

**Nabtesco Corporation and Consolidated Subsidiaries**

**Consolidated Financial Statements**

**March 31, 2014 and 2013**

**(With Independent Auditors' Report)**



## Consolidated Balance Sheets

Nabtesco Corporation and Consolidated Subsidiaries

March 31, 2014 and 2013

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
<b>Assets</b>			
Current assets:			
Cash and deposits (Note 4)	¥25,726	¥13,905	\$249,961
Notes and accounts receivable-trade	52,840	45,132	513,408
Less allowance for doubtful receivables	(209)	(118)	(2,031)
Short-term investment securities (Note 6)	27,999	26,998	272,046
Inventories (Note 7)	22,234	20,530	216,032
Deferred tax assets (Note 10)	2,905	2,607	28,226
Other current assets	2,665	2,994	25,895
Total current assets	134,160	112,048	1,303,537
Property, plant and equipment (Note 9)			
Land	14,635	14,592	142,198
Buildings and structures	47,048	44,042	457,132
Machinery and equipment	88,394	81,420	858,861
Construction in progress	938	2,447	9,114
Sub-total	151,015	142,501	1,467,305
Less accumulated depreciation	(95,789)	(88,025)	(930,713)
Property, plant and equipment, net	55,226	54,476	536,592
Investments and other assets			
Investment securities (Note 6)	21,185	16,902	205,839
Deferred tax assets (Note 10)	557	483	5,412
Goodwill (Note 20)	18,539	15,808	180,130
Other intangible assets (Note 9)	2,854	1,772	27,730
Other assets	1,657	1,716	16,101
Less allowance for doubtful receivables	(193)	(148)	(1,875)
Total investments and other assets	44,599	36,533	433,337
<b>Total assets</b>	¥233,985	¥203,057	\$2,273,466

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
<b>Liabilities and Net assets</b>			
Current liabilities:			
Short-term loans payable (Note 8)	¥5,826	¥6,098	\$56,607
Current portion of long-term loans payable	10,119	71	98,319
Notes and accounts payable-trade	35,266	28,026	342,654
Income taxes payable (Note 10)	5,862	3,222	56,957
Provision for product warranties	1,087	1,106	10,562
Provision for loss on order received	-	15	-
Other current liabilities	15,002	13,784	145,764
Total current liabilities	73,162	52,322	710,863
Long-term liabilities:			
Bonds payable (Note 8)	10,000	10,000	97,163
Long-term loans payable	259	10,220	2,517
Accrued severance and retirement benefits:			
Employees (Note 12)	-	7,022	-
Directors and corporate statutory auditors	208	187	2,021
Liability for retirement benefit	7,112	-	69,102
Deferred tax liabilities (Note 10)	1,476	1,377	14,341
Other long-term liabilities	2,297	1,071	22,318
Total long-term liabilities	21,352	29,877	207,462
Net assets (Note 11)			
Common stock:			
Authorized: 400,000,000 shares, Issued: 128,265,799 shares	10,000	10,000	97,163
Capital surplus	19,011	19,027	184,716
Retained earnings	94,225	83,607	915,517
Treasury stock, at cost 1,736,737 shares in 2014, 828,516 shares in 2013	(2,987)	(740)	(29,023)
Total shareholders' equity	120,249	111,894	1,168,373
Accumulated other comprehensive income			
Valuation difference on other securities	1,784	1,294	17,334
Deferred gains or losses on hedges	(2)	(0)	(20)
Foreign currency translation adjustments	9,322	851	90,575
Remeasurements of defined benefit plans	(309)	-	(3,002)
Total accumulated other comprehensive income	10,795	2,145	104,887
Subscription rights to shares	306	304	2,974
Minority interests	8,121	6,515	78,906
Total net assets	139,471	120,858	1,355,140
Total liabilities and net assets	¥233,985	¥203,057	\$2,273,465

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

Nabtesco Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
Net sales (Note 20)	¥202,292	¥179,544	\$1,965,527
Cost of sales (Notes 13 and 20)	148,322	134,860	1,441,139
Gross profit	53,970	44,684	524,388
Selling, general and administrative expenses (Notes 13 and 20)	33,877	29,670	329,159
Operating income	20,093	15,014	195,229
Other income (expenses):			
Interest and dividend income	228	197	2,215
Interest expenses	(225)	(237)	(2,186)
Foreign exchange gain (loss), net	529	392	5,140
Equity in earnings of affiliates	3,226	2,148	31,345
Gain on sales of property, plant and equipment	200	47	1,943
Gain on negative goodwill	-	1,027	-
Loss on disposal of property, plant and equipment	(112)	(121)	(1,088)
Share exchange expenses	-	(53)	-
Gain on step acquisitions	104	-	1,010
Gain on sales of investments in capital	38	-	369
Loss on revision of retirement benefit plan (Note 12)	(837)	-	(8,133)
Environmental expenses	(65)	-	(632)
Loss on change in equity	(34)	-	(330)
Other, net	377	584	3,664
Total	3,429	3,984	33,317
Income before income taxes and minority interests	23,522	18,998	228,546
Income taxes (Note 10):			
Current	8,552	5,166	83,094
Deferred	(412)	433	(4,004)
	8,140	5,599	79,090
Income before minority interests	15,382	13,399	149,456
Minority interests	404	129	3,925
Net income	¥14,978	¥13,270	\$145,531

	(Yen)		(U.S. dollars) (Note 1)
	2014	2013	2014
Earnings per share of common stock			
Basic net income per share	¥117.95	¥104.57	\$1.15
Diluted net income per share	117.78	104.39	1.14
Net assets per share	1,035.68	894.86	10.06
Cash dividends applicable to the year per share	38.00	34.00	0.37

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Nabtesco Corporation and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

	(Millions of Yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
Income before minority interests	¥15,382	¥13,399	\$149,456
Other comprehensive income			
Valuation difference on other securities	450	253	4,372
Deferred gains or losses on hedges	(1)	(0)	(10)
Foreign currency translation adjustments	9,839	4,892	95,599
Remeasurements of defined benefit plans, net of tax	(309)	-	(3,002)
Share of other comprehensive income of associates accounted for using equity method	242	112	2,351
Total other comprehensive income	10,221	5,257	99,310
Comprehensive income	25,603	18,656	248,766
Comprehensive income attributable to:			
Owners of the parent	23,628	17,829	229,576
Minority interests	1,975	827	19,190

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

Nabtesco Corporation and Consolidated Subsidiaries

Year ended March 31, 2013

*(Millions of yen)*

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2012</b>	127,212,607	¥10,000	¥17,446	¥74,816	¥(754)	¥101,508
Increase by share exchanges	1,053,192	-	1,583	-	-	1,583
Cash dividends	-	-	-	(4,466)	-	(4,466)
Net income	-	-	-	13,270	-	13,270
Purchase of treasury stock	-	-	-	-	(3)	(3)
Disposal of treasury stock	-	-	(2)	-	14	12
Retirement of treasury stock	-	-	-	-	3	3
Staff and workers bonuses and welfare fund	-	-	-	(13)	-	(13)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
<b>Balance at March 31, 2013</b>	128,265,799	¥10,000	¥19,027	¥83,607	¥(740)	¥111,894

*(Millions of yen)*

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2013</b>	128,265,799	¥10,000	¥19,027	¥83,607	¥(740)	¥111,894
Cash dividends	-	-	-	(4,357)	-	(4,357)
Net income	-	-	-	14,978	-	14,978
Purchase of treasury stock	-	-	-	-	(2,383)	(2,383)
Disposal of treasury stock	-	-	(16)	-	136	120
Staff and workers bonuses and welfare fund	-	-	-	(3)	-	(3)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
<b>Balance at March 31, 2014</b>	128,265,799	¥10,000	¥19,011	¥94,225	¥(2,987)	¥120,249

(Millions of yen)

	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at April 1, 2012</b>	¥1,023	¥(0)	¥(3,438)	¥(2,415)	¥209	¥8,165	¥107,467
Increase by share exchanges	-	-	-	-	-	-	1,583
Cash dividends	-	-	-	-	-	-	(4,466)
Net income	-	-	-	-	-	-	13,270
Purchase of treasury stock	-	-	-	-	-	-	(3)
Disposal of treasury stock	-	-	-	-	-	-	12
Retirement of treasury stock	-	-	-	-	-	-	3
Staff and workers bonuses and welfare fund	-	-	-	-	-	-	(13)
Net changes of items other than shareholders' equity	271	-	4,289	4,560	95	(1,650)	3,005
<b>Balance at March 31, 2013</b>	¥1,294	¥(0)	¥851	¥2,145	¥304	¥6,515	¥120,858

(Millions of yen)

	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasur- ements of defined benefit plans	Total Accumulated other comprehensiv e income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at April 1, 2013</b>	¥1,294	¥(0)	¥851	-	¥2,145	¥304	¥6,515	¥120,858
Cash dividends	-	-	-	-	-	-	-	(4,357)
Net income	-	-	-	-	-	-	-	14,978
Purchase of treasury stock	-	-	-	-	-	-	-	(2,383)
Disposal of treasury stock	-	-	-	-	-	-	-	120
Staff and workers bonuses and welfare fund	-	-	-	-	-	-	-	(3)
Net changes of items other than shareholders' equity	490	(2)	8,471	(309)	8,650	2	1,606	10,258
<b>Balance at March 31, 2014</b>	¥1,784	¥(2)	¥9,322	¥(309)	¥10,795	¥306	¥8,121	¥139,471

See accompanying notes to consolidated financial statements.

(Thousands of U.S. dollars)  
(Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2013</b>	\$97,163	\$184,872	\$812,349	\$(7,190)	\$1,087,194
Cash dividends	-	-	(42,334)	-	(42,334)
Net income	-	-	145,531	-	145,531
Purchase of treasury stock	-	-	-	(23,154)	(23,154)
Disposal of treasury stock	-	(156)	-	1,321	1,165
Staff and workers bonuses and welfare fund	-	-	(29)	-	(29)
Net changes of items other than shareholders' equity	-	-	-	-	-
<b>Balance at March 31, 2014</b>	\$97,163	\$184,716	\$915,517	\$(29,023)	\$1,168,373

(Thousands of U.S. dollars)  
(Note 1)

	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at April 1, 2013</b>	\$12,573	-	\$ 8,269	-	\$ 20,841	\$2,954	\$63,302	\$1,174,291
Cash dividends	-	-	-	-	-	-	-	(42,334)
Net income	-	-	-	-	-	-	-	145,531
Purchase of treasury stock	-	-	-	-	-	-	-	(23,154)
Disposal of treasury stock	-	-	-	-	-	-	-	1,165
Staff and workers bonuses and welfare fund	-	-	-	-	-	-	-	(29)
Net changes of items other than shareholders' equity	4,761	(19)	82,306	(3,002)	84,046	20	15,604	99,670
<b>Balance at March 31, 2014</b>	\$17,334	\$(19)	\$90,575	\$(3,002)	\$104,887	\$2,974	\$78,906	\$1,355,140

See accompanying notes to consolidated financial statements.

**Consolidated Statements of Cash Flows**  
Nabtesco Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥23,522	¥18,998	\$228,546
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,601	7,924	73,853
Amortization of goodwill	1,501	966	14,584
Gain on negative goodwill	-	(1,027)	-
Share-based compensation expenses	122	108	1,185
Reversal of accrued severance and retirement benefits	(411)	(299)	(3,993)
Reversal of allowance for doubtful receivables	60	(86)	583
Equity in earnings of affiliates	(3,226)	(2,148)	(31,345)
Interest and dividend income	(228)	(197)	(2,215)
Interest expenses	225	237	2,186
Gain on sales of property, plant and equipment	(200)	(47)	(1,943)
Loss on disposal of property, plant and equipment	112	121	1,088
Gain on sales and valuation of investments in capital	(38)	-	(369)
Gain on step acquisitions	(104)	-	(1,010)
Loss on change in equity	34	-	330
Changes in notes and accounts receivable - trade	(5,026)	2,920	(48,834)
Changes in inventories	701	626	6,811
Changes in other assets	920	260	8,939
Changes in notes and accounts payable - trade	5,440	(7,570)	52,857
Changes in consumption tax payable	(15)	143	(146)
Changes in other liabilities	2,255	(1,674)	21,911
Others, net	(0)	(209)	(0)
Sub-total	33,245	19,046	323,018
Interest and dividends received	650	641	6,316
Interest paid	(238)	(243)	(2,313)
Income taxes paid	(6,059)	(6,492)	(58,871)
Net cash provided by operating activities	27,598	12,952	268,150
<b>Investing activities:</b>			
Deposit in time deposits	¥(145)	¥(130)	\$(1,409)
Proceeds from withdraw of time deposits	311	-	3,022
Purchases of property, plant and equipment	(6,331)	(12,874)	(61,514)
Proceeds from sales of property, plant and equipment	365	84	3,546
Purchases of intangible assets	(1,291)	(1,068)	(12,544)
Proceeds from sales of intangible assets	16	0	156
Purchases of investment securities	(135)	(14)	(1,312)
Proceeds from sales of investment securities	10	501	97
Proceeds from sales of golf club memberships	-	14	-
Purchases of investments in affiliates	(77)	(64)	(748)
Proceeds from sales of investments in capital	145	-	1,409
Purchases of investments in capital of subsidiaries	(393)	-	(3,818)
Purchases of investments in capital of subsidiaries resulting in change in scope of consolidation	(464)	(82)	(4,508)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	3	-	29
Collection of loans receivable	0	3	0
Others, net	(78)	(64)	(758)

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2013	2014
<b>Financing activities:</b>			
Net decrease in short-term loans payable	(1,255)	(5,649)	(12,194)
Repayments of long-term loans payable	(122)	(68)	(1,185)
Proceeds from stock issuance to minority shareholders	53	706	515
Purchases of treasury stock	(2,384)	(2)	(23,164)
Proceeds from sales of treasury stock	0	1	0
Dividends paid	(4,468)	(5,078)	(43,412)
Net cash used in financing activities	(8,176)	(10,090)	(79,440)
Effect of exchange rate changes on cash and cash equivalents	1,967	1,009	19,112
Increase (decrease) in cash and cash equivalents	13,325	(9,823)	129,470
Cash and cash equivalents at the beginning of the year (Note 4)	40,200	50,023	390,594
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(472)	-	(4,586)
Cash and cash equivalents at the end of the year (Note 4)	¥53,053	¥40,200	\$515,478

*See accompanying notes to consolidated financial statements.*

## Notes to Consolidated Financial Statements

Nabtesco Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

### 1. Description of Business and Basis of Presenting Consolidated Financial Statements

#### (1) Description of business

Nabtesco Corporation (the “Company”), a Japanese corporation, was established as a holding company on September 29, 2003, through a stock transfer process, by TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd. As a result of the stock transfer, both TS Corporation and NABCO Ltd. became wholly owned subsidiaries of the Company.

The Company completed its business integration through the acquisition of the two wholly owned subsidiaries on October 1, 2004.

The main products of the Company and its consolidated subsidiaries (the “Companies”) include precision equipment, transport equipment, aircraft and oil hydraulic equipment, and industrial equipment.

#### (2) Basis of presenting consolidated financial statements

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

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted principles prevailing in the respective countries of domicile. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standard or U.S. generally accepted accounting principles, with adjustment for the specific five items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which is ¥102.92 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 47 subsidiaries. All significant inter-company transactions, account balances and unrealized profits are eliminated in consolidation.

Investments in 10 affiliated companies (generally 20% to 50% owned), over which the Company has the ability to exercise significant influence over operating and financial policy, are accounted for by the equity method.

### (2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of changes in value and which are purchased with an original maturity of three months or less. See Note 5 as to reconciliation to cash and deposits on the balance sheets.

### (3) Allowance for doubtful receivables

The allowance for doubtful receivables is provided in amounts management considers sufficient to cover possible losses on collection. The allowance is based on past collection experience and management estimate of the collectability of individual receivables.

### (4) Provision for loss on order received

To cover the future losses relating to order received, the provision is recorded when the future losses are anticipated and the losses are reasonably estimated.

### (5) Securities

The Companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity, (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "other securities") The Companies have no trading securities at March 31, 2014 and 2013.

Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method. Other securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of Net assets. Realized gains

and losses on sale of such securities are computed using the moving-average cost method. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and other securities declines significantly, such securities are written down to their fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. For equity securities with no available fair market value, if the net asset amount of the investee declines significantly, such securities are written down to the net asset amount in the income statement in the period of decline. In these cases, such fair market value or net asset amount will be the carrying amount of the securities at the beginning of the next year.

#### (6) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at the lower of the cost or net realizable value, while inventories of its consolidated foreign subsidiaries are principally stated at the lower of cost or market.

The evaluation methods for the cost of inventories are as follows:

Inventories	Evaluation method
Finished goods and Work in process	Mainly weighted average method (however certain finished goods and work in process are determined by the specific identification method)
Raw materials and Supplies	Mainly weighted average method (however certain raw materials and supplies are determined by moving average method)

#### (7) Property, plant and equipment

Property, plant and equipment are stated at cost. The Company and its consolidated domestic subsidiaries calculate depreciation mainly by the declining-balance method over the estimated useful lives of the respective assets, except for the buildings acquired on or after April 1, 1998, and owned by the Company, which are depreciated by the straight-line method over the estimated useful lives of the respective assets. In addition, the Company and its consolidated domestic subsidiaries depreciate Machinery and equipment, whose acquisition cost is ¥100 thousand or more but less than ¥200 thousand, over a period of three years on a straight-line basis. The consolidated foreign subsidiaries calculate depreciation mainly by the straight-line method over the estimated useful lives of the respective assets.

Depreciation of assets acquired by the domestic companies after March 31, 2007 is calculated mainly by the straight-line method under the amended tax code for building, not including building fixtures and by the declining-balance method under the amended tax code for the remaining assets.

**(8) Lease assets**

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets. Finance leases which do not transfer ownership of the leased property to the lessee commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

**(9) Derivative financial instruments and hedging transactions**

The Companies use derivative financial instruments only for the purpose of mitigating fluctuation risk of interest rates with respect to loans payable and future risk of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables.

The basic policies for executing the derivative transactions are managed by the Board of Directors of the Company. Based on such policies, the finance departments of each company establish the internal regulations which prescribe the specified limits and procedures on the derivative transactions. After execution, each finance department has to report certain information on derivative transactions to the Board of Directors of the Company.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments	Hedged items
Interest rate swap contracts:	Loans payable
Forward foreign exchange contracts:	Foreign currency trade receivables and trade payables

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in fair value of the hedging derivative instruments.

The Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments meet the criteria for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, hedging instruments and hedged items are accounted for in the following manner:

- 1) When a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
- 2) When a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract or the forward foreign currency options are recognized.

**(10) Amortization**

Goodwill is amortized using straight-line method over a period within twenty years. However, if the amount is insignificant, it is expensed as incurred.

Software is amortized using the straight-line method over the estimated useful lives (five years).

**(11) Research and development costs**

Research and development costs are expensed as incurred.

**(12) Income taxes**

The Companies recognize tax effects of timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax reporting purpose. Income taxes comprise of corporation tax, enterprise tax and prefectural and municipal inhabitants taxes.

**(13) Provision for product warranties**

Provision for product warranties is provided to cover the estimated cost for customers' claims relating to after sales repairs.

**(14) Translation of foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Financial statements of consolidated foreign subsidiaries are translated into Japanese yen at the year-end rates, except that shareholders' equity are translated at historical rates and income statement items resulting from transactions with the Company are translated at the rates used by the Company when the transactions occurred. Foreign currency transaction adjustment is reported in net assets.

**(15) Appropriation of retained earnings**

Under the Japanese Corporate law, the appropriation of retained earnings with respect to a given financial period is made by a resolution of the shareholders at a general meeting held subsequent to the close of such financial period. Therefore, the accounts for that period do not reflect such appropriations. (See Note 22)

**(16) Retirement benefits**

The Company and certain of its consolidated subsidiaries provide two types of retirement and severance benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and certain of its consolidated subsidiaries provide allowance for employees' severance and retirement benefits at the end of year based on estimated amounts of projected benefit obligations, actuarially calculated using certain assumptions and the fair value of the plan assets at the date. Past service costs are recognized as expense when incurred, and actuarial gains and losses are recognized as expense from the following fiscal year using the declining-balance method over a certain period (10 years) not exceeding the average of estimated remaining service period.

(Change in accounting policy)

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No.26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No.25")) except the article 35 of the Statement No.26 and the article 67 of the Guidance No.25 and actuarial gains and losses that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, a liability for retirement benefits in the amount of ¥7,112 million (\$69,102 thousand) has been recognized and accumulated other comprehensive income has decreased by ¥309 million (\$3,002 thousand), at the end of the current fiscal year.

The effects of this change on earnings per share are described in the related note.

(Additional information)

The Company amended its retirement benefit plan on July 1, 2013. The purpose of this amendment is to raise the proportion of defined contributions in the overall retirement benefit plan from the 30% to 60% by terminating the defined-benefit pension plan and to transfer the entire amount to the defined-contribution pension plan. Following this amendment to the pension plan, an extraordinary loss of ¥837million (\$8,133 thousand) has been recognized at the current fiscal year end.

### **(17) Earnings per share**

The computation of basic net income per share is calculated based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share is calculated based on the weighted average number of shares of common stock after consideration of dilution that securities or other contracts to issue common stock are exercised or converted into common stock, or resulted into issuance of common stock.

Amounts per share of net assets are calculated based on the number of shares of common stock outstanding at the year-end.

Cash dividends per share include interim dividends of the Company proposed by the Board of Directors in addition to year-end dividends approved by shareholders at the annual meeting held subsequent to the end of fiscal year.

### **(18) Recognition of significant revenues and expenses**

Accounting for construction of completions

When the construction work is in progress at year end and the progress rate of construction work up to that time is deemed certain, the percentage-of-completion method is applied. The progress rate is estimated using cost-to-cost method.

When the above condition is not met, the completed-contract method is applied.

## **3. Accounting standards issued but not yet applied**

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(Please also refer to the ASBJ homepage , which has a summary in English of the accounting standard.)

#### 1) Summary

From the viewpoint of improvements to financial reporting and international convergence, accounting treatment for actuarial gains and losses and past service costs that are yet to be recognized in profit or loss, determination of retirement benefit obligations and current service costs, and enhanced disclosures have been amended.

2) Effective dates

Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

3) Effect of application of the standard

As a result of applying the above accounting standard and guidance, operating income, and income before income taxes and minority interests for the year ending March 31, 2015 would be decreased by ¥11 million (\$107 thousand), respectively.

#### 4. Cash and Cash Equivalents

A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2014 and 2013 is as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Cash and deposits in the consolidated balance sheets	¥25,726	¥13,905	\$249,961
Time deposits with maturities extending over three months	(672)	(703)	(6,529)
Short-term investment securities	27,999	26,998	272,046
Cash and cash equivalents in the consolidated statements of cash flows	¥53,053	¥40,200	\$515,478

#### 5. Financial Instruments

##### (1) Qualitative information on financial instruments

1) Policies for using financial instruments

The Company raises fund that required under its business primarily from loans payable and bond issues. And the Company manages surplus funds using financial instruments that carry little or no risk. The Company uses derivatives to mitigate the risk that are described below, and as a matter of policy does not use derivatives for speculative transactions.

2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to customer credit risk. In addition, the Company is exposed to foreign currency exchange risk arising from receivables

denominated in foreign currencies. The Company uses a derivative transaction including forward foreign exchange contracts to hedge the risk of exchange fluctuations associated with receivables denominated in foreign currencies. Short-term investment securities and other securities are mainly consist of held-to-maturity debt securities and securities for strengthening of the relationship with counterparty and exposed to market price risk.

Loans payable and bonds payable are taken out principally for the purpose of making capital investments. The repayment dates of long term loans payable extend up to five years beyond the date of the closing of accounts.

The Company uses foreign exchange forward contracts to reduce the risk of foreign exchange rate fluctuation that arise from receivables and payables denominated in foreign currencies.

### 3) Policies and processes for managing the risk

#### (a) Credit risk management (counterparty risk)

The Company has prepared regulations for managing its credit exposure and business receivables. The Company manages amounts and settlement dates by counterparty and works to early identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties. Consolidated subsidiaries are subject to the same risk management rules.

Held-to-maturity debts securities carry little credit risk because are intended highly-rated company under the fund management.

The Company conducts only with highly credit financial institution under the risk management policy when using derivatives.

#### (b) Market risk management

The Company and some consolidated subsidiaries use a derivative transaction including forward foreign exchange contract to hedge the risk of exchange fluctuations associated with receivables denominated in foreign currencies.

For short-term investment securities, the Company examines fair value and the financial condition of the issuing entities. In addition, for all securities other than those classified as held-to-maturity debt securities the Company regularly revises its portfolio based on its relationships with issuing entities, and interest rate swap transactions to hedge against interest rate risks on long-term loans payable.

For derivative transactions, the basic policies for executing the derivative transactions are managed by the Board of Directors of the Company. Based on such policies, the finance departments of each company establish the internal policies which prescribe the specified limits and procedures on the derivative transactions. After execution, each finance department has to report certain information on derivative transactions to the Board of Directors of the Company.

## (c) Liquidity risk management

The Accounting Department manages liquidity risk for the company by making and updating a capital deployment plan based on reports from each division. In addition, the Company manages liquidity risk by keeping high leveled liquidity on hand due to the unstable financial market.

## 4) Supplemental information on fair values

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation due to the variable factors and assumption. In addition, the contractual amounts of the derivatives transactions discussed in “Derivative Financial Instruments” below are not an indicator of the market risk associated with derivatives transactions.

## (2) Fair value of financial instruments

Fair value and difference compared to the book value reported in the balance sheets as of March 31, 2014 and 2013 are as follows. Please note that for those items of which obtaining an estimates fair value is deemed to be extremely difficult, such differences are not shown (Please refer to Note 2).

	<i>(Millions of yen)</i>		
	<b>2014</b>		
	<b>Book value reported in the balance sheet</b>	<b>Fair value</b>	<b>Difference</b>
(1)Cash and deposits	¥25,726	¥25,726	¥-
(2)Trade notes and accounts receivable	52,840	52,840	-
(3)Short-term and long-term investment securities			
1) Held-to-maturity debt securities	27,999	27,999	-
2) Other securities	5,669	5,669	-
3) Securities issued by affiliates companies	4,182	19,023	14,841
Assets	<b>116,416</b>	<b>131,257</b>	<b>14,841</b>
(1)Trade notes and accounts payable	35,266	35,266	-
(2)Short-term loans payable	5,826	5,826	-
(3)Current portion of long-term debt	10,119	10,119	-
(4)Bonds payable	10,000	10,078	78
(5)Long-term loans payable	259	261	2
Liabilities	<b>61,470</b>	<b>61,550</b>	<b>80</b>
Derivatives	(3)	(3)	-

<i>(Millions of yen)</i>			
<b>2013</b>			
	<b>Book value reported in the balance sheet</b>	<b>Fair value</b>	<b>Difference</b>
(1)Cash and deposits	¥13,905	¥13,905	¥-
(2)Trade notes and accounts receivable	45,132	45,132	-
(3)Short-term and long-term investment securities			
1) Held-to-maturity debt securities	26,998	26,998	-
2) Other securities	4,843	4,843	-
3) Securities issued by affiliates companies	3,703	10,320	6,617
Assets	94,581	101,198	6,617
(1)Trade notes and accounts payable	28,026	28,026	-
(2)Short-term loans payable	6,098	6,098	-
(3)Current portion of long-term debt	71	71	-
(4)Bonds payable	10,000	10,101	101
(5)Long-term loans payable	10,220	10,243	23
Liabilities	54,415	54,539	124
Derivatives	0	0	-

(Thousands of U.S. dollars)

	<b>2014</b>		
	<b>Book value reported in the balance sheet</b>	<b>Fair value</b>	<b>Difference</b>
(1)Cash and deposits	\$249,961	\$249,961	\$ -
(2)Trade notes and accounts receivable	513,408	513,408	-
(3)Short-term and long-term investment securities			
1) Held-to-maturity debt securities	272,046	272,046	-
2) Other securities	55,082	55,082	-
3) Securities issued by affiliates companies	40,634	184,833	144,199
<b>Assets</b>	<b>1,131,131</b>	<b>1,275,330</b>	<b>144,199</b>
(1)Trade notes and accounts payable	342,654	342,654	-
(2)Short-term loans payable	56,607	56,607	-
(3)Current portion of long-term debt	98,319	98,319	-
(4)Bonds payable	97,163	97,921	758
(5)Long-term loans payable	2,517	2,536	19
<b>Liabilities</b>	<b>597,260</b>	<b>598,037</b>	<b>777</b>
Derivatives	(29)	(29)	-

Note: The value of assets and liabilities arising from derivatives is shown at net value.

Note1: Methods for computing the estimated fair value of financial instruments and securities and derivative transactions

#### Assets

- (1) Cash and deposits and (2)Trade notes and account receivable

Since these items are settled in a short period of time and have estimated values that are virtually the same as book value, the book value is used.

- (3) Short-term and long-term investment securities

Stocks are valued at the exchange trading price. Bonds are valued at the exchange trading price or at the price provided by the financial institutions. For information on securities classified as purpose of holding, please refer to the “Securities” section of the notes to the financial statement.

#### Liabilities

- (1) Trade notes and accounts payable, (2) Short-term loans payable and (3) Current portion of long-term debt

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the book value, the book value is used.

(4) Bonds payable

Bonds payable is valued at the exchange trading price or at the price provided by the financial institutions.

(5) Long-term loans payable

The fair values of long-term bank loans are calculated by the total sum of the principal discounted by the interest rates that would apply if similar borrowings were conducted anew. The fair values of long-term bank loans for which the special accounting method for interest-rate swaps is applied are calculated by the total sum of the principal (accounted for together with the interest-rate swaps) discounted by interest rates that would apply if similar borrowings were conducted anew.

Derivatives

Please refer to the “Derivatives” section of the notes to the financial statement.

Note2: Items for which obtaining an estimated fair value is deemed to be extremely difficult

Items	(Millions of yen)	(Thousands of U.S. dollars)
	<b>2014</b>	
	<b>Book value</b>	
Unlisted stocks	¥122	\$1,186
Securities issued by affiliate companies	11,211	108,929

  

Items	(Millions of yen)	(Thousands of U.S. dollars)
	<b>2013</b>	
	<b>Book value</b>	
Unlisted stocks	¥122	\$1,297
Securities issued by affiliate companies	8,233	87,539

The unlisted stocks and securities issued by affiliate companies in the below table are not included in the above table because there is no fair value available.

Note3: Scheduled redemption of monetary claims and short-term and long-term investment securities at March 31, 2014 and 2013.

(Millions of yen)

	<b>2014</b>			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1)Cash and deposits	¥25,726	¥-	¥-	¥-
(2)Trade notes and account receivables	52,840	-	-	-
(3)Short-term and long-term investment securities				
①Held-to-maturity debt securities				
Certificate of deposit	15,000	-	-	-
Commercial paper	13,000	-	-	-

(Millions of yen)

	<b>2013</b>			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1)Cash and deposits	¥13,905	¥-	¥-	¥-
(2)Trade notes and account receivables	45,132	-	-	-
(3)Short-term and long-term investment securities				
①Held-to-maturity debt securities				
Certificate of deposit	20,000	-	-	-
Commercial paper	7,000	-	-	-

(Thousands of U.S. dollars)

	<b>2014</b>			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1)Cash and deposits	\$249,961	\$-	\$-	\$-
(2)Trade notes and account receivables	513,408	-	-	-
(3)Short-term and long term investment securities				
①Held-to-maturity debt securities				
Certificate of deposit	145,744	-	-	-
Commercial paper	126,302	-	-	-

Note4: Maturities of bonds payable and long-term loans payable at March 31, 2014 and 2013.

*(Millions of yen)*

<b>2014</b>						
	<b>Within 1 year</b>	<b>Over 1 year but within 2 years</b>	<b>Over 2 years but within 3 years</b>	<b>Over 3 years but within 4 years</b>	<b>Over 4 years but within 5 years</b>	<b>Over 5 years</b>
Bonds payable	¥-	¥-	¥10,000	¥-	¥-	¥-
Long-term loans payable	10,119	120	110	29	-	-
Total	¥10,119	¥120	¥10,110	¥29	¥-	¥-

*(Millions of yen)*

<b>2013</b>						
	<b>Within 1 year</b>	<b>Over 1 year but within 2 years</b>	<b>Over 2 years but within 3 years</b>	<b>Over 3 years but within 4 years</b>	<b>Over 4 years but within 5 years</b>	<b>Over 5 years</b>
Bonds payable	¥-	¥-	¥-	¥10,000	¥-	¥-
Long-term loans payable	71	10,071	71	71	7	-
Total	¥71	¥10,071	¥71	¥10,071	¥7	¥-

*(Thousands of U.S. dollars)*

<b>2014</b>						
	<b>Within 1 year</b>	<b>Over 1 year but within 2 years</b>	<b>Over 2 years but within 3 years</b>	<b>Over 3 years but within 4 years</b>	<b>Over 4 years but within 5 years</b>	<b>Over 5 years</b>
Bonds payable	\$-	\$-	\$97,163	\$-	\$-	\$-
Long-term loans payable	98,319	1,166	1,069	282	-	-
Total	\$98,319	\$1,166	\$98,232	\$282	\$-	\$-

## 6. Securities

Information on securities at March 31, 2014 and 2013 are shown below.

The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2014 and 2013:

(Other securities)

(1) Securities with book values exceeding acquisition costs:

*(Millions of yen)*

Type	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥2,419	¥5,272	¥2,853
Total	¥2,419	¥5,272	¥2,853

*(Millions of yen)*

Type	2013		
	Acquisition cost	Book value	Difference
Equity securities	¥2,297	¥4,445	¥2,148
Total	¥2,297	¥4,445	¥2,148

*(Thousands of U.S. dollars)*

Type	2014		
	Acquisition cost	Book value	Difference
Equity securities	\$23,504	\$51,224	\$27,720
Total	\$23,504	\$51,224	\$27,720

(2) Securities with book values not exceeding acquisition costs:

*(Millions of yen)*

Type	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥440	¥397	¥(43)
Total	¥440	¥397	¥(43)

*(Millions of yen)*

Type	2013		
	Acquisition cost	Book value	Difference
Equity securities	¥441	¥398	¥(43)
Total	¥441	¥398	¥(43)

*(Thousands of U.S. dollars)*

Type	2014		
	Acquisition cost	Book value	Difference
Equity securities	\$4,275	\$3,857	\$(418)
Total	\$4,275	\$3,857	\$(418)

The Companies recognize impairment loss on the securities, whose available fair values decline more than 50% of the carrying amount, based on the Japanese accounting standard for financial instruments and guidelines concerning the accounting for financial instruments.

The following tables summarize book values of securities without market prices as of March 31, 2014 and 2013:

(Other securities)

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	2014	2013	2014
Unlisted equity securities	¥122	¥122	\$1,186
Total	¥122	¥122	\$1,186

(Held-to-maturity debt securities)

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	2014	2013	2014
Certificate of deposit	¥15,000	¥20,000	\$145,744
Commercial paper	12,999	6,998	126,302

Total sales of other securities and the related gain and loss in the years ended March 31, 2014 and 2013 are as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Sales of other securities	¥-	¥509	\$-
Gain on sales of other securities	-	207	-
Loss on sales of other securities	-	6	-

## 7. Inventories

Inventories at March 31, 2014 and 2013 consisted of the followings:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Finished goods	¥5,366	¥3,957	\$52,138
Works in process	7,906	7,808	76,817
Raw materials and supplies	8,962	8,765	87,077
Total inventories	¥22,234	¥20,530	\$216,032

## 8. Short-term Loans Payable and Long-term Debt

Short-term loans payable at March 31, 2014 and 2013 represented bank notes with interest rates ranging from 0.35% to 14.0% and from 0.36% to 6.30% per annum, respectively.

Long-term debt at March 31, 2014 and 2013 consist of the followings:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Loans, principally from banks			
due July 2014 (with interest rate of 0.45%)	¥10,000	¥10,000	\$97,163
due October 2016 (with interest rate of 4.18%)	221	259	2,147
due April 2017 (with interest rate of 3.00%)	25	32	243
due October 2017 (with interest rate of 3.00%)	100	-	972
due March 2016 (with interest rate of 2.57%)	32	-	311
Straight bonds			
due December 2016 (with interest rate of 0.64%)	10,000	10,000	97,163
Total	¥20,378	¥20,291	\$197,999
Less current portion	(10,119)	(71)	(98,319)
Long-term debt, net	¥10,259	¥20,220	\$99,680

Maturities of long-term debt at year end are shown in “Note 6 Financial Instruments”.

## 9. Leases

Finance leases, which do not transfer ownership of the leased property to the lessee commenced prior to April 1, 2008 and were accounted for as operating leases, continue to be accounted for as operating leases.

The following pro forma amounts present the acquisition costs, accumulated depreciation and the net book value of the above operating leases as of March 31, 2014 and 2013.

*(Millions of yen)*

	<b>2014</b>		
	<b>Acquisition costs</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Machinery and equipment	¥-	¥-	¥-
Intangible assets	-	-	-
Total	¥-	¥-	¥-

*(Millions of yen)*

	<b>2013</b>		
	<b>Acquisition costs</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Machinery and equipment	¥42	¥41	¥1
Intangible assets	36	36	-
Total	¥78	¥77	¥1

*(Thousands of U.S. dollars)*

	<b>2014</b>		
	<b>Acquisition costs</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Machinery and equipment	\$-	\$-	\$-
Intangible assets	-	-	-
Total	\$-	\$-	\$-

Finance lease expenses for the year ended March 31, 2014 and 2013 are as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>
Lease expenses	¥1	¥11
		<b>\$10</b>

The expenses above are also equivalent to depreciation expense.

Pro forma depreciation expense equivalents are computed by the straight-line method over the respective lease periods assuming no residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2014 and 2013 under finance leases other than those which transfer the ownership of the leased property to the Companies and operating leases are summarized as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Under finance leases:			
Payments due within one year	¥-	¥1	\$-
Total	¥-	¥1	\$-
Under operating leases:			
Payments due within one year	¥131	¥105	\$1,273
Payments due after one year	165	113	1,603
Total	¥296	¥218	\$2,876

## 10. Income Taxes and Deferred Income Taxes

The following table summarizes the significant differences between the statutory tax rates and the actual tax rates for financial statements for the years ended March 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Effective tax rate	<b>38.0%</b>	38.0%
Equity in earnings of affiliates	<b>(5.2)</b>	(4.3)
Permanent non-deductible expenses	<b>0.3</b>	0.3
Others	<b>1.5</b>	(4.5)
Actual tax rate	<b>34.6%</b>	29.5%

The tax effects of temporary differences, which give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2014 and 2013, are summarized as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>Deferred tax assets:</b>			
Net operating loss carry forwards	<b>¥1,051</b>	¥734	<b>\$10,212</b>
Accrued severance and retirement benefits	<b>2,603</b>	2,568	<b>25,292</b>
Accrued employees' bonuses	<b>1,332</b>	1,262	<b>12,942</b>
Other accrued expenses	<b>998</b>	469	<b>9,697</b>
Loss on devaluation of inventories	<b>141</b>	185	<b>1,370</b>
Loss on devaluation of investments in securities	<b>23</b>	31	<b>223</b>
Loss on devaluation of investments in affiliates	<b>192</b>	192	<b>1,866</b>
Loss on devaluation of golf club membership rights	<b>80</b>	88	<b>777</b>
Allowance for doubtful receivables	<b>20</b>	12	<b>194</b>
Provision for product warranties	<b>344</b>	378	<b>3,342</b>
Provision for loss on order received	<b>-</b>	6	<b>-</b>
Impairment loss	<b>117</b>	117	<b>1,137</b>
Others	<b>664</b>	668	<b>6,452</b>
	<b>7,565</b>	6,710	<b>73,504</b>
Less valuation allowance	<b>(1,603)</b>	(1,368)	<b>(15,575)</b>
Total deferred tax assets	<b>5,962</b>	5,342	<b>57,929</b>
<b>Deferred tax liabilities:</b>			
Deferred taxation on government contributions for acquisition of property, plant and equipment	<b>(1,607)</b>	(1,691)	<b>(15,614)</b>
Effect of differences between tax rates in Japan and other countries on undistributed earnings of foreign subsidiaries	<b>(1,218)</b>	(1,065)	<b>(11,834)</b>
Valuation difference on other securities	<b>(1,084)</b>	(844)	<b>(10,533)</b>
Others	<b>(554)</b>	(493)	<b>(5,383)</b>
Total deferred tax liabilities	<b>(4,463)</b>	(4,093)	<b>(43,364)</b>
Deferred tax assets, net	<b>¥1,499</b>	¥1,249	<b>\$14,565</b>

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

In accordance with the promulgation of Act on Partial Revision of the income Tax Act on March 31, 2014, special corporate tax for reconstruction shall cease to impose on the Company from the year beginning on or after April 1, 2014. Due to this, in calculation of deferred tax assets and deferred tax liabilities for the year ended March 31, 2014, the effective tax rate was changed from 38.0% of the previous year to 35.6% for temporary difference that are expected to be eliminated in the period beginning from April 1, 2014. As a result, deferred tax assets less deferred tax liabilities have decreased by ¥155 million (\$1,506 thousand), and income taxes (deferred) have increased by ¥155 million (\$1,506 thousand) for the year ended March 31, 2014, respectively.

## 11. Net Assets

Under the Japanese Corporate Law, upon issuance of common stock, the entire amount of the issue price is required to be accounted for as common stock, although companies may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Japanese Corporate Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Japanese Corporate Law, however, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese Corporate Law.

## 12. Employee's Severance and Retirement Benefits

The liabilities for severance and retirement benefits include in the liability section of the consolidated balance sheets as of March 31, 2014 are consisted of the followings:

### Retirement benefit obligations

#### (1) Movement in retirement benefit obligations, except for the plan applied simplified method

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Balance at April 1, 2013	¥21,712	\$210,960
Service cost	1,145	11,125
Interest cost	281	2,730
Actuarial loss (gain)	(920)	(8,939)
Benefits paid	(1,890)	(18,363)
Past service cost	(233)	(2,264)
Decrease from termination of a plan	(4,558)	(44,287)
The effect of changes in foreign exchange rates	2,216	21,531
Balance at March 31, 2014	¥17,753	\$172,493

#### (2) Movement in plan assets, except for the plan applied simplified method

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Balance at April 1, 2013	¥13,706	\$133,171
Expected return on plan assets	195	1,895
Actuarial loss (gain)	659	6,403
Contributions by the employer	505	4,907
Contributions by the employee	319	3,099
Benefits paid	(1,282)	(12,456)
Decrease from termination of a plan	(3,279)	(31,860)
The effect of changes in foreign exchange rates	2,229	21,658
Balance at March 31, 2014	¥13,052	\$126,817

#### (3) Movement in liability for retirement benefits plan applying simplified method

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Balance at April 1, 2013	¥911	\$8,851
Retirement benefit costs	101	981
Benefits paid	(63)	(612)
Contributions to the plans	-	-
The effect of changes in foreign exchange rates	1	10
Balance at March 31, 2014	¥950	\$9,230

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Funded retirement benefit obligations	¥11,540	\$112,126
Plan assets	(13,052)	(126,817)
	(1,512)	(14,691)
Unfunded retirement benefit obligations	7,164	69,598
The effect of limiting a net defined asset to the asset ceiling	1,461	14,195
Total Net liability (asset) for retirement benefits at March 31, 2014	7,112	69,102
Liability for retirement benefits	7,112	69,102
Asset for retirement benefits	-	-
Total Net liability (asset) for retirement benefits at March 31, 2014	7,112	69,102

(5) Retirement benefit costs

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Service cost, excluding contributions by the employee	¥826	\$8,026
Interest cost	280	2,721
Expected return on plan assets	(195)	(1,895)
Net actuarial loss amortization	633	6,150
Past service costs amortization	(233)	(2,264)
Retirement benefit costs calculated by the simplified method	101	981
Others	4	39
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥1,416	\$13,758

(6) Remeasurements of defined benefit plans

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Actuarial gains and losses that are yet to be recognized	¥(1,027)	\$(9,979)
The effect of limiting a net defined asset to the asset ceiling	1,456	14,147
Total	¥429	\$4,168

(7) Plan assets

1. Plan assets comprise:

	<b>2014</b>
Bonds	47%
Equity securities	29%
Cash and deposits	10%
Others	14%
<b>Total</b>	<b>100%</b>

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 (expressed as weighted averages) are as follows:

	<b>2014</b>
Discount rate:	1.0%~2.1%
Long-term expected rate of return:	0.0%~2.1%

Defined contribution plan

(1) Retirement benefit costs

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2014</b>
Contributions to a defined contribution plan	<b>¥855</b>	<b>\$8,307</b>

The liabilities for severance and retirement benefits include in the liability section of the consolidated balance sheets as of March 31, 2013 are consisted of the followings:

	<i>(Millions of yen)</i>
	<b>2013</b>
Retirement benefit obligations	¥(22,626)
Plan assets	13,706
Unfunded retirement benefit obligations	(8,920)
Less unrecognized actuarial gains	2,444
Net accrued severance and retirement benefits for employees	(6,476)
The effect of limiting a net defined benefit asset to the asset ceiling	52
Prepaid pension cost	495
Accrued severance and retirement benefits for employees	¥(7,023)

Retirement benefit costs, included in the consolidated statements of income for the year ended March 31, 2013 are comprised of the followings:

	<i>(Millions of yen)</i>
	<b>2013</b>
Service costs	¥899
Interest cost	418
Expected return on plan assets	(258)
Amortization of actuarial losses	305
Contribution to defined contribution pension plan	250
Retirement benefit costs	¥1,614

Assumptions used for the year ended March 31, 2013 are set forth as follows:

	<b>2013</b>
Discount rate:	
Domestic and overseas companies	1.0% ~ 1.9%
Expected rate of return:	
Domestic and overseas companies	0.0% ~ 2.5%
Amortization of actuarial losses	10 years
Amortization period of past service cost	1 year

### 13. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2014 and 2013, in the aggregate, amount to ¥6,401 million (\$62,194 thousand) and ¥5,536 million, respectively.

### 14. Impairment Loss

The Companies base their grouping for assessing the impairment loss on fixed assets on its business segment. However, the Companies determine whether an asset is impaired on an individual assets basis if the asset is considered idle.

## 15. Comprehensive Income

Amounts reclassified to net income in the current period that are recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Valuation difference on other securities Increase(decrease) during the year	<b>¥698</b>	¥588	<b>\$6,782</b>
Reclassification adjustments	-	(199)	-
Sub-total, before tax	<b>698</b>	389	<b>6,782</b>
Tax effect	<b>(248)</b>	(136)	<b>(2,410)</b>
Sub-total, net of tax	<b>450</b>	253	<b>4,372</b>
Deferred gains or losses on hedges Increase(decrease) during the year	<b>(3)</b>	0	<b>(29)</b>
Reclassification adjustments	<b>0</b>	0	<b>0</b>
Sub-total, before tax	<b>(3)</b>	0	<b>(29)</b>
Tax effect	<b>2</b>	(0)	<b>19</b>
Sub-total, net of tax	<b>(1)</b>	(0)	<b>(10)</b>
Foreign currency translation adjustments			
Increase(decrease) during the year	<b>9,839</b>	4,892	<b>95,599</b>
Remeasurements of defined benefit plans			
Adjustments arising during the year	<b>(472)</b>	-	<b>(4,586)</b>
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	<b>(472)</b>	-	<b>(4,586)</b>
Tax effect	<b>163</b>	-	<b>1,584</b>
Total	<b>(309)</b>	-	<b>(3,002)</b>
Share of other comprehensive income of associates accounted for using equity method			
Increase(decrease) during the year	<b>242</b>	112	<b>2,351</b>
Total other comprehensive income	<b>¥10,221</b>	¥5,257	<b>\$99,310</b>

## 16. Derivative Financial Instruments

According to the accounting standard for derivative financial instruments, forward foreign exchange contracts and interest rate swap contracts which qualify for hedge accounting and such amounts of which are assigned to hedged assets or liabilities and are recorded on the balance sheets at March 31, 2014 and 2013, are not subject to disclosure of market value information.

There is no derivative financial instrument, for which hedge accounting is not applied, and therefore there is no derivative financial instruments subject to disclosure of market value information as of March 31, 2014 and 2013.

### (1) Foreign exchange forward contracts

Derivative financial instruments for which hedge accounting are applied as of March 31, 2014 are as follows:

Hedge accounting method	Type of derivative, etc	Main hedged items	<i>(Millions of yen)</i>		
			Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	¥441	¥-	¥1
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	989	-	Note2

Hedge accounting method	Type of derivative, etc	Main hedged items	<i>(Thousands of U.S. dollars)</i>		
			Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	\$4,285	\$-	\$10
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	9,609	-	Note2

Note1: Fair values are stated at the price provided by financial institutions etc.

Note2: Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable that are subject to hedging, the estimated fair value of such accounts receivable is shown as the estimated fair value in the table above.

Derivative financial instruments for which hedge accounting are applied as of March 31, 2013 are as follows:

<i>(Millions of yen)</i>					
Hedge accounting method	Type of derivative, etc	Main hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	¥155	¥-	¥ 1
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	848	-	Note2

Note1: Fair values are stated at the price provided by financial institutions etc.

Note2: Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable that are subject to hedging, the estimated fair value of such accounts receivable is shown as the estimated fair value in the table above.

(2) Interest rate swap contracts

Derivative financial instruments for which hedge accounting are applied as of March 31, 2014 are as follows:

<i>(Millions of yen)</i>					
Hedge accounting method	Type of derivative, etc	Main hedged items	Contract amount	Portion over 1 year	Fair value
Exceptional method for interest rate swap	Interest rate swap Receive floating, pay fixed	Current portion of long-term loans payable	¥10,000	-	Note

<i>(Thousands of U.S. dollars)</i>					
Hedge accounting method	Type of derivative, etc	Main hedged items	Contract amount	Portion over 1 year	Fair value
Exceptional method for interest rate swap	Interest rate swap Receive floating, pay fixed	Current portion of long-term loans payable	\$97,163	-	Note

Note: Interest rate swaps for which special treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

Derivative financial instruments for which hedge accounting are applied as of March 31, 2013 are as follows:

Hedge accounting method	Type of derivative, etc	Main hedged items	(Millions of yen)		
			Contract amount	Portion over 1 year	Fair value
Exceptional method for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥10,000	¥10,000	Note

Note: Interest rate swaps for which special treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

## 17. Earnings per Share

Earnings per share for the year ended March 31, 2014 and 2013 are as follows.

	(yen)		(U.S. dollars)
	2014	2013	2014
Net income per share-basic			
Net income	¥14,978	¥13,270	\$145,531
Weighted average number of shares issued(thousands)	126,983	126,906	126,983

	(yen)		(U.S. dollars)
	2014	2013	2014
Net income per share-basic	¥117.95	¥104.57	\$1.15

	(yen)		(U.S. dollars)
	2014	2013	2014
Net income per share-fully diluted			
Increase in common shares (thousands)			
Stock option rights	189	212	189

	(yen)		(U.S. dollars)
	2014	2013	2014
Net income per share-fully diluted	¥117.78	¥104.39	\$1.14

## 18. Stock Based Compensation Plan

(1) Stock based compensation plans as of March 31, 2014 are as follows.

	Share subscription rights-1	Share subscription rights-2	Share subscription rights-3	Share subscription rights-4	Share subscription rights-5
Date of grant	July 30, 2009	July 30, 2010	July 29, 2011	July 31, 2012	July 31, 2013
Number of shares granted	Common stock 99,000	Common stock 70,000	Common stock 70,000	Common stock 77,700	Common stock 64,500
Grantee	Directors and corporate officer of the Companies				
Exercisable period	August 22, 2009 through August 21, 2034	August 21, 2010 through August 20, 2035	August 20, 2011 through August 19, 2036	August 21, 2012 through August 20, 2037	August 21, 2013 through August 20, 2038
Outstanding at the end of the fiscal year	32,000	24,000	46,800	56,200	64,500

### Price information

Date of grant	July 30, 2009	July 30, 2010	July 29, 2011	July 31, 2012	July 31, 2013
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price upon exercise	¥2,025	¥2,025	¥2,025	¥2,025	-
Fair value at grant date	¥1,026	¥1,285	¥1,529	¥1,393	¥1,978

(2) Valuation technique used for valuation fair value of stock option granted in the fiscal year

Valuation technique: Black-Scholes option-pricing model

Principal parameters used in the option-pricing model:

Expected volatility	37.53 %	Calculated based on the actual stock prices from May 31, 2010 to August 20, 2013.
Average expected period	3.223 years	It is estimated assuming that the options were exercised at the midpoint of the exercise period.
Expected dividends	¥34 per share	Expected dividends are based on the actual dividends for the fiscal year ended March 31, 2014.
Risk-free interest rate	0.164%	Japanese government bond yield corresponding to the average expected period

(3) Method of estimating number of stock option vested

Only the actual number of forfeited stock option is reflected because it is difficult to rationally.

## 19. Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2014 and 2013 are as follows:

The Company owns a portion of office building and lands in Tokyo and other area.

*(Millions of yen)*

	Book value as of April 1, 2013	Increase / (decrease)	Book value as of March 31, 2014	Fair value as of March 31, 2014
Purpose of use				
Rental property	¥3,997	¥ (29)	¥3,968	¥4,159
Idle property	¥321	¥-	¥321	¥2,616
Total	¥4,318	¥ (29)	¥4,289	¥6,775

*(Millions of yen)*

	Book value as of April 1, 2012	Increase / (decrease)	Book value as of March 31, 2013	Fair value as of March 31, 2013
Purpose of use				
Rental property	¥4,051	¥ (54)	¥3,997	¥4,188
Idle property	¥321	¥ -	¥321	¥2,647
Total	¥4,372	¥ (54)	¥4,318	¥6,835

*(Thousands of U.S. dollars)*

	Book value as of April 1, 2013	Increase / (decrease)	Book value as of March 31, 2014	Fair value as of March 31, 2014
Purpose of use				
Rental property	\$38,836	\$ (282)	\$38,554	\$40,410
Idle property	\$3,119	\$ -	\$3,119	\$25,418
Total	\$41,955	\$ (282)	\$41,673	\$65,828

Note1: The book value of each property on the balance sheet is its acquisition cost less cumulative depreciated expenses.

2: Main rental properties are land in Kobe, rental building in Tokyo and land and building in Ehime prefecture.

3: Main idle properties are vacant land of the old Yokosuka factory in Kanagawa prefecture, and land in Tokyo (under redevelopment).

4: Decrease is mainly depreciation.

5: Fair value of property as of March 31, 2014 and 2013 is primarily calculated based on real estate appraisal standards provided by the external licensed appraiser.

Revenue and expense related to investment and rental property are as follows:

*(Millions of yen)*

<b>2014</b>			
<b>Rental revenues</b>	<b>Rental expenses</b>	<b>Net</b>	<b>Other expenses</b>
<b>¥296</b>	<b>¥97</b>	<b>¥199</b>	<b>¥13</b>

*(Millions of yen)*

<b>2013</b>			
<b>Rental revenues</b>	<b>Rental expenses</b>	<b>Net</b>	<b>Other expenses</b>
¥294	¥90	¥204	¥11

*(Thousands of U.S. dollars)*

<b>2014</b>			
<b>Rental revenues</b>	<b>Rental expenses</b>	<b>Net</b>	<b>Other expenses</b>
<b>\$2,876</b>	<b>\$942</b>	<b>\$1,934</b>	<b>\$126</b>

Note 1: Rental expenses are mainly depreciation, repair, insurance, tax and dues related to the rental properties.

2: Other expenses are mainly depreciation, repair, insurance, tax and dues related to the idle properties and loss on provision for environmental measures.

## 20. Segment Information

(1) General information about reportable segments

Reportable segments are intended to discuss periodically for the board of directors' decision of operating resources' allocation and evaluation of financial result and which are available of financial reports separately among constitutional units.

The companies manufacture and sale products based on motion control technology and divided into four reportable segments, "Precision Equipment", "Transport Equipment", "Aircraft and Oil Hydraulic Equipment" and "Industrial Equipment".

Operations of the Companies are classified into four business segments as follows:

<b>Segment</b>	<b>Main products</b>	<b>Main customers and industries</b>
<b>Precision Equipment</b>	High precision reducers and actuators, wafer transfer unit, vacuum pumps, vacuum valves, vacuum devices, rapid prototyping systems, solar tracking equipments and actuation units for wind turbine	Industrial robots, machine tools, factory automation systems, electronic devices, semiconductor manufacturing equipment automobiles and home electronic appliances
<b>Transport Equipment</b>	Automatic door drive unit, automobile air brake system, automatic testing and training equipment, remote control systems for marine vessels.	Railway vehicle, automobile and marine vessels
<b>Aircraft and Oil Hydraulic Equipment</b>	Flight control systems, various types of actuators, oil hydraulic drive motors, and various types of motors for winches	Aircraft, space, construction equipment, agricultural and other vehicles
<b>Industrial Equipment</b>	Automatic door systems, prosthetic products, automatic measuring and packing machines, multi-forming machines and constant velocity joint processing machines	Building and general industry, welfare, food, medicine, cleaning material, chemicals, precision equipment, automobiles, and home electronic appliances

(2) Basis of measurement about reportable segments profit or loss, segment assets, segment liabilities and other material items

The basis of measurement about reportable segments profit or loss, segment assets, segment liabilities and other material items is basically consistent with the description in "Summary of significant accounting policies". Intersegment transactions are based on current market prices.

(3) Information about reportable segments profit or loss, segment assets, segment liabilities and other material items

Reportable segments information as of and for the fiscal year ended March 31, 2014 and 2013 is as follows:

(Millions of yen)

<b>2014</b>							
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
<b>Sales</b>							
External sales	¥42,853	¥52,641	¥52,533	¥54,265	¥202,292	¥ -	¥202,292
Intersegment sales	56	156	1,188	224	1,624	(1,624)	-
Total sales	42,909	52,797	53,721	54,489	203,916	(1,624)	202,292
<b>Operating income</b>	6,359	6,344	3,863	3,527	20,093	-	20,093
<b>Total assets</b>	32,677	38,160	50,258	62,695	183,790	50,195	233,985
<b>Total liabilities</b>	14,179	15,844	16,256	17,773	64,052	30,461	94,513
<b>Depreciation</b>	1,896	1,457	2,921	858	7,132	468	7,600
<b>Amortization of goodwill</b>	-	410	16	1,075	1,501	-	1,501
<b>Capital expenditures</b>	918	1,703	2,323	1,229	6,173	587	6,760

(Millions of yen)

<b>2013</b>							
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
<b>Sales</b>							
External sales	¥41,578	¥44,263	¥45,747	¥47,956	¥179,544	¥ -	¥179,544
Intersegment sales	26	190	908	145	1,269	(1,269)	-
Total sales	41,604	44,453	46,655	48,101	180,813	(1,269)	179,544
<b>Operating income</b>	5,355	4,215	1,836	3,608	15,014	-	15,014
<b>Total assets</b>	31,428	32,841	43,539	54,565	162,373	40,684	203,057
<b>Total liabilities</b>	11,719	12,450	14,000	16,042	54,211	27,987	82,198
<b>Depreciation</b>	2,585	1,403	2,611	773	7,372	552	7,924
<b>Amortization of goodwill</b>	-	-	-	966	966	-	966
<b>Capital expenditures</b>	2,269	1,962	4,675	952	9,858	331	10,189

(Thousands of U.S. dollars)

2014							
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
<b>Sales</b>							
External sales	\$416,372	\$511,475	\$510,426	\$527,254	\$1,965,527	\$-	\$1,965,527
Intersegment sales	544	1,516	11,543	2,177	15,780	(15,780)	-
Total sales	416,916	512,991	521,969	529,431	1,981,307	(15,780)	1,965,527
<b>Operating income</b>	61,786	61,640	37,534	34,269	195,229	-	195,229
<b>Total assets</b>	317,499	370,773	488,321	609,162	1,785,755	487,711	2,273,466
<b>Total liabilities</b>	137,767	153,945	157,948	172,688	622,348	295,968	918,316
<b>Depreciation</b>	18,422	14,157	28,381	8,337	69,297	4,547	73,844
<b>Amortization of goodwill</b>	-	3,984	155	10,445	14,584	-	14,584
<b>Capital expenditures</b>	8,920	16,547	22,571	11,941	59,979	5,703	65,682

Note: Adjustment is referred to below:

- (1) Adjustment of intersegment sales represents elimination of intersegment transactions.
- (2) Adjustment of total assets primarily represents corporate assets.
- (3) Adjustment of total liabilities primarily represents corporate liabilities.
- (4) Adjustment of capital expenditures represents capital expenditures of corporate assets.

(Related information)

(1) Information about product and service

Since the segments of products and services are the same as the reportable segments, information by products or services is omitted.

(2) Information by geographical area

Information by geographical area for the fiscal year ended March 31, 2014 and 2013 is as follows:

(Millions of yen)

2014						
	Japan	Asia	North America	Europe	Other areas	Total
Sales	¥114,527	¥41,291	¥15,560	¥30,364	¥550	¥202,292
Property, Plant and equipment	41,292	10,535	1,466	1,933	-	55,226

(Millions of yen)

2013						
	Japan	Asia	North America	Europe	Other areas	Total
Sales	¥107,016	¥29,917	¥13,868	¥28,222	¥521	¥179,544
Property, Plant and equipment	43,068	8,698	1,301	1,409	-	54,476

(Thousands of U.S. dollars)

2014						
	Japan	Asia	North America	Europe	Other areas	Total
Sales	\$1,112,777	\$401,195	\$151,186	\$295,025	\$5,344	\$1,965,527
Property, Plant and equipment	401,205	102,361	14,244	18,782	-	536,592

(Note) Sales are divided into country and region based on the locations of the customers.

(3) Information about major customers

Information about major customers is omitted, since there is no major customer that makes up more than 10% of consolidated net sales.

(Information about goodwill in reportable segments)

Information on amortization goodwill and unamortized balance in reportable segments for the fiscal year ended March 31, 2014 and 2013 is as follows:

(Millions of yen)

2014						
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial equipment	Eliminations and General Corporate	Total
<b>Goodwill</b>						
Amortization	¥-	¥410	¥16	¥1,075	¥-	¥1,501
Balance at year-end	-	-	-	18,539	-	18,539

(Millions of yen)

2013						
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial equipment	Eliminations and General Corporate	Total
<b>Goodwill</b>						
Amortization	¥-	¥-	¥-	¥966	¥-	¥966
Balance at year-end	-	-	-	15,808	-	15,808

(Thousands of U.S. dollars)

2014						
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial equipment	Eliminations and General Corporate	Total
<b>Goodwill</b>						
Amortization	\$-	\$3,984	\$155	\$10,445	\$-	\$14,584
Balance at year-end	-	-	-	180,130	-	180,130

## 21. Related party transactions

Summarized financial information of TMT Machinery, Inc for the fiscal year ended March 31, 2014 and 2013 is as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Total current assets	<b>¥34,721</b>	¥27,117	<b>\$337,359</b>
Total non-current assets	<b>6,504</b>	5,905	<b>63,195</b>
Total current liabilities	<b>17,926</b>	15,825	<b>174,174</b>
Total long-term liabilities	<b>1,117</b>	1,264	<b>10,853</b>
Total shareholders' equity	<b>22,182</b>	15,933	<b>215,527</b>
Net sales	<b>55,170</b>	51,155	<b>536,047</b>
Income before income taxes	<b>9,976</b>	7,184	<b>96,930</b>
Net income	<b>6,694</b>	4,439	<b>65,041</b>

## 22. Appropriation of retained earnings

The following appropriation of retained earnings on a non-consolidated basis, which has not been reflected in accompanying consolidated financial statements, is approved at the shareholders' meeting held on June 24, 2014:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends (¥20= \$0.19 per share)	<b>¥2,544</b>	<b>\$24,718</b>

The following appropriation of retained earnings on a non-consolidated basis, which is not reflected in accompanying consolidated financial statements, is approved at the shareholders' meeting held on June 25, 2013:

	<i>(Millions of yen)</i>
Cash dividends (¥16 per share)	¥2,050