Outlook

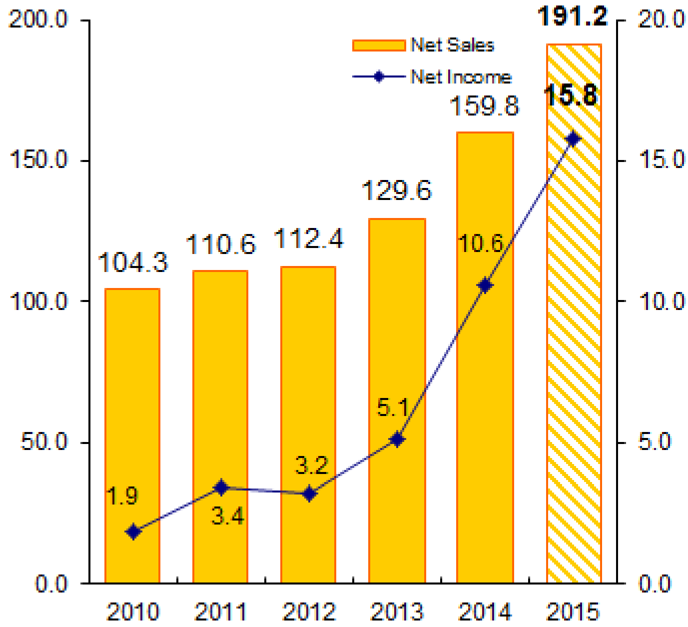
While US economy continued its stable growth driven by improvement in employment, consumer spending and capital investment, the uncertainty increase due to higher geopolitical risk in Europe and those sluggish growth in export and capital investment in emerging countries slowed the recovery in the world economy during the fiscal year. As for the Japanese economy, the recovery was modest due to its negative effect of consumption tax raise and the economic uncertainty despite the regained share prices and yen depreciation accelerated especially after November 2014.

Automobile sector was struggled to grow by production adjustment prevailed in some regions. However, emerging device sector, including smartphones and tablet PCs, grew steadily and capital investment related sector also made the modest recovery.

Under these circumstances, our group endeavored to maximize order receipts and sales mainly in our major connector business, through proactive global marketing and new product development, for growing market sectors, such as emerging devices (including overseas smartphones), automobile and capital investment related, to expand production floor and increase investments in manufacturing facilities at home and abroad, to lower cost by promoting in-house production further, higher facility efficiency and expense reduction, and to pursue management efficiency and performance improvement.

During the fiscal year, our sales were 191.2 billion yen (120% over the previous year). In the profit aspects, the operating profit was 25.9 billion yen (157% over the previous year), the ordinary profit was 23.2 billion yen (150% over the previous year) and the net profit was 15.8 billion yen (148% over the previous year). We achieved the highest result for two consecutive years.

(Yen in billions)



(Years ended March 31)

Years ended March 31	Yen in billions 2013	2014	2015 From April1, 2014 to March31, 2015	% of Previous Year	U.S.dollars in millions 2015 From April1, 2014 to March31, 2015
Net sales	¥ 129.6	¥ 159.8	**¥ 191.2**	120%	**$ 1,593**
Gross profit	25.6	35.8	**46.7**	130%	**389**
Operating income	8.60	16.50	**25.85**	157%	**215.4**
to sales ratio	6.6%	10.3%	**13.5%**	3.2%	**13.5%**
Ordinary income	7.74	15.45	**23.15**	150%	**193.0**
to sales ratio	6.0%	9.7%	**12.1%**	2.4%	**12.1%**
Net income	5.06	10.62	**15.76**	148%	**131.4**
to sales ratio	3.9%	6.6%	**8.2%**	1.6%	**8.2%**

Note: U.S.dollar amounts are translated from yen, for convenience only, at the rate of 120=U.S.$1

Sales-by-segment

■Connector Line: Sales of 169.1 billion yen (122% over the previous year)

In mobile device sector, we successfully responded to demand for emerging devices including smartphones and tablet PCs. In automobile sector, our business grew steadily in USA and Europe while we experienced the temporary downturn after its consumption tax rise in Japan. In industrial equipment & infrastructure sector, the demand grew mainly in factory automation application.

■User Interface Solutions Line: Sales of 7.1 billion yen (113% over the previous year)

While the sluggish demand for input devices of digital cameras affected our result, the strong demand for touch sensors used for car navigation in automotive sector and for touch panel monitors and operation panels in industrial equipment & infrastructure sector boosted our sales on balance.

■Aerospace Line: Sales of 14.2 billion yen (97% over the previous year)

In the private sector, the sales for overseas oil drilling products grew steadily while the ones for defense-related products in the public sector declined due to the decreased order receipt.

Sales by Business Segment

Years ended	Yen in billions			% of Previous	U.S.dollars in millions
March 31	2013	2014	2015	Year	2015
Connector	109.8	138.1	**169.1**	122%	**$ 1,409**
U.I.S.	5.2	6.3	**7.1**	113%	**59**
Aerospace	13.8	14.6	**14.2**	97%	**118**
Others	0.8	0.8	**0.8**	104%	**7**
Total	129.6	159.8	**191.2**	120%	**1,593**
Overseas	79.0	104.8	**136.1**	130%	**1,134**
%	61.0%	65.6%	**71.2%**	—	**71.2%**
Domestic	50.6	55.0	**55.1**	100%	**459**

Operating Income by Business Segment

Years ended	Yen in billions			% of Previous	U.S.dollars in millions
March 31	2013	2014	2015	Year	2015
Connector	10.8	19.3	**28.7**	149%	**$ 239**
U.I.S.	(0.6)	(0)	**0.4**	—%	**3**
Aerospace	1.9	0.9	**0.7**	76%	**6**
Others	(3.5)	(3.7)	**(3.9)**	—%	**(33)**
Total	8.6	16.5	**25.9**	157%	**215**

Notes: The touch sensor business which was included in Others is rearranged in U.I.S business segment due to organizational reconstructing in these table.

Connector Sales by Segment

Years ended	Yen in billions			% of Previous	U.S.dollars in millions
March 31	2013	2014	2015	Year	2015
Information	10.8	13.9	**13.5**	97%	**$ 113**
Communications	43.2	53.7	**78.8**	147%	**657**
Digital Home	6.2	6.5	**6.2**	95%	**52**
Automotive	37.6	49.6	**55.8**	112%	**465**
Industrial, etc.	12.0	14.4	**14.7**	102%	**122**
Total	109.8	138.1	**169.1**	122%	**1,409**
Overseas	74.3	99.1	**129.6**	131%	**1,080**
%	67.7%	71.7%	**76.7%**	—	**76.7%**
Domestic	35.5	39.0	**39.5**	101%	**329**

Management policy

(1) JAE's basic management policy

Since its foundation, JAE has aimed to achieve appropriate profits, enhance its corporate value, and contribute to the creation of a sustainable society, under the corporate philosophy of "Explore, Create, and Practice."

In the operation of our business, we adhere to a basic policy of expanding our operations globally based on the JAE Group Charter for Corporate Behavior while conducting consolidated management, as well as management that gives priority to cash flow.

(2) Medium- and long-term management strategies

We have set the medium-term financial target since 1999, and executed management renovation to build a financial structure and transformed ourselves to be a high profit enterprise in order to fight through in the 21st century in the 3 business domains, i.e., connector business, interface solution business and aircraft business. We will develop our businesses globally based on the following 4 new focus policies from FY 2014 as the “4th phase in management renovation”.

(i) Strengthening of global marketing and technology development capacities

We will catch up with the global demands for newly growing devices and new markets, reinforce partnership with the world top enterprises in the industries, strengthen technical development capabilities to timely respond to them and develop strong products that accurately meet the needs, and aim for continuous growth. We will focus on the 3 markets, namely the field of portable devices including smartphones and tablet PCs, automobiles where car-electronics are progressing and the production machinery and infrastructure field in which the smart grid and environmentally friendly energy market is rising, and aim to expand sales by exerting comprehensive powers of all our group companies.

(ii) Strengthening of manufacturing competitiveness

We will renovate our technologies by increasing in-company production and develop our conventional production innovation activities to all-company management innovation activities with the basic principles of “cost reduction, quality and shorter lead-time” as a manufacturer, and reinforce competitive productivity and proactively promote quality renovation with the target of “zero” defects in our customers.

We will proactively execute capital investment mainly in the connector business to correspond to the technical renovation and cost reduction. We will further pursue enhancement of production efficiency by accelerating molding, pressing and other processes, automate them and conserve manpower in Japan. In overseas, we will expand the automatic machine production ratio as conducted in Japan in order to cope with expected hike in the personnel cost.

(iii) Priority on human development (gathering and developing human resources)

We will ensure retention of competitiveness in the global markets, renovate the business structure to increase profits by flexibly responding to changes in the market environment, continue to promote the efforts to become a multi-player in view of the expected decline in childbirths and aging of the population, allocate the human resource globally and systematically, continue to retain the technologies and skills, diversify the human resource by proactively employing women and take all necessary means to ensure and educate the human resource that is the key in achievement of our strategy.

(iv) Thorough execution and reinforcement of CSR management

Our group stipulates in the “charter of corporate behavior” as the basic policy of our management that we will comply with relevant laws and regulations as a good corporate citizen, achieve our social responsibilities to our customers, stockholders and investors, suppliers, local communities and other stakeholders and contribute to the creation of sustainable society under the corporate philosophy of “ Explore, Create and Practice”.

We will reinforce thorough law-abiding of our employees, conduct risk management and compliance, and achieve our social responsibilities as a corporate through promotion of environmental management with a symbol of the “JAE Group Forest” we built in Okutama, Tokyo and through proactive efforts in social contribution and local contribution activities.

(3) Issues that JAE must address

In the economic environment surrounding our group, the economy is expected to recover by steady growth led by key developed countries including USA while there remain concerns about slowing down of emerging economies including China and uncertainty caused by some geopolitical risks.

In the market with severer competitions and rapid demand fluctuations, we expect the stable growth for the whole market mainly attributable to solid demand overseas for mobile devices and automobile although we may see market maturation in smartphone and sluggish demand for capital investment in some developing countries.

Under these circumstances, we are determined to raise our enterprise value further, act on the selected tasks targeting emerging products and markets and establish robust business structure resistant to business environment changes and improve our performance.

1. Continued efforts to establish dual standards, to capture global emerging trends on new markets, and to expand business lines
2. Enhancement of global marketing and technology development capacities and incorporating them in the company slogan
   The JAE Group will apply its slogan “Technology to Inspire Innovation” (meaning that technologies developed by JAE open new doors for creative product development by our customers) in order to

promote sustainable development of new products and their horizontal development and thus increase profits.

3. The JAE Group will promote manufacturing improvement through the two-pronged approach of technological innovation focused on efforts for in-house manufacturing and production innovation, and will strive to increase profitability by slashing costs, reduction of lead times and achieving quality based on a synergy effect that utilizes active construction of plants and investment to reinforce the general machinery lineup.

Consolidated Balance Sheets

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

Assets	Yen in millions 2014 As of March 31	Yen in millions 2015 As of March 31	U.S. dollars in thousands 2015 As of March 31
Current assets:			
Cash and deposits	¥ 25,419	¥ 37,758	$ 314,652
Notes and accounts receivable	37,719	42,976	358,139
Short-term investment securities	–	14	116
Inventories	12,447	12,746	106,221
Deferred tax assets	2,314	2,108	17,567
Other current assets	770	1,740	14,506
Allowance for doubtful accounts	(74)	(70)	(587)
Total current assets	78,596	97,274	810,617
Property, plant and equipment:			
Land	5,319	5,805	48,380
Buildings and structures	44,125	46,418	386,820
Machinery , equipment and others	132,660	146,302	1,219,186
Construction in progress	6,135	6,273	52,281
Less: Accumulated depreciation	(128,893)	(143,275)	(1,193,958)
Net property, plant and equipment	59,347	61,525	512,709
Investments and long-term loans receivable:			
Investment securities	2,349	2,881	24,015
Stocks of subsidiaries and affiliates	956	1,019	8,494
Long-term loans receivable	1,041	1,210	10,089
Total investments and long-term loans receivable	4,347	5,112	42,600
Other assets:			
Net defined benefit asset	135	316	2,636
Deferred tax assets	3,026	3,082	25,687
Other assets	3,471	4,238	35,324
Allowance for doubtful accounts	(138)	(139)	(1,160)
Total other assets	6,495	7,498	62,489
Total assets	148,787	171,409	1,428,416

Liabilities and net assets	Yen in millions 2014 As of March 31	Yen in millions 2015 As of March 31	U.S. dollars in thousands 2015 As of March 31
Current liabilities:			
Short-term loans payable	¥ 7,394	¥ 9,357	$ 77,975
Notes and accounts payable	32,370	33,283	277,364
Accrued expenses	5,362	6,088	50,740
Income taxes payable	4,382	2,886	24,056
Other current liabilities	1,718	1,918	15,988
Total current liabilities	51,228	53,535	446,126
Noncurrent liabilities:			
Long-term loans payable	12,302	14,943	124,529
Net defined benefit liability	4,679	3,506	29,221
Long-term accounts payable-other	92	92	766
Other noncurrent liabilities	293	362	3,018
Total noncurrent liabilities	17,368	18,904	157,534
Net assets:			
Capital stock			
At March 31, 2014 - Shares authorized: 350,000,000, shares issued: 92,302,608	10,690		
At March 31, 2015 - Shares authorized: 350,000,000, shares issued: 92,302,608		10,690	89,085
Capital surplus	14,462	14,486	120,724
Retained earnings	56,485	69,157	576,310
Less: Treasury stock			
At March 31, 2014 - 1,570,039 shares	(1,134)		
At March 31, 2015 - 1,485,962 shares		(1,100)	(9,173)
Valuation difference on available-for-sale securities	837	1,244	10,370
Foreign currency translation adjustment	(546)	3,696	30,801
Remeasurements of defined benefit plans	(649)	731	6,093
Subscription rights to shares	44	65	542
Total net assets	80,190	98,970	824,754
Total liabilities and net assets	148,787	171,409	1,428,416

	Yen		U.S. dollars
Net assets per share	¥ 883.32	¥ 1,089.07	$ 9.076

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 120=U.S.$1

Consolidated Statements of Income and Retained Earnings

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

	Yen in millions		U.S. dollars in thousands
	2014	2015	2015
Net sales	¥ 159,771	¥ 191,155	$ 1,592,966
Cost of sales	123,943	144,438	1,203,655
Gross profit	35,828	46,717	389,310
Selling, general and administrative expenses	19,323	20,865	173,881
Operating income	16,504	25,851	215,429
Other income (expenses):			
Interest expenses	(128)	(124)	(1,037)
Interest and dividends income	123	106	891
Foreign exchange gains (losses)	633	(323)	(2,698)
Loss on retirement of non-current assets	(1,676)	(2,259)	(18,830)
Other, net	(3)	(96)	(802)
	(1,051)	(2,697)	(22,477)
Ordinary income	15,453	23,154	192,951
Extraordinary loss	–	1,621	13,512
Income before income taxes	15,453	21,532	179,438
Income taxes-current	5,854	5,684	47,369
Income taxes-deferred	(1,023)	83	695
Net income	10,622	15,764	131,374
Retained earnings:			
Balance at beginning of the year	45,917	56,485	470,712
Cumulative effects of changes in accounting policies	–	(1,277)	(10,648)
Restated balance	45,917	55,207	460,064
Add:			
Net income	10,622	15,764	131,374
Change of scope of consolidation	1,123	–	–
Deduct:			
Dividends from surplus	1,178	1,815	15,128
Balance at end of the year	56,485	69,157	576,310

	Yen		U.S. dollars
Net income per share	¥ 117.17	¥ 173.64	$ 1.447

Consolidated Statements of Cash Flows

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

	Yen in millions		U.S. dollars in thousands
	2014	2015	2015
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 15,453	¥ 21,532	$ 179,438
Depreciation and amortization	18,947	19,867	165,560
Increase (decrease) in net defined benefit liability	168	(3,227)	(26,893)
Loss on retirement of noncurrent assets	1,676	2,259	18,830
Decrease (increase) in notes and accounts receivable-trade	(8,855)	(2,458)	(20,487)
Decrease (increase) in inventories	30	336	2,806
Increase (decrease) in notes and accounts payable-trade	6,787	(206)	(1,723)
Other, net	(5,002)	(6,488)	(54,067)
Net cash provided by (used in) operating activities	29,206	31,615	263,464
Net cash provided by (used in) investing activities			
Proceeds from withdrawal of time deposits	5	12	101
Payments into time deposits	(11)	(11)	(97)
Purchases of property, plant and equipment	(22,246)	(22,280)	(185,672)
Proceeds from sales of property, plant and equipment	72	126	1,055
Purchase of investment securities	(16)	(66)	(550)
Other, net	(1,561)	(1,694)	(14,122)
Net cash provided by (used in) investing activities	(23,757)	(23,914)	(199,286)
Net cash provided by (used in) financing activities			
Proceeds from long-term loans payable	12,500	10,000	83,333
Repayment of long-term loans payable	(5,391)	(5,397)	(44,975)
Increase (decrease) in short-term loans payable	(2,603)	–	–
Cash dividends paid	(1,178)	(1,815)	(15,128)
Other, net	94	40	333
Net cash provided by (used in) financing activities	3,422	2,827	23,563
Effect of exchange rate change on cash and cash equivalents	663	1,805	15,048
Net increase (decrease) in cash and cash equivalents	9,534	12,334	102,789
Cash and cash equivalents at beginning of period	14,777	25,396	211,634
Increase (decrease) in cash and cash equivalents from newly consolidated subsidiary	1,084	–	–
Cash and cash equivalents at end of period	25,396	37,730	314,424
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest expenses paid	113	125	1,042
Income taxes paid	2,255	7,705	64,214

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 120=U.S.$1

Notes to Consolidated Financial Statements

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries Years ended March 31

1. Basis of presenting consolidated financial statements

Japan Aviation Electronics Industry, Limited (the "Company"), a Japanese corporation and its domestic subsidiaries maintain their records and prepare financial statements in Japanese yen in conformity with accounting principles generally accepted in Japan.

Overseas consolidated subsidiaries prepare financial statements in accordance with either Accounting Standards generally accepted in the United States of America or International Financial Reporting Standards.

The accompanying consolidated financial statements are basically an English version of those that have been prepared for Japanese domestic purposes in accordance with the provisions of the Financial Instruments and Exchange Law of Japan, and filed with the Ministry of Finance Japan, and the Tokyo Stock Exchange. Certain modifications, including presentation of the statements of net assets and the cash flows have been made in the accompanying financial statements to facilitate understanding by readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers and have been calculated at the rate of ¥120=U.S.$1.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 17

The consolidated subsidiaries are as follows: JAE Hirosaki, Ltd., JAE Yamagata, Ltd., JAE Fuji, Ltd., JAE Shinshu, Ltd., JAE Taiwan, Ltd., JAE Oregon, Inc., Nikko Logistics, Corp., JAE Hakko Ltd., JAE Electronics, Inc., JAE Philippines, Inc., JAE Hong Kong, Ltd., JAE Singapore Pte Ltd., JAE Europe, Ltd., JAE Wuxi Co., Ltd., JAE Korea, Inc., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd.

(2) Number of non-consolidated subsidiaries: 9

The non-consolidated subsidiaries are as follows: JAE Business Support, Ltd., JAE Foods, Ltd., Hirosaki Hakko Co., Ltd., Meiyu - Giken Co., Ltd., Meiyu - Techtron Co., Ltd., Meiyu Automation Corporation, JAE Houston,LLC, JAE Tijuana, S. A. de C. V. and JAE Dongguan Service Co., Ltd.

(3) Reason for exclusion of non-consolidated subsidiaries from scope of consolidation

The 9 non-consolidated subsidiaries were excluded from the scope of consolidation because they are all small in terms of their total assets, net sales , net income and retained earnings , and would have no significant overall impact on the consolidated financial statements.

3. Application of equity method

The impact of the 9 non-consolidated subsidiaries and 2 affiliated companies on the consolidated net income and consolidated retained earnings is slight, and overall they are of minor importance. Investments in said companies have therefore been valued according to the cost method rather than the equity method.

4. Business years of consolidated subsidiaries

Since the consolidated subsidiaries, JAE Wuxi Co., Ltd., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd. have closing dates falling on December 31, the financial statements contained herein are based on the statements of the provisional settlement of accounts, which were performed on the consolidated closing date.

5. Accounting standards

(1) Standards and methods for valuing major assets

1. Securities

Held-to-maturity securities: Amortized cost method (straight line method)

Other securities:

Listed shares: Market value method based on the market on the closing date.
(The entire difference between the acquisition cost and the market price is accounted for by the direct-inclusion-to-net assets method, and the cost of sales is calculated by the moving average method.)

Unlisted shares: Cost method based on the moving average method.

2. Derivatives: Market value method

3. Inventories: Lower of cost or market method for valuation
Mainly weighted average method for costing

(2) Depreciation on major depreciable assets

Property, plant and equipment

Buildings: The Company and 15 out of the 17 consolidated subsidiaries use the straight line method, while the remaining 2 use the declining balance method.

Items other than buildings: The Company and 8 out of the 17 consolidated subsidiaries use the declining balance method, while the remaining 9 use the straight line method.

(3) Standards for calculating allowance for doubtful accounts

As provision against losses from bad debts, bad debts reserve has been calculated in accordance with past records of bad debts in the case of general credits. In cases of the specialized credits such as doubtful credits, the possibility of recovery has been considered individually, and the estimated non-recoverable amount has been accrued.

(4) Treatment of major hedge accounts

1. Hedge accounting

   Deferred treatment. Interest rate swap is applied, however, in cases meeting the necessary requirements.

   In addition, forward exchange contract and currency swap is applied in cases meeting the necessary requirements.

2. Hedge method and transactions

   Hedge method: derivatives (interest rate swap, forward exchange contract, currency swap and currency option trading)

   Hedged transaction: A part of debts due to variable interest rate, foreign currency assets and liabilities and time deposit.

3. Hedge policy

   It is our policy not to conduct speculative transactions. Derivatives are used to avoid risks from interest rate fluctuations on debts, and exchange rate fluctuations on foreign currency transactions and so on.

4. Evaluation of hedge effectiveness

   Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedged transactions, or cash flows, and the sum total of price fluctuation involving hedge methods, or cash flows.

(5) Funds involved in consolidated statements of cash flows

Funds (cash and cash equivalents) stated in consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments which are redeemable within 3 months from the acquisition date, having high liquidity and convertibility into cash and low risk against price fluctuation.

(6) Method of accounting for retirement benefit

1. Method of period attribution for estimated retirement benefit

   We adopt the fixed period standard to impute the estimated retirement benefit amount until the current consolidated fiscal year end upon calculation of the defined benefit obligation.

2. Method of cost processing of actuarial gains and losses, prior service cost and transition obligation

   As for the transition obligation, we generally use the fixed amount method for 15 years for cost processing.

   As for the prior service cost, we process the cost in the fixed amount method for a specified period (10 years) in the average remaining service time of the employee upon occurrence.

   We process the actuarial gains and losses in the fixed amount method for a specified period (mostly 15 years) in the average remaining service time of the employee upon occurrence from the subsequent consolidated fiscal year.

3. Adoption of a simplified method in small-scale consolidated subsidiaries

   In determining net defined benefit liability and periodic benefit cost, some consolidated subsidiaries apply a simplified method that the amount required for voluntary termination of employees at end of year is treated as defined benefit obligations.

(7) Treatment of consumption taxes

Consumption taxes are recorded by the tax exclusion method.

6. Relating to the Consolidated Statements of Income and Retained Earnings

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
(1) Selling, general and administrative expenses			
Main categories and amounts			
1. Packing and transportation expenses	¥ 2,547	¥ 2,847	$ 23,731
2. Salaries and bonuses	6,905	7,590	63,251
3. Commission fee	2,052	2,177	18,147
4. Retirement benefit expenses	568	523	4,359
5. Depreciation	194	211	1,759
(2) R&D expenses included in administrative expenses and current manufacturing expenses			
General and administrative expenses	1,442	1,542	12,857
Current manufacturing expenses	6,628	7,677	63,975
Total	8,071	9,219	76,833

7. Relating to the Consolidated Statements of Cash Flows

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Cash and deposits account	¥ 25,419	¥ 37,758	$ 314,652
Time deposits that exceeds three months	(23)	(27)	(227)
Cash and cash equivalents	25,396	37,730	314,424

8. Pension and retirement plans

Outline of retirement schedule

JAE and some of our consolidated subsidiaries have introduced the defined-benefit corporate pension plan. This plan adopts the cash balance plan, in which we open assumed private accounts equivalent to the reserve and pension resource amounts. In the assumed private accounts, the contributed credits based on the interest credit, salary level, etc. are accumulated. Employees may select a lump-sum or a pension plan (limited period pension up to 15 years) at retirement, and when they select the pension plan, the interest that fluctuates mostly by the market interest is added during the effective period.

Some consolidated subsidiaries adopt the lump-sum plan or defined-contribution pension benefit plan.

Net defined benefit liability and periodic benefit cost is calculated by a simplified method about the defined-benefit corporate pension plan and the lump-sum plan of some consolidated subsidiaries.

Defined benefit plan

(1) Reconciliation between the beginning balance and the ending balance of defined benefit obligation (excluding simplified method)

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Balance at beginning of year	¥ 25,541	¥ 26,081	$ 217,348
Cumulative effects of changes in accounting policies	—	1,983	16,531
Restated balance	25,541	28,065	233,879
Service cost	1,116	1,247	10,395
Interest cost	468	323	2,693
Actuarial losses	280	597	4,979
Benefit paid	(1,377)	(1,691)	(14,099)
Others	52	120	1,006
Balance at end of year	26,081	28,662	238,855

(2) Reconciliation between the beginning balance and the ending balance of pension assets (excluding simplified method)

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Balance at beginning of year	¥ 18,317	¥ 21,535	$ 179,463
Expected return on pension assets	454	536	4,469
Actuarial losses	1,552	2,215	18,465
Contributions from the employer	2,557	2,642	22,024
Benefit paid	(1,377)	(1,691)	(14,099)
Others	31	87	731
Balance at end of year	21,535	25,326	211,055

(3) Reconciliation between the beginning balance and the ending balance of net defined benefit liability for simplified method

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Balance at beginning of year	¥ 68	¥ (1)	$ (11)
Periodic benefit cost	55	2	20
Benefit paid	(0)	—	—
Contributions paid to pension plan	(136)	(149)	(1,246)
Others	11	2	21
Balance at end of year	(1)	(145)	(1,215)

(4) Reconciliation between the ending balance of defined benefit obligations and pension assets and net defined benefit liability and asset recorded on the consolidated balance sheet

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Funded defined benefit obligations	¥ 26,882	¥ 29,525	$ 246,044
Pension assets	(22,462)	(26,505)	(220,881)
	4,420	3,019	25,163
Unfunded defined benefit obligations	124	170	1,421
Net liability and asset recorded on the consolidated balance sheet	4,544	3,190	26,584
Net defined benefit liability	4,679	3,506	29,221
Net defined benefit asset	(135)	(316)	(2,636)
Net liability and asset recorded on the consolidated balance sheet	4,544	3,190	26,584

Note) Includes plan that adopt a simplified method

(5) Components of periodic benefit costs

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Service cost	¥ 1,116	¥ 1,247	$ 10,395
Interest cost	468	323	2,693
Expected return on pension assets	(454)	(536)	(4,469)
Recognized actuarial losses	319	236	1,971
Amortization of prior service cost	(223)	(223)	(1,862)
Recognized transition obligation	515	515	4,299
Periodic benefit cost in simplified method	55	2	20
Periodic benefit costs of defined benefit plan	1,797	1,565	13,048

(6) Reconciliation of remeasurements of defined benefit plans before income tax effect

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Past service cost	¥ —	¥ (223)	$ (1,862)
Actuarial losses	—	1,854	15,457
Others	—	524	4,374
Total	—	2,156	17,969

(7) Components of remeasurements of defined benefit plans before income tax effect

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Unrecognized prior service cost	¥ (352)	¥ (128)	$ (1,071)
Unrecognized actuarial (gains) losses	778	(1,076)	(8,972)
Others	524	—	—
Total	951	(1,205)	(10,044)

(8) Items relating to pension assets

1. Components of pension assets by major categories

Years ended March 31	2014	2015
Japanese bonds	27.4%	26.9%
Foreign bonds	7.3%	7.0%
Japanese equities	18.5%	20.5%
Foreign equities	18.2%	19.2%
General account	18.6%	17.0%
Others	10.0%	9.4%
Total	100.0%	100.0%

2. Method determining expected long-term rate of return on pension assets

Expected long-term rate of return on pension assets is determined based on the current and the expected allocation of pension assets and the current and the expected long-term rates of return from various assets composing the pension assets.

(9) Assumptions used for actuarial calculation (weighted-average rates are applied)

Years ended March 31	2014	2015
Discount rate	1.8%	1.0%
Expected long-term rate of return on pension assets	2.5%	2.5%

Defined contribution plan

Years ended March 31	Yen in millions 2014	Yen in millions 2015	U.S.dollars in thousands 2015
Amount required to contribute to the defined contribution plan of consolidated subsidiaries	¥ 89	¥ 104	$ 870