

Financial Report 2016

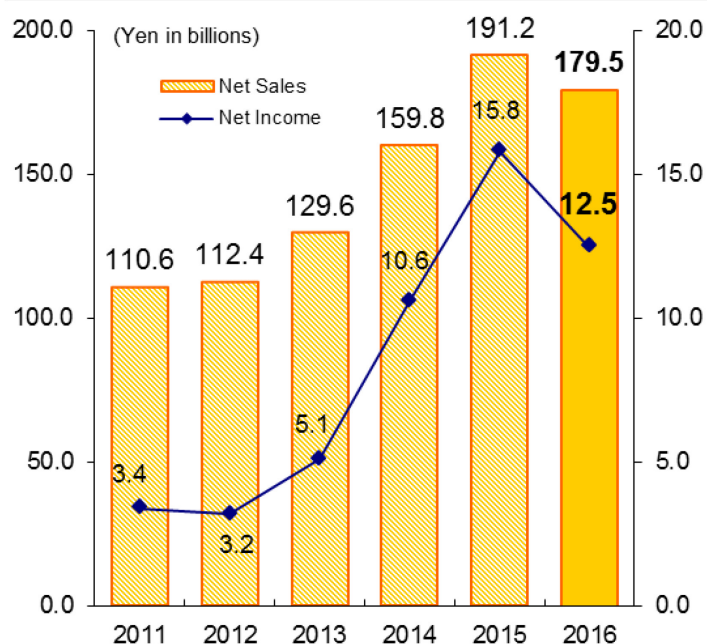
Japan Aviation Electronics Industry, Limited and consolidated subsidiaries. Years ended March 31

Financial Outlook

In the first half of the fiscal year, the global economy moved toward moderate recovery led by the United States, along with other advanced economies, as the employment and consumer spending rose. Late in the second quarter of the fiscal year, however, the slowdown of the Chinese economy, stagnation of global stock markets, and a significant drop in crude oil prices signified a major turn for the worse, placing the economy in an increasingly harsh situation. The Japanese economy, too, was weakened by the impact of the slowdown in the global economy and stagnation in consumer spending.

As for the electronics market, automotive sector was steady overall, but the slowdown of Chinese economy resulted in deceleration of growth of smartphone market and stagnation in the industrial machinery market, so that overall electronics market were placed in a severe situation.

Against this backdrop, our group worked to improve business performance in our major markets of mobile devices, automotive, and industrial and infrastructure by further enhancing efficiency across the entire business operation. Specifically, we worked to improve our performance, focusing on the expansion of orders and sales through implementation of global marketing and initiatives for development of new products, reducing costs by promoting in-house manufacturing and automation, improving productivity by streamlining facilities, and curbing expenses. Despite these efforts, however, the aforementioned external environment coupled with the impact of reduced demand in the field of mobile devices in the second half of the fiscal year led to the following business performance in the current consolidated fiscal year: The net sales were 179.5 billion yen (94% over the previous year). The incomes recorded were 17.93 billion yen in operating income (69% over the previous year), 16.95 billion yen in ordinary income (73% over the previous year), and 12.52 billion yen in net income attributable to owners of parent (79% over the previous year).



Years ended March 31	Yen in billions			% of Previous Year	U.S. dollars in millions
	2014	2015	2016		2016
			From April 1, 2015 to March 31, 2016		From April 1, 2015 to March 31, 2016
Net sales	¥ 159.8	¥ 191.2	¥ 179.5	94%	\$ 1,588
Gross profit	35.8	46.7	39.6	85%	350
Operating income	16.50	25.85	17.93	69%	158.7
to sales ratio	10.3%	13.5%	10.0%	(3.5%)	10.0%
Ordinary income	15.45	23.15	16.95	73%	150.0
to sales ratio	9.7%	12.1%	9.4%	(2.7%)	9.4%
Net income	10.62	15.76	12.52	79%	110.8
to sales ratio	6.6%	8.2%	7.0%	(1.2%)	7.0%
Net income attributable to owners of parent	10.62	15.76	12.52	79%	110.8
to sales ratio	6.6%	8.2%	7.0%	(1.2%)	7.0%

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of 113=U.S.\$1

Sales-by-segment

■ Connector Line: Sales of 158.9 billion yen (94% over the previous year)

This Line attained robust performance in the automotive field, but suffered the negative impact of reduced demand in the field of mobile devices in the second half of the fiscal year. Demand also dropped in the field of industrial and infrastructure mainly among domestic manufacturers of machine tools.

■ User Interface Solutions Line: Sales of 8.0 billion yen (113% over the previous year)

Demand increased for captive touch panels for automotive, and for various touch panel monitors and control panels in the industrial market.

■ Aerospace Line: Sales of 11.8 billion yen (83% over the previous year)

In the field of defense and aerospace electronic equipment, revenue increased from the preceding consolidated fiscal year, but in the field of industrial and infrastructures, the impact of the slump in crude oil prices led to substantial decline in demand for sensors for oil drilling.

Sales by Business Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S.dollars in millions 2016
	2014	2015	2016		
Connector	138.1	169.1	158.9	94%	\$ 1,406
U.I.S.	6.3	7.1	8.0	113%	71
Aerospace	14.6	14.2	11.8	83%	104
Others	0.8	0.8	0.8	96%	7
Total	159.8	191.2	179.5	94%	1,588
Overseas	104.8	136.1	126.7	93%	1,122
%	65.6%	71.2%	70.6%	—	70.6%
Domestic	55.0	55.1	52.8	96%	466

Operating Income by Business Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S.dollars in millions 2016
	2014	2015	2016		
Connector	19.3	28.7	22.1	77%	\$ 195
U.I.S.	(0)	0.4	1.1	292%	9
Aerospace	0.9	0.7	(1.0)	—%	(9)
Others	(3.7)	(3.9)	(4.3)	—%	(36)
Total	16.5	25.9	17.9	69%	159

Connector Sales by Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S.dollars in millions 2016
	2014	2015	2016		
Mobile Devices	57.3	80.4	70.7	88%	\$ 626
Automotive	49.4	55.8	62.8	112%	556
Industrial & Infrastructure	16.7	18.9	16.2	86%	143
Others	14.7	14.0	9.2	66%	81
Total	138.1	169.1	158.9	94%	1,406
Overseas	99.1	129.6	120.8	93%	1,069
%	71.7%	76.7%	76.0%	—	76.0%
Domestic	39.0	39.5	38.1	97%	337

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 aerospace 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 grab 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 mobile devices including smartphones and tablet PCs, automotive where car-electronics are progressing and the industrial 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-house production and develop our conventional production innovation activities to company-wide management innovation activities with the basic principles of “cost reduction, higher quality and shorter lead-time” as a manufacturer, and reinforce competitive productivity and proactively promote quality renovation with the target of “zero complains” 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, stamping 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 gradual growth while there remain concerns about slowing down and uncertainty caused by some geopolitical risks. In our relevant market, we expect market conditions remain harsh with severer competitions, rapid demand fluctuations, and decline in product prices.

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

1. Continued efforts to expand business by capturing global emerging trends on new markets
2. Enhancement of global marketing and technology development capacities and incorporating them in the company 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. Increasing profitability by slashing costs, reduction of lead times and quality improvement based on a synergy effect of company-wide management innovation activities evolved from manufacturing improvement and technological innovation focused on efforts for in-house manufacturing and active investment to construction of plants and reinforcement of production facilities.

Consolidated Balance Sheets

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

Assets	Yen in millions		U.S. dollars in thousands
	2015 As of March 31	2016 As of March 31	2016 As of March 31
Current assets:			
Cash and deposits	¥ 37,758	¥ 37,918	\$ 335,558
Notes and accounts receivable	42,976	34,361	304,080
Securities	14	14	124
Inventories	12,746	12,937	114,495
Deferred tax assets	2,108	1,542	13,652
Other current assets	1,740	1,561	13,820
Allowance for doubtful accounts	(70)	(59)	(524)
Total current assets	97,274	88,276	781,208
Property, plant and equipment:			
Land	5,805	5,787	51,214
Buildings and structures	46,418	48,179	426,368
Machinery, equipment and others	146,302	152,057	1,345,642
Construction in progress	6,273	9,404	83,222
Less: Accumulated depreciation and impairment loss	(143,275)	(150,350)	(1,330,531)
Net property, plant and equipment	61,525	65,078	575,914
Investments and long-term loans receivable:			
Investment securities	2,881	2,652	23,469
Shares of subsidiaries and associates	1,019	1,019	9,021
Long-term loans receivable	1,210	1,132	10,025
Total investments and long-term loans receivable	5,112	4,804	42,516
Other assets:			
Net defined benefit asset	316	277	2,457
Deferred tax assets	3,082	3,080	27,263
Other assets	4,238	4,454	39,419
Allowance for doubtful accounts	(139)	(138)	(1,227)
Total other assets	7,498	7,674	67,912
Total assets	171,409	165,833	1,467,552

Liabilities and net assets	Yen in millions		U.S. dollars in thousands
	2015 As of March 31	2016 As of March 31	2016 As of March 31
Current liabilities:			
Short-term loans payable	¥ 9,357	¥ 8,856	\$ 78,378
Notes and accounts payable	33,283	31,525	278,982
Accrued expenses	6,088	4,783	42,329
Income taxes payable	2,886	591	5,232
Other current liabilities	1,918	2,634	23,311
Total current liabilities	53,535	48,390	428,234
Non-current liabilities:			
Long-term loans payable	14,943	8,084	71,543
Net defined benefit liability	3,506	4,196	37,141
Long-term accounts payable-other	92	82	730
Other non-current liabilities	362	451	3,995
Total non-current liabilities	18,904	12,815	113,410
Net assets:			
Capital stock			
At March 31, 2015 - Shares authorized: 350,000,000, shares issued: 92,302,608	10,690		
At March 31, 2016 - Shares authorized: 350,000,000, shares issued: 92,302,608		10,690	94,604
Capital surplus	14,486	14,497	128,293
Retained earnings	69,157	78,947	698,649
Less: Treasury shares			
At March 31, 2015 - 1,485,962 shares	(1,100)		
At March 31, 2016 - 1,456,426 shares		(1,093)	(9,678)
Valuation difference on available-for-sale securities	1,244	953	8,435
Foreign currency translation adjustment	3,696	1,106	9,792
Remeasurements of defined benefit plans	731	(576)	(5,099)
Subscription rights to shares	65	102	910
Total net assets	98,970	104,627	925,907
Total liabilities and net assets	171,409	165,833	1,467,552
Net assets per share	¥ 1,089.07	¥ 1,150.57	\$ 10.182

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 113=U.S.\$1

Consolidated Statements of Income and Retained Earnings

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

U.S. dollars
in thousands

	Yen in millions		U.S. dollars in thousands
	2015	2016	2016
Net sales	¥ 191,155	¥ 179,494	\$ 1,588,450
Cost of sales	144,438	139,922	1,238,252
Gross profit	46,717	39,572	350,197
Selling, general and administrative expenses	20,865	21,643	191,535
Operating income	25,851	17,928	158,662
Other income (expenses):			
Interest expenses	(124)	(115)	(1,020)
Interest and dividend income	106	127	1,128
Foreign exchange gains (losses)	(323)	12	106
Loss on retirement of non-current assets	(2,259)	(1,008)	(8,923)
Other, net	(96)	0	7
	(2,697)	(983)	(8,702)
Ordinary income	23,154	16,945	149,959
Extraordinary losses	1,621	—	—
Profit before income taxes	21,532	16,945	149,959
Income taxes-current	5,684	3,026	26,783
Income taxes-deferred	83	1,403	12,422
Profit	15,764	12,515	110,753
Profit attributable to owners of parent	15,764	12,515	110,753
Retained earnings:			
Balance at beginning of the year	56,485	69,157	612,011
Cumulative effects of changes in accounting policies	(1,277)	—	—
Restated balance	55,207	69,157	612,011
Add:			
Profit attributable to owners of parent	15,764	12,515	110,753
Deduct:			
Dividends of surplus	1,815	2,725	24,115
Balance at end of the year	69,157	78,947	698,649
Net income per share (*1)	¥ 173.64	¥ 137.77	\$ 1.219

(*1) Figures represents profit attributable to owners of the parent.

Consolidated Statements of Cash Flows

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

U.S. dollars
in thousands

	Yen in millions		U.S. dollars in thousands
	2015	2016	2016
Net cash provided by (used in) operating activities			
Profit before income taxes	¥ 21,532	¥ 16,945	\$ 149,959
Depreciation and amortization	19,867	17,683	156,492
Increase (decrease) in net defined benefit liability	(3,227)	741	6,566
Loss on retirement of non-current assets	2,259	1,008	8,923
Decrease (increase) in notes and accounts receivable-trade	(2,458)	6,750	59,741
Decrease (increase) in inventories	336	(594)	(5,260)
Increase (decrease) in notes and accounts payable-trade	(206)	(1,349)	(11,940)
Other, net	(6,488)	(6,241)	(55,237)
Net cash provided by (used in) operating activities	31,615	34,944	309,245
Net cash provided by (used in) investing activities			
Proceeds from withdrawal of time deposits	12	16	146
Payments into time deposits	(11)	(0)	(1)
Purchase of property, plant and equipment	(22,280)	(22,378)	(198,036)
Proceeds from sales of property, plant and equipment	126	34	304
Purchase of investment securities	(66)	(250)	(2,218)
Other, net	(1,694)	(970)	(8,591)
Net cash provided by (used in) investing activities	(23,914)	(23,548)	(208,397)
Net cash provided by (used in) financing activities			
Proceeds from long-term loans payable	10,000	—	—
Repayments of long-term loans payable	(5,397)	(7,359)	(65,126)
Cash dividends paid	(1,815)	(2,725)	(24,115)
Other, net	40	9	81
Net cash provided by (used in) financing activities	2,827	(10,075)	(89,160)
Effect of exchange rate change on cash and cash equivalents	1,805	(1,142)	(10,107)
Net increase (decrease) in cash and cash equivalents	12,334	178	1,579
Cash and cash equivalents at beginning of period	25,396	37,730	333,902
Cash and cash equivalents at end of period	37,730	37,909	335,481
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest expenses paid	125	115	1,020
Income taxes paid	7,705	5,283	46,752

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 113=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 ¥113=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: 8

The non-consolidated subsidiaries are as follows: JAE Business Support, Ltd., JAE Foods, Ltd., Hirosaki Hakko Co., Ltd., Meiyu - Giken 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 8 non-consolidated subsidiaries were excluded from the scope of consolidation because they are all small in terms of their total assets, net sales, profit and retained earnings, and would have no significant overall impact on the consolidated financial statements.

3. Application of equity method

The impact of the 8 non-consolidated subsidiaries and 2 affiliated companies on the consolidated profit 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 and prior service cost

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		U.S.dollars in thousands
	2015	2016	2016
(1) Selling, general and administrative expenses			
Main categories and amounts			
1. Packing and transportation expenses	¥ 2,847	¥ 2,903	\$ 25,694
2. Salaries and bonuses	7,590	7,741	68,509
3. Commission fee	2,177	2,282	20,200
4. Retirement benefit expenses	523	374	3,312
5. Depreciation	211	232	2,059
(2) R&D expenses included in administrative expenses and current manufacturing expenses			
General and administrative expenses	1,542	1,282	11,347
Current manufacturing expenses	7,677	7,894	69,861
Total	9,219	9,176	81,209

7. Relating to the Consolidated Statements of Cash Flows

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2015	2016	2016
Cash and deposits account	¥ 37,758	¥ 37,918	\$ 335,558
Time deposits that exceeds three months	(27)	(8)	(76)
Cash and cash equivalents	37,730	37,909	335,481

8. Pension and retirement plans

Outline of retirement schedule

JAE and some of our consolidated subsidiaries have mainly introduced the consolidated defined-benefit corporate group 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.

Some consolidated subsidiaries adopt a simplified method in calculating defined benefit obligations.

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		U.S.dollars in thousands
	2015	2016	2016
Balance at beginning of year	¥ 26,081	¥ 28,662	\$ 253,651
Cumulative effects of changes in accounting policies	1,983	—	—
Restated balance	28,065	28,662	253,651
Service cost	1,247	1,298	11,489
Interest cost	323	317	2,809
Actuarial losses	597	634	5,612
Benefit paid	(1,691)	(1,887)	(16,706)
Others	120	(86)	(761)
Balance at end of year	28,662	28,938	256,095

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

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2015	2016	2016
Balance at beginning of year	¥ 21,535	¥ 25,326	\$ 224,129
Expected return on pension assets	536	631	5,584
Actuarial (gains) losses	2,215	(1,337)	(11,837)
Contributions from the employer	2,642	2,258	19,987
Benefit paid	(1,691)	(1,887)	(16,706)
Others	87	(63)	(564)
Balance at end of year	25,326	24,926	220,592

(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		U.S.dollars in thousands
	2015	2016	2016
Balance at beginning of year	¥ (1)	¥ (145)	\$ (1,290)
Periodic benefit cost	2	194	1,725
Benefit paid	—	(2)	(26)
Contributions paid to pension plan	(149)	(131)	(1,159)
Others	2	(7)	(66)
Balance at end of year	(145)	(92)	(818)

(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		U.S.dollars in thousands
	2015	2016	2016
Funded defined benefit obligations	¥ 29,525	¥ 29,898	\$ 264,588
Pension assets	(26,505)	(26,103)	(231,006)
	3,019	3,794	33,582
Unfunded defined benefit obligations	170	124	1,102
Net liability and asset recorded on the consolidated balance sheet	3,190	3,919	34,684
Net defined benefit liability	3,506	4,196	37,141
Net defined benefit asset	(316)	(277)	(2,457)
Net liability and asset recorded on the consolidated balance sheet	3,190	3,919	34,684

Note) Includes plan that adopt a simplified method

(5) Components of periodic benefit costs

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2015	2016	2016
Service cost	¥ 1,247	¥ 1,298	\$ 11,489
Interest cost	323	317	2,809
Expected return on pension assets	(536)	(631)	(5,584)
Recognized actuarial losses	236	125	1,112
Amortization of prior service cost	(223)	(128)	(1,137)
Recognized transition obligation	515	—	—
Periodic benefit cost in simplified method	2	194	1,725
Periodic benefit costs of defined benefit plan	1,565	1,176	10,413

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

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2015	2016	2016
Prior service cost	¥ (223)	¥ (128)	\$ (1,137)
Actuarial (gains) losses	1,854	(1,846)	(16,338)
Others	524	—	—
Total	2,156	(1,974)	(17,476)

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

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2015	2016	2016
Unrecognized prior service cost	¥ (128)	¥ —	\$ —
Unrecognized actuarial (gains) losses	(1,076)	769	6,809
Others	—	—	—
Total	(1,205)	769	6,809

(8) Items relating to pension assets**1. Components of pension assets by major categories**

Years ended March 31	2015	2016
Japanese bonds	26.9%	27.7%
Foreign bonds	7.0%	6.3%
Japanese equities	20.5%	21.7%
Foreign equities	19.2%	17.7%
General account	17.0%	18.3%
Others	9.4%	8.3%
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	2015	2016
Discount rate	1.0%	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		U.S.dollars in thousands
	2015	2016	2016
Required contribution amount to the defined contribution plan of consolidated subsidiaries	¥ 104	¥ 121	\$ 1,071