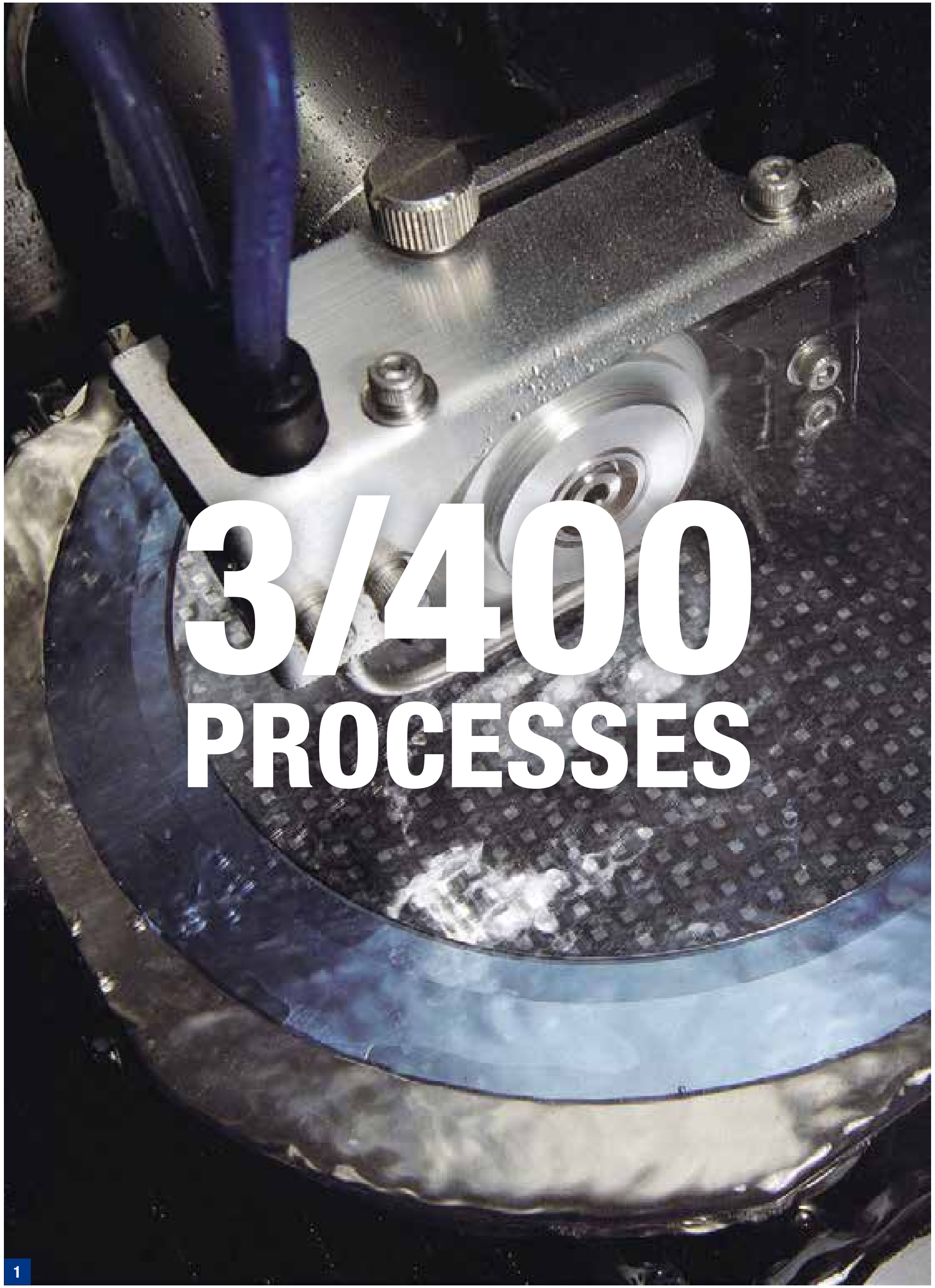
DISCO CORPORATION

CLEARLY ESSENTIAL

DISCO
Kiru·Kezuru·Migaku Technologies

Annual Report 2015 For the year ended March 31, 2015



DOING WHAT WE DO BEST

Semiconductor fabrication is divided into 400 different processes, of which Disco handles just three—Kiru (cutting), Kezuru (grinding) and Migaku (polishing). Disco will continue to contribute to society by specializing in just these three areas, and by developing the most advanced technologies for each of these processes.

Resolute Focus on Just Three of 400 Semiconductor Fabrication Processes

DISCO's Kiru (cutting) technology allows materials to be cut into tiny pieces with a margin of error of one micrometer (μm), or one-thousandth of a millimeter. With this level of precision, the cross-section of a single strand of hair can be divided into 35 pieces.

With our Kezuru (grinding) technology, we can achieve thicknesses that are accurate to within 5 μm compared to the 100 μm thickness of a piece of copy paper.

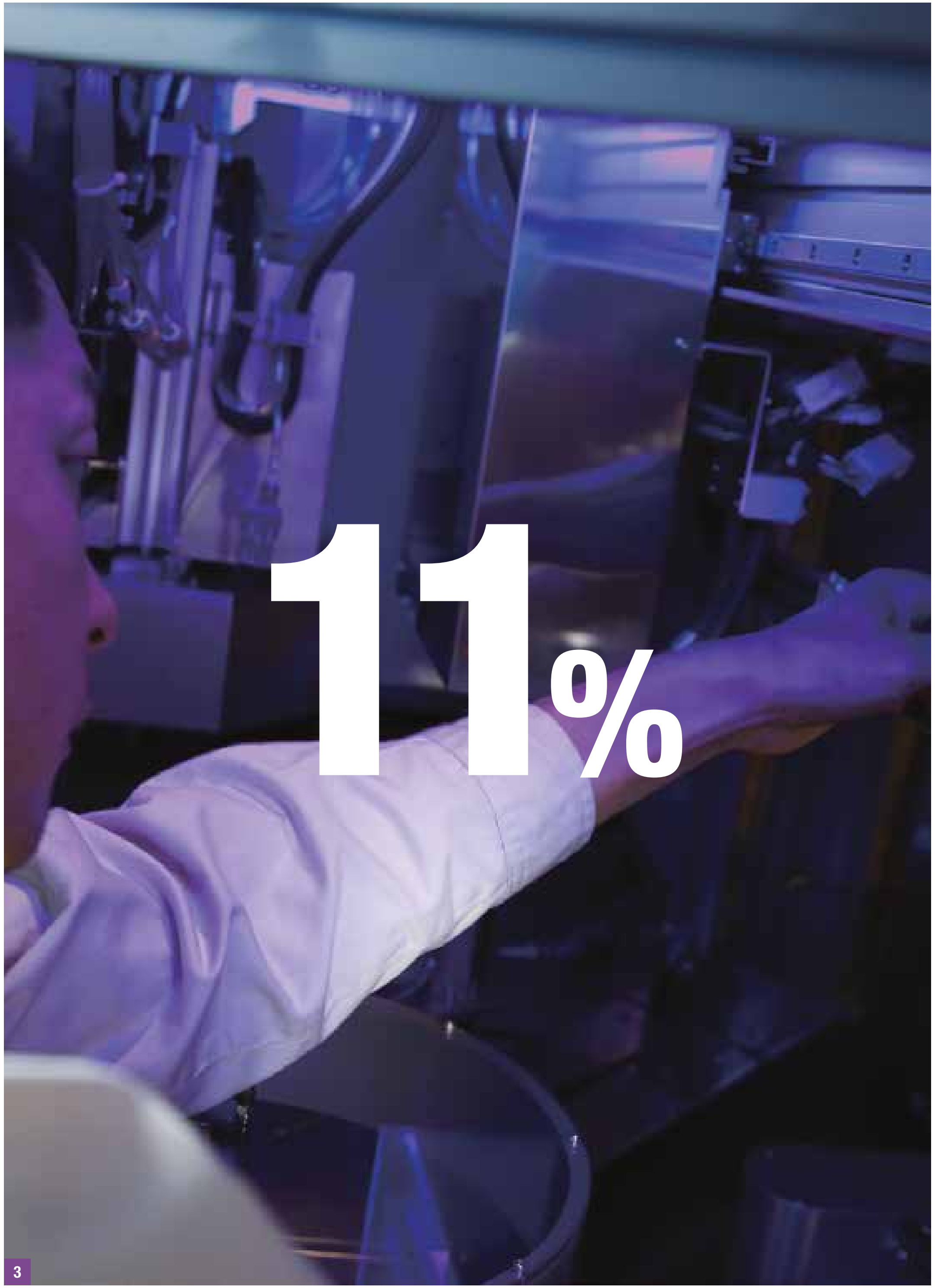
Our Migaku (polishing) technology allows us to polish materials to mirror-like perfection, thereby enhancing their resistance to cracking.

WINNING ON REPUTATION

DISCO aims not simply to sell products, but to be a total solutions provider capable of providing customers with the processing results that they need. Our unmatched success in turning this concept into reality has allowed us to maintain our share of the markets in which DISCO products are sold at an average of 70%.

Our Share in World Semiconductor Cutting and Grinding Equipment Markets Averages 70%

DISCO values customer feedback. Feedback is shared within the company, and the relevant departments, including marketing, technical and service staff, work together to take any actions that may be required. Our efforts to offer optimized solutions begin with in-depth analyses of each customer's needs. We believe that genuine customer satisfaction is achieved through constant efforts to create win-win situations as the basis for continuing relationships based on trust.



DEVELOPING A STRONG FUTURE

We actively invest in research and development, which we regard as essential to future growth. The speed of the development cycle is a particular priority because of its importance to our ability to respond quickly and flexibly to customer needs. In fiscal 2014, the ratio of R&D expenses to net sales was 11%. Our future business development will continue to be guided by our commitment to leadership in research and development.


Maintaining Competiveness through R&D

Our R&D Center is located at DISCO's corporate headquarters. Within the R&D Center, research and testing facilities are placed alongside offices, to allow the results of tests conducted by engineers to be shared quickly with those responsible for the next stage of development. Particular importance is placed on inspiration and experimentation.

KEY STRATEGIC INITIATIVE

DISCO's test cut system is an experimentation service that allows customers to submit wafers that they wish to process, then work together with DISCO's engineers through a process of trial and error until the desired results are achieved. Although the test cutting service is provided entirely free of charge, it has become an important part of our business strategy because of the potential to create new technologies and products through this process of finding solutions.

Sharpening the Customers' Leading Edge

Test cuts are carried out in the Application Lab, a dedicated facility located within the R&D center at DISCO's corporate headquarters. Staffed by almost 50 specialized engineers, this facility has over 70 smaller labs with various types of equipment.

DISCO engineers use their accumulated expertise to suggest optimal combinations from among 50 models of precision processing equipment and tens of thousands of precision processing blades and wheels. They also help customers to find "processing recipes" based on the best possible combinations of parameters.

FORTIFYING OUR RELIABILITY

We are determined to ensure that DISCO products can be supplied reliably to our customers in the semiconductor fabrication industry. We installed seismic base isolation systems in Building A of the R&D Center at our corporate headquarters, which was completed in 2004. We have since installed these systems in all of our facilities, including Building B of the R&D Center, the Kuwabata Plant, where precision processing equipment is manufactured, and the Kure Plant, where we produce precision processing blades and wheels. We have also established systems to ensure an early resumption of operations in the event of emergencies.


Seismic Base Isolation Structures Installed at All Facilities

In January 2015, we completed a new building at the Kuwabata Plant in Hiroshima Prefecture. We manufacture precision processing equipment, blades, and wheels at Kuwabata. The new building was designed with a seismic isolation structure to minimize the effect of earthquakes. DISCO has gained a large share of the world market for precision processing blades and wheels, and supply problems would have a major impact on world semiconductor production. By building a reliable supply structure, we aim to ensure that manufacturers will feel reassured in trading with DISCO.

TOWARD THE REALIZATION OF THE MISSION

Mission:

Bringing science to comfortable living through advanced *Kiru*, *Kezuru*, *Migaku* technologies.

cutting grinding polishing

Contents

Performance Results

Net Sales	Operating Income	ROE
20.0% up YoY	54.2% up YoY	4.2 points up YoY
¥125.9 billion	¥26.8 billion	14.7%

Basic Net Income per Share	Cash Dividends per Share
¥223.16 up YoY	¥70 up YoY
¥580.71	¥160

Record net sales in two successive years

- Expanding demand for LED packages and a wide range of other applications
- Continuing strong commitment to R&D

New records for operating income and net income

- Due in part to the weak yen

One-third of surplus allocated to shareholder returns

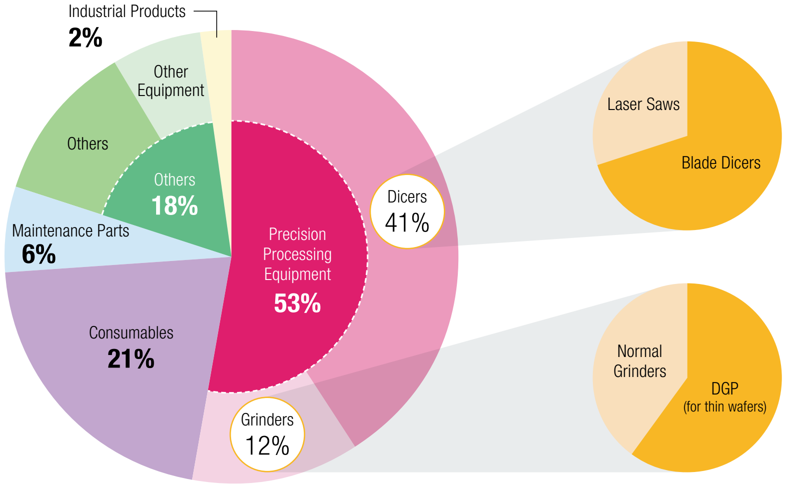
- Breather from large-scale capital investment

New building completed at Kuwabata Plant

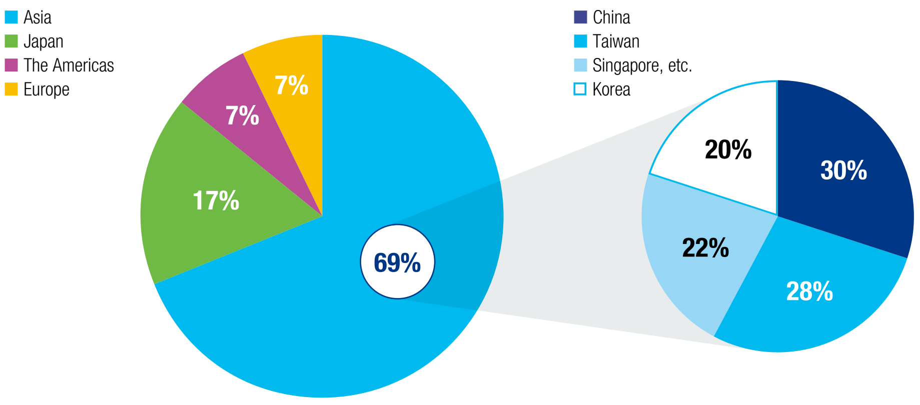
- New earthquake-resistant building constructed in preparation for future demand growth

Sales in China higher than sales in Taiwan for the first time

Product Sales Breakdown

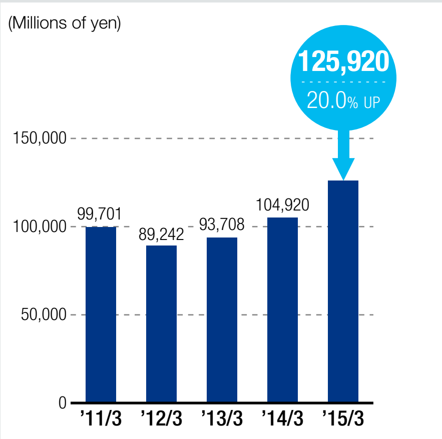


Regional Sales Breakdown

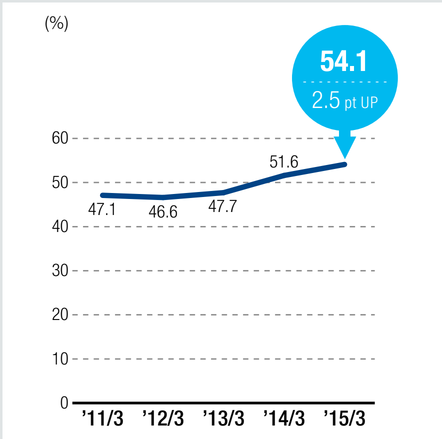


Financial Highlights

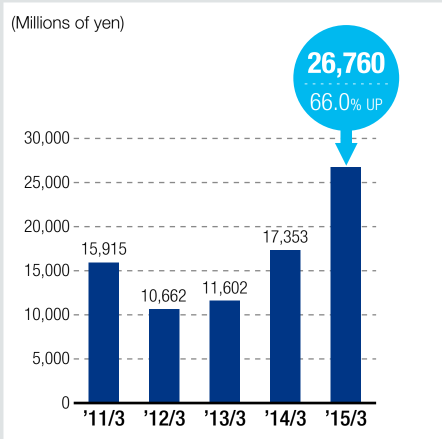
Net Sales



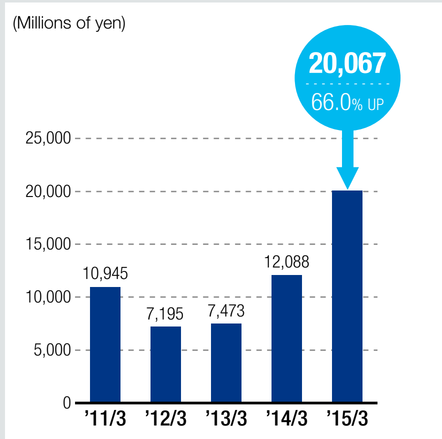
Gross Profit Margin



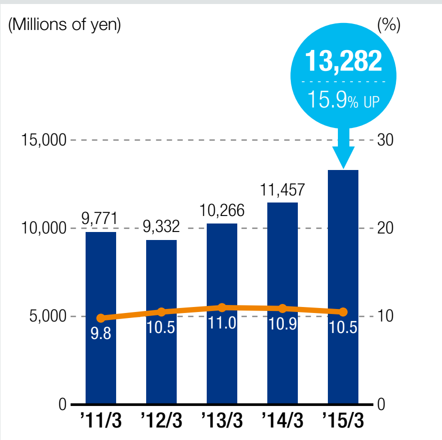
Operating Income



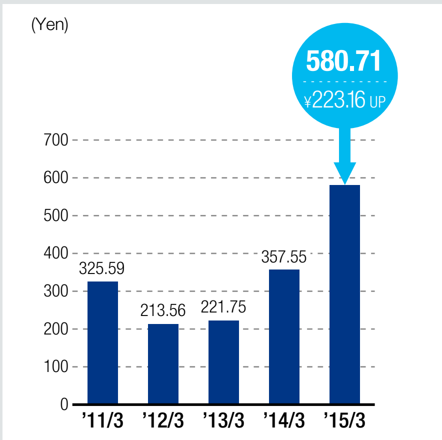
Net Income



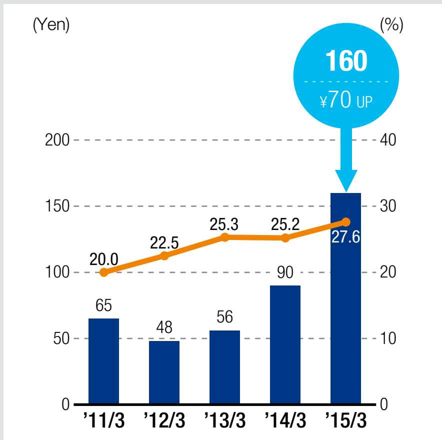
R&D Expenses
R&D Expense to Net Sales Ratio



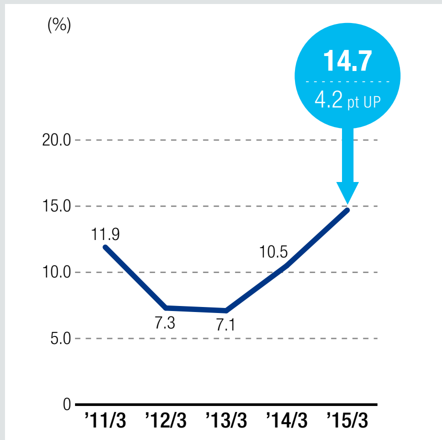
Basic Net Income per Share



Cash Dividends per Share
Dividend Payout Ratio



ROE



Technological trends keyed on semiconductors, and the general rise in economic prosperity around the world bode well regarding continued demand for our sophisticated and highly focused technologies and customer services.

Kazuma Sekiya,
President and COO

Q What is your personal view of the financial results for the year ended March 2015?

A The expanding global demand for smartphones and other mobile devices was reflected in an increasing need to produce thinner and smaller semiconductor and electronic components. There was increased demand for a wide range of applications, including flash memory, high-frequency devices, and LED packages. DISCO specializes in technologies used in Kiru (cutting), Kezuru (grinding) and Migaku (polishing) processes, which are used in an extremely wide range of manufacturing activities. As a result, the scope of our business activities continues to expand. For example, DISCO offers consultation about processing methods when customers start to develop new devices, and also provides solutions to meet customer requirements. Because we provide satisfaction, customers come back to us with new inquiries. I attribute our latest financial results to the efficient functioning of this cycle.

Q Good corporate governance is vital to sustainable growth. What are your thoughts on governance?

A "What is right is more important than who is right" is one of the elements of our corporate philosophy, which we call the "DISCO Values." These shared DISCO Values form the core of our approach to corporate governance. This philosophy guides our efforts to maximize the achievability of our mission and improve our ability to exchange value with stakeholders, including shareholders, customers, and employees. This year, we further strengthened our governance structure by appointing a second external director.

Q This year, for the first time, you have used your surplus to pay additional returns to shareholders through a supplementary dividend. Would you comment on that decision?

A In addition to our existing dividend policy, which links shareholder returns to our financial performance, we used part of the surplus that remained at the end of the fiscal year to pay a supplementary dividend. This brought the total dividend, including the supplementary dividend, to ¥160.

In previous years we have undertaken major capital investment with the aim of strengthening our business continuity management and production structure. However, the completion of the new building at the Kuwabata Plant will be followed by a hiatus in our facility expansion activities. Going forward, we aim to achieve a balance between growth investment and shareholder returns by using surplus funds to provide supplementary dividends, while also ensuring that we have the funds needed for mergers and acquisitions, and R&D relating to advanced technology, as well as ample cash-in-hand as working capital.

Q To conclude, what is your outlook for the semiconductor industry?

A Advances in science and technology are helping humanity to achieve better lifestyles and create more comfortable environments. I expect this progress to continue, leading to further growth in the areas in which semiconductors are used. Conventional wisdom suggests that emerging countries will continue to develop economically, leading to increased consumption of semiconductors and electronic components. I also anticipate further expansion of demand in areas such as automotive electronics and wearable devices. In the automobile sector, for example, I expect efforts to develop driverless technology and improved safety systems to make significant progress in the years ahead. Because of their role in ensuring safety, sensors and IC chips installed in motor vehicles need to meet the highest quality standards. I therefore expect this trend to result in a growing need for sophisticated Kiru (cutting), Kezuru (grinding) and Migaku (polishing) technologies. I also expect large quantities of low-cost semiconductor products to be used in wearable consumer items for everyday use, such as clothes. Infact, I predict that the development of new applications for semiconductor and electronic components will accelerate.

Performance-linked

The interim and final dividends are linked to financial performance through our policy of allocating 25% of consolidated net income in the first and second halves of each fiscal year to dividends.

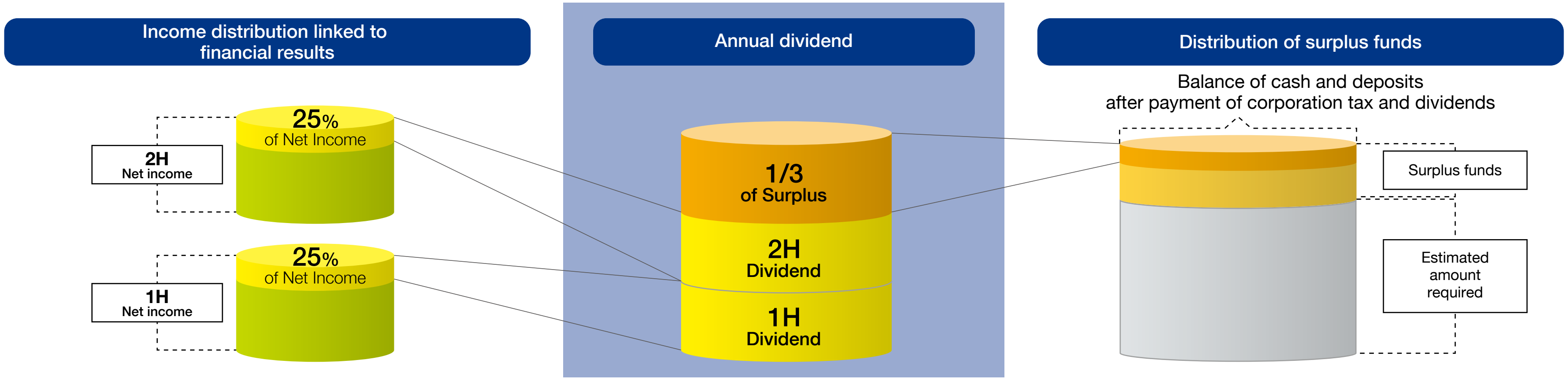
Stable

Our policy also calls for dividend reliability, and we pay minimum half-yearly dividends of ¥10, or ¥20 per annum, irrespective of trends in our financial performance. However, this policy may be reviewed if there is a consolidated net loss in three successive fiscal years.

Distributed Surpluses

Except when there is a deficit at the end of the fiscal year, our policy is to distribute an additional dividend equivalent to one-third of any surplus funds remaining in excess of our estimated requirements, after payment of dividends and corporation taxes.

Income Distribution



Use of Surplus Funds for Income Distribution

If cash and deposits at the end of the fiscal year are in excess of the estimated amount required, our income distribution policy in the event that there are surplus funds provides for the distribution of one-third of the surplus as an additional dividend (except when there is a loss).

Our estimated funding requirements consist of funds to purchase technology licenses and other items, facility expansion funds, funds for use in the repayment of interest-bearing debt, final dividends, corporation taxes, and operating funds for two months.

¥15 Supplementary Dividend

Surplus funds at the end of fiscal 2014 amounted to ¥52.2 billion. After the deduction of our estimated funding requirements of ¥50.6 billion, there was a surplus of ¥1.6 billion, of which one-third will be distributed to shareholders at the rate of ¥15 per share.

Overview

Demand for smartphones and other mobile devices continued to expand in fiscal 2014 (the year ended March 31, 2015). This demand provided ample incentive for strong capital investment within the semiconductor and electronic component industries (the main focus of DISCO's business activities) and manufacturers invested actively in related equipment and facilities.

We responded to this situation by proactively marketing our precision processing equipment and precision processing blades and wheels, particularly to semiconductor and electronic component manufacturers in Japan and overseas. Demand for precision cutting equipment expanded across a wide range of applications, including systems for use in the processing of flash memories and other IC products, and electronic components, such as LED packages. Sales of blade dicers had a year-on-year increase of 60%, and 30% for laser saw sales. The total dicer sales were about 50% above that of the previous year. Demand for precision polishing and grinding equipment remained firm due to strong demand for applications used to produce thinner products, and total grinder sales were similar to the total in fiscal 2013. Sales of precision processing blades and wheels (which are supplied as consumables) were strong throughout the year, and had an 18% year-on-year increase.

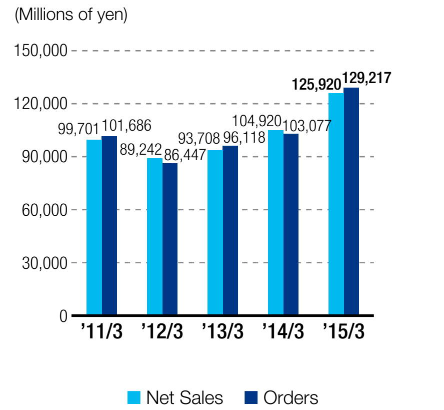
These trends resulted in increased growth in both net sales and income compared to the previous year.

Orders Received and Net Sales

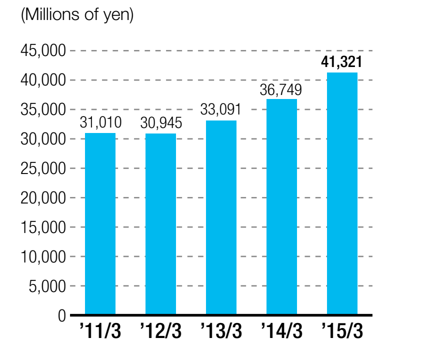
DISCO's business activities focus mainly on the semiconductor final assembly stage, and urgent inquiries account for a high percentage of transactions. This is reflected in basically synchronous trends in orders and sales. An analysis of net sales and orders over the past three years shows that our customers tend to concentrate their capital investment in the first half of the year in preparation for the year-end sales season. This is followed by an adjustment phase in the third quarter, and a marked recovery in the fourth quarter. Over the whole year, this pattern results in a cycle of strong and weak phases.

This pattern of strong and weak trends was also evident in fiscal 2014. However, the emergence of multiple applications, including LED packages, meant that we were able to maintain a high amount of orders compared to most years. As a result, orders had a 25.3% year-on-year increase to ¥129,217 million.

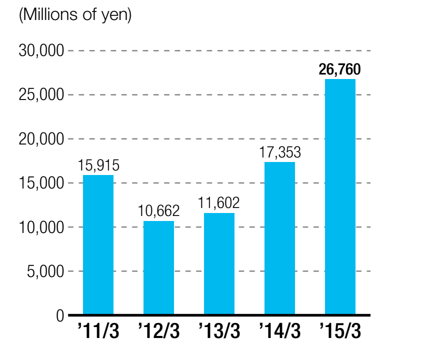
Net Sales
Orders



SG&A Expenses



Operating Income



Net sales for fiscal 2014 set a new record for the second consecutive year, with a 20.0% increase to ¥125,920 million.

Effect of Exchange Rate Trends

We estimate our sensitivity to exchange rate movements at just under ¥500 million for every one-yen change in the yen-U.S. dollar exchange rate. Both net sales and income are affected. Yen-denominated transactions make up around 50% of our net sales, with U.S. dollar transactions accounting for the other 50%. Costs are almost entirely yen-based, since all of our production plants and most of our suppliers are located in Japan. The effective U.S. dollar exchange rate was ¥109.1 in fiscal 2014.

Yen–U.S. Dollar Exchange Rate

FY10	FY11	FY12	FY13	FY14	FY15 (Estimated)
¥86.0	¥79.1	¥82.1	¥99.7	¥109.1	**¥115.0**

Costs and Profits

Sales growth resulted in a 13.8% year-on-year increase in sales costs, which totaled ¥57,839 million. The gross profit ratio rose by 2.5 points to 54.1%, mainly due to the effect of the exchange rate.

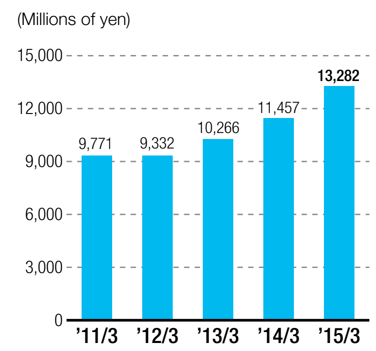
Sales, general, and administrative expenses were 12.4% higher year on year at ¥41,321 million. The increase was attributable mainly to higher labor costs and a rise in variable costs, due to the growth in net sales and higher R&D expenditure.

R&D expenditure increased by 15.9% of that of the previous year to ¥13,282 million. The main focus of our R&D activities is the development of advanced Kiru (cutting), Kezuru (grinding) and Migaku (polishing) technologies, especially in laser applications. The ratio of R&D expenditure to net sales decreased by 0.4 points to 10.5%.

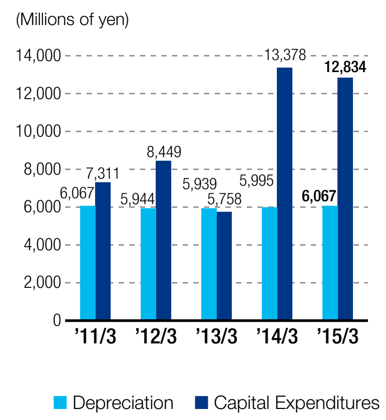
These factors resulted in a 54.2% year-on-year increase in operating income, which totaled ¥26,760 million. The operating income margin rose by 4.4 points to 21.3%.

Capital investment included the construction of a new building at the Kuwabata Plant. Other items included rationalization investments and the purchase of R&D equipment. We have reached the end of the present phase of large-scale capital

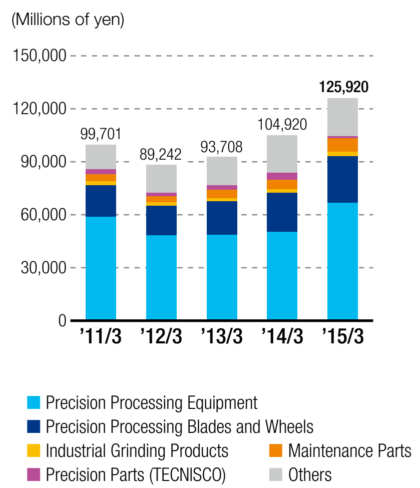
R&D Expenses



Depreciation Capital Expenditures



Sales Breakdown by Product



investments, and in fiscal 2014, investment was ¥544 million lower year on year at ¥12,834 million. Depreciation was similar to the previous year's level at ¥6,067 million.

Geographical Segment Information

Our sales in Europe were lower in fiscal 2014, but sales in Japan increased for the first time in three years. Sales in North America and Asia remained strong.

Asia is a key center for the mass-production of semiconductor products. In fiscal 2014, its contribution to net sales increased by 2.52 points year on year, reaching 63.3%. Within Asia, there was a substantial increase in sales to China, which moved into first place ahead of Taiwan, Singapore, and South Korea.

A breakdown of overseas sales shows that sales in Asia increased by 30.2% year on year to ¥86,464 million, and sales in North America by 19.8% to ¥8,786 million. However, sales in Europe were 33.5% lower at ¥8,684 million. Although sales in North America and Europe are small compared to our Asian sales, we regard them as important markets because of the large number of advanced research facilities in the semiconductor and electronic component fields.

In fiscal 2014, the contribution of overseas sales to total consolidated net sales was 0.2 points lower year on year, dropping to 82.5%.

Note: Net sales are divided into countries and regions based on the location of the customer.

Other Income and Expenses

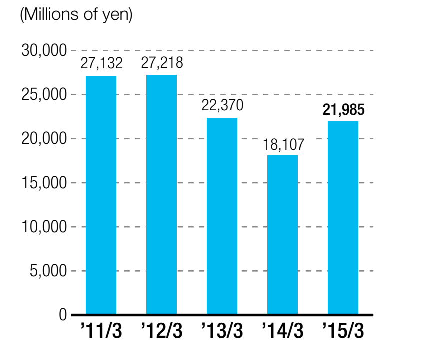
Total other income increased by ¥1,100 million year on year to ¥1,919 million. The increase resulted from a sale of Tecnisco, Ltd., an affiliate.

Total other expenses were ¥316 million more than the previous year at ¥1,182 million. This resulted from impairment losses on idle assets at Imba-Gun, Chiba Prefecture, and an increase in compensation payments.

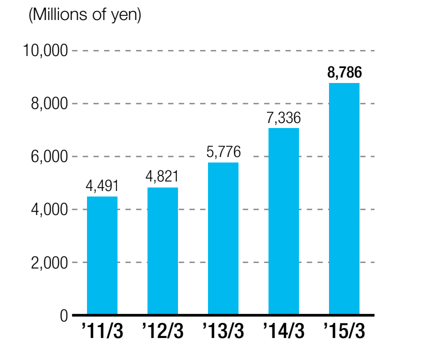
Income Before Income Tax and Net Income

Income before income taxes and minority interests had a 58.9% year-on-year increase to ¥27,497 million. Although income taxes were 43.6% higher at ¥7,409 million, the effective tax rate after accounting for income tax was 26.9% lower than the previous

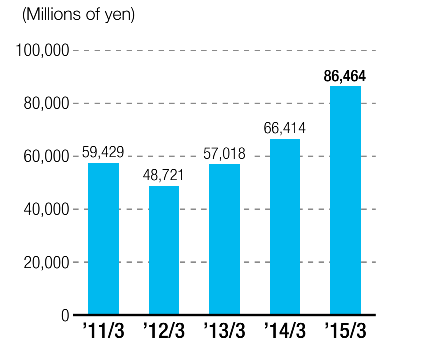
Japan



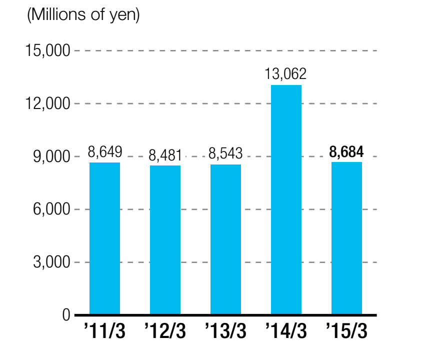
North America



Asia



Europe



year. The main reason for the lower rate was an increase in deductibles due to our active R&D expenditure.

As a result, net income had a 66.0% year-on-year increase, reaching a new record of ¥20,067 million. The ratio of net income to net sales was 4.4 points higher at 15.9%. Net income per share amounted to ¥580.71, compared with ¥357.55 in fiscal 2013. ROE improved by 4.2 points to 14.7%.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities increased by 69.3% year on year to ¥25,192 million. The main factors were increased inflows, including substantially higher net income before income taxes and minority interests (which amounted to ¥27,497 million), an increase in accounts payable, and reduced outflows resulting from increases in inventory assets, payment of incomes taxes, etc.

Cash Flows from Investing Activities

Net cash used for investing activities was 69.9% lower year on year at ¥3,938 million. Expenditure items included the acquisition of tangible fixed assets, such as the construction of a new building at the Kuwabata Plant. Cash inflows resulted from the withdrawal of term deposits and the selling of Tecnisco, Ltd. shares.

Cash Flows from Financing Activities

Net cash used for financing activities amounted to ¥1,467 million (a year-on-year decrease of 33.2%). The main expenditure was the payment of dividends.

Cash and Cash Equivalents

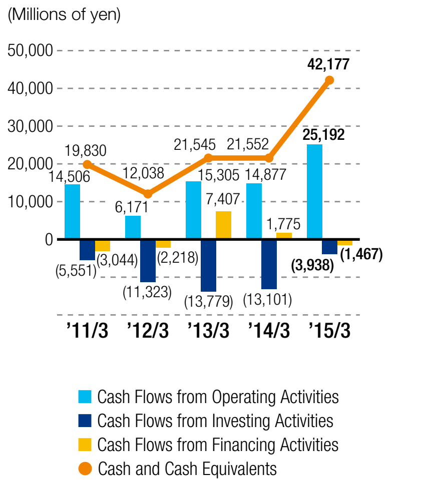
Cash and cash equivalents as of March 31, 2015 amounted to ¥42,177 million (an increase of ¥20,625 million from the previous year). Free cash flows, which are the sum of net cash provided by operating activities and net cash from investing activities, amounted to ¥21,254 million.

Financial Position

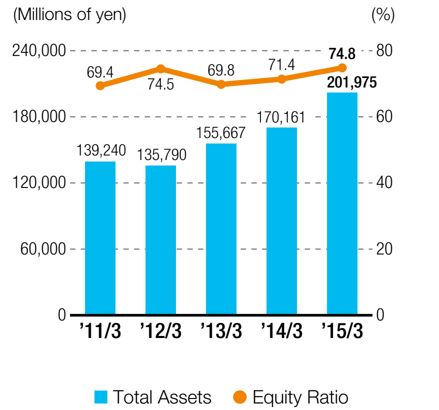
Assets

Total assets as of March 31, 2015 amounted to ¥201,975 million (an increase of ¥31,813 million compared with March 31,

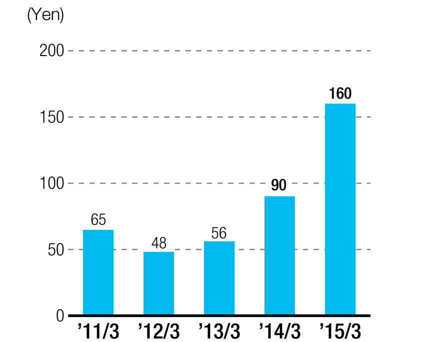
Cash Flows, and Cash and Cash Equivalents



Total Assets Equity Ratio



Cash Dividends



2014). This resulted mainly from increases in inventories and tangible fixed assets, as well as a substantial rise in cash and cash equivalents.

Liabilities

Liabilities have increased by ¥3,351 million to ¥50,056 million as of March 31, 2015. The main factors affecting this total were the conversion of all convertible bonds into shares, and increases in trade accounts payables and accrued income tax.

Net Assets

Net assets increased by ¥28,462 million from March 31, 2014 to ¥151,918 million. This caused the shareholders' equity to rise by 3.4 points to 74.8%.

Business Risks and Other Risk Factors

Described below are some of the risk factors that could affect the DISCO Group, including its business activities and financial situation, or influence decisions by investors.

(1) Fluctuations in the Semiconductor Market

The DISCO Group manufactures and sells products to manufacturers of semiconductors and electronic components throughout the world and is therefore affected by trends in the capital investment and production activities of its customers. The semiconductor market in particular is subject to changes in the supply-demand balance, and the business performance of semiconductor manufacturers is affected by the pattern known as the silicon cycle. The performance of the DISCO Group may be adversely affected if customers freeze capital investment, reduce production or take other actions during the downward phase of this cycle or when other unforeseen market fluctuations occur.

(2) Emergence of New Technologies

The DISCO Group concentrates primarily on the manufacture and sale of semiconductor cutting and grinding equipment and precision tooling such as precision diamond blades and grinding wheels for use in silicon wafer processing. If a processing technology emerges to challenge precision diamond tooling in the future, the DISCO Group's business performance may be adversely affected. The DISCO Group also develops and sells laser saws, which can be used on materials that are difficult to cut with precision diamond tooling.

(3) Disasters

The corporate headquarters and R&D center of the DISCO Group are located in Ota Ward, Tokyo, and its production facilities in Hiroshima and Nagano Prefectures. We are continually enhancing our business continuity management (BCM) systems, but corporate systems and production operations could be affected by a major disaster, outbreak of a new strain of influenza or other contingencies.

(4) Exchange Rate Fluctuations

The DISCO Group manufactures products in Japan and exports them to manufacturers of semiconductor and electronic parts in various parts of the world. Transactions are normally denominated in yen, but transactions in some regions and with some customers need to be settled in U.S. dollars or other foreign currencies. This means that the business performance of the DISCO Group could be affected by exchange rate fluctuations.

(5) Environmental Regulations

The company group is influenced by environmental laws and regulations for CO_2 emissions, water quality, chemicals,waste, and other various environmental issues. These environmental regulations are becoming increasingly strict everyyear. The company endeavors not just to uphold those laws, but also strives to reduce the risk that business activities haveon the environment by meeting the mid-term environmental goals defined under our "Environmental Vision 2020". In order tores-pond to these stricter environmental laws, as well as any additional responsibilities, there is a risk of increased costs,which may affect the company group financial situation.

(6) Other Risks

In addition to the risk factors listed above, the business performance of the DISCO Group could also be adversely affected by global and local economic conditions, natural disasters, war or terrorism, trends in financial and capital markets, laws and government regulations, product defects, issues relating to suppliers and problems with intellectual property rights.

Disclaimer regarding forward-looking statements

Any plans, predictions, strategies and beliefs in this annual report, other than those of historical fact, are forward-looking statements about the future performance of DISCO Corporation based upon management's assumptions and beliefs in light of information currently available. Actual results may differ substantially from those anticipated in these statements. Potential uncertainties include, but are not limited to, the cyclical nature of the semiconductor market; the increasingly horizontal international division of labor in the semiconductor manufacturing process; the concentration of the Company's business among certain customers; the emergence of new technologies; the Company's product development capabilities; the Company's ability to acquire and cultivate key human resources; exchange rate fluctuations; and other factors.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 42,177	¥ 21,552	$ 350,985
Notes and accounts receivable–trade:			
Trade	35,079	32,028	291,918
Unconsolidated subsidiaries and associated companies	35	361	292
Allowance for doubtful receivables	(220)	(189)	(1,832)
Inventories	33,495	26,740	278,730
Deferred tax assets	3,875	2,803	32,248
Prepaid expenses and other current assets	15,179	13,512	126,317
Total current assets	129,622	96,809	1,078,660
PROPERTY, PLANT AND EQUIPMENT:			
Land	13,136	13,088	109,313
Buildings and structures	54,632	44,651	454,627
Machinery and equipment	36,834	35,620	306,518
Tools, furniture and fixtures	5,264	5,244	43,807
Construction in progress	3,252	9,257	27,065
Total	113,119	107,862	941,332
Accumulated depreciation	(46,925)	(44,799)	(390,488)
Net property, plant and equipment	66,194	63,063	550,843
INVESTMENTS AND OTHER ASSETS:			
Investment securities	316	397	2,634
Investments in unconsolidated subsidiaries and associated companies	1,993	1,924	16,592
Leasehold land	—	215	—
Long-term deposits	1,200	5,200	9,985
Deferred tax assets	110	202	920
Bond issuance cost	—	3	—
Other	2,578	2,400	21,461
Allowance for doubtful receivables	(42)	(54)	(354)
Total investments and other assets	6,157	10,288	51,239
TOTAL	¥ 201,975	¥ 170,161	$ 1,680,744

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Notes and accounts payable–trade	¥ 20,103	¥ 12,031	$ 167,294
Current portion of long-term debt	1,816	9,949	15,116
Accrued expenses	5,649	4,644	47,012
Accrued income taxes	4,789	3,052	39,855
Other current liabilities	6,633	5,557	55,197
Total current liabilities	38,992	35,235	324,477
LONG-TERM LIABILITIES:			
Long-term debt	9,416	8,858	78,360
Net defined benefit liability	—	1,970	—
Other long-term liabilities	1,647	639	13,706
Total long-term liabilities	11,063	11,469	92,067
CONTINGENT LIABILITIES			
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Common stock, authorized 72,000,000 shares; number of shares issued, 35,704,271 shares in 2015 and 34,004,418 shares in 2014.	19,785	14,517	164,644
Additional paid-in capital	21,773	16,190	181,187
Retained earnings	106,329	89,203	884,821
Treasury stock—at cost, 3,823 shares in 2015 and 87,493 shares in 2014.	(10)	(235)	(86)
Total shareholders' equity	147,877	119,675	1,230,567
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Other securities valuation difference	—	17	—
Translation adjustments	3,240	1,864	26,964
Remeasurements of defined benefit plans	(57)	(142)	(480)
Total accumulated other comprehensive income	3,182	1,740	26,483
SHARE SUBSCRIPTION RIGHTS	795	1,219	6,618
MINORITY INTERESTS	63	821	530
Total net assets	151,918	123,456	1,264,199
TOTAL	¥ 201,975	¥ 170,161	$ 1,680,744

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
NET SALES	¥ 125,920	¥ 104,920	$ 1,047,854
COST OF SALES	57,839	50,818	481,311
Gross profit	68,081	54,102	566,542
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	41,321	36,749	343,857
Operating income	26,760	17,353	222,685
OTHER INCOME (EXPENSES):			
Interest and dividend income	77	76	640
Interest expense	(49)	(53)	(414)
Foreign exchange gain (loss)	(604)	(550)	(5,032)
Equity in earnings gain (loss) of associated companies	(34)	61	(286)
Royalty income	—	100	—
Subsidy income	244	353	2,034
Loss (gain) on sale or disposal of property, plant and equipment	4	(70)	37
Devaluation loss on investment securities	(21)	(38)	(178)
Impairment loss on property, plant and equipment	(125)	—	(1,040)
Special retirement expenses	(42)	(36)	(349)
Gain on sale on investment securities	51	0	429
Gain on sales of shares of subsidiaries and associates	658	—	5,479
Gain on reversal of subscription rights to shares	153	3	1,274
Compensation income	415	—	3,455
Compensation expenses	(86)	—	(719)
Other, net	96	105	804
	737	(47)	6,134
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	27,497	17,306	228,819
INCOME TAXES			
Income taxes–Current	7,777	5,852	64,720
Income taxes–Deferred	(368)	(692)	(3,063)
	7,409	5,159	61,656
INCOME BEFORE MINORITY INTERESTS	20,087	12,146	167,162
MINORITY INTERESTS IN INCOME (LOSS)	19	57	166
NET INCOME	¥ 20,067	¥ 12,088	$ 166,996

	Yen		U.S. dollars
	2015	2014	2015
AMOUNT PER SHARE OF COMMON STOCK:			
Net income			
Basic	¥ 580.71	¥ 357.55	$ 4.83
Diluted	561.50	340.22	4.67
Cash dividends applicable to the year	160.00	90.00	1.33

Consolidated Statements of Changes in Net Assets

Millions of yen

	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income			Share subscription rights	Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other securities valuation difference	Translation adjustments	Remeasurements of defined benefit plans			
BALANCE at MARCH 31, 2013	34,004,418	¥ 14,517	¥ 15,654	¥ 79,343	¥ (798)	¥ 12	¥ (128)	¥ —	¥ 1,223	¥ 731	¥ 110,556
Increase due to issuance of common stock											—
Cash dividend paid				(2,228)							(2,228)
Net income				12,088							12,088
Purchases of treasury stock					(2)						(2)
Disposal of treasury stock			535		565						1,101
Other											—
Net increase (decrease) during the year						5	1,993	(142)	(4)	89	1,941
BALANCE at MARCH 31, 2014	34,004,418	¥ 14,517	¥ 16,190	¥ 89,203	¥ (235)	¥ 17	¥ 1,864	¥ (142)	¥ 1,219	¥ 821	¥ 123,456
Cumulative effects of changes in accounting policies				**983**						**17**	**1,000**
Restated balance		**14,517**	**16,190**	**90,187**	**(235)**	**17**	**1,864**	**(142)**	**1,219**	**839**	**124,457**
Changes of items during period											
Increase due to issuance of common stock	**1,699,853**	**5,267**	**5,267**								**10,535**
Cash dividend paid				**(3,809)**							**(3,809)**
Net income				**20,067**							**20,067**
Purchases of treasury stock					**(1)**						**(1)**
Disposal of treasury stock			**315**		**226**						**541**
Change of scope of consolidation				**(116)**							**(116)**
Net increase (decrease) during the year						**(17)**	**1,376**	**84**	**(423)**	**(775)**	**243**
BALANCE at MARCH 31, 2015	**35,704,271**	**¥ 19,785**	**¥ 21,773**	**¥ 106,329**	**¥ (10)**	**¥ —**	**¥ 3,240**	**¥ (57)**	**¥ 795**	**¥ 63**	**¥ 151,918**

Thousands of U.S. dollars

	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income			Share subscription rights	Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other securities valuation difference	Translation adjustments	Remeasurements of defined benefit plans			
BALANCE at MARCH 31, 2014	34,004,418	$ 120,807	$ 134,726	$ 742,314	$ (1,961)	$ 149	$ 15,512	$ (1,181)	$ 10,144	$ 6,837	$ 1,027,349
Cumulative effects of changes in accounting policies				**8,180**						**146**	**8,327**
Restated balance		**120,807**	**134,726**	**750,495**	**(1,961)**	**149**	**15,512**	**(1,181)**	**10,144**	**6,983**	**1,035,677**
Changes of items during period											
Increase due to issuance of common stock	**1,699,853**	**43,837**	**43,837**								**87,674**
Cash dividend paid				**(31,699)**							**(31,699)**
Net income				**166,996**							**166,996**
Purchases of treasury stock					**(11)**						**(11)**
Disposal of treasury stock			**2,623**		**1,886**						**4,510**
Change of scope of consolidation				**(970)**							**(970)**
Net increase (decrease) during the year						**(149)**	**11,451**	**701**	**(3,526)**	**(6,453)**	**2,022**
BALANCE at MARCH 31, 2015	**35,704,271**	**$ 164,644**	**$ 181,187**	**$ 884,821**	**$ (86)**	**$ —**	**$ 26,964**	**$ (480)**	**$ 6,618**	**$ 530**	**$ 1,264,199**

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
OPERATING ACTIVITIES:			
Net income	¥ 20,067	¥ 12,088	$ 166,996
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,067	5,995	50,488
Loss on sale or disposal of property, plant and equipment	(4)	70	(37)
Devaluation loss (gain) on investment securities	21	38	178
Impairment of fixed assets	125	—	1,040
Equity in earnings (losses) of associated companies	34	(61)	286
Loss (gain) on sales of shares of subsidiaries and associates	(658)	—	(5,479)
Decrease (Increase) in notes and accounts receivable–trade	(1,227)	(5,917)	(10,213)
Decrease (Increase) in inventories	(5,724)	2,034	(47,636)
Increase (Decrease) in notes and accounts payable–trade	8,023	(737)	66,768
Increase (Decrease) in accrued income taxes	1,256	318	10,453
Increase (Decrease) in accrued bonus	771	986	6,419
Increase (Decrease) in allowance for doubtful receivables	(5)	113	(47)
Increase (Decrease) in allowance for warranty cost	95	135	791
Increase (Decrease) in accrued retirement benefits	—	(1,800)	—
Increase (Decrease) in net defined benefit liability	(2,169)	1,970	(18,050)
Increase (Decrease) in accounts payable–non trade	(595)	755	(4,958)
Other, net	(884)	(1,114)	(7,363)
Net cash provided by operating activities	¥ 25,192	¥ 14,877	$ 209,638

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	¥ (10,644)	¥ (12,725)	$ (88,581)
Proceeds from sales of property, plant and equipment	308	23	2,563
Net decrease (increase) in short-term loans receivable	(2)	(699)	(20)
Payments of long-term loans receivable	(0)	(1)	(5)
Payments into time deposits	—	(10,023)	—
Proceeds from withdrawal of time deposits	4,000	10,165	33,286
Purchase of investment securities	(15)	—	(126)
Proceeds from sales of investment securities	85	200	710
Payments for investments in capital of subsidiaries and associates	(26)	—	(222)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,398	—	19,958
Purchase of intangible assets	(94)	(96)	(789)
Other	54	54	457
Net cash used in investing activities	(3,938)	(13,101)	(32,770)
FINANCING ACTIVITIES:			
Short-term bank loans, net	—	(250)	—
Proceeds from long-term debt	2,190	44	18,226
Repayment of long-term debt	(660)	(676)	(5,496)
Cash dividends paid	(3,809)	(2,231)	(31,703)
Proceeds from sales of treasury stock	424	922	3,534
Issuance of common stock	388	—	3,235
Other	(1)	(7)	(11)
Net cash used in financing activities	(1,467)	(2,198)	(12,214)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	509	430	4,238
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,295	7	168,892
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,552	21,544	179,347
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	329	—	2,745
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 42,177	¥ 21,552	$ 350,985