Miura Co., Ltd. and
its Consolidated Subsidiaries

Consolidated Financial Statements for the
Year Ended March 31, 2015,
and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Miura Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Miura Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Miura Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2015

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 23,760	¥ 16,923	$ 197,720
Short-term investments (Notes 4 and 18)	8,423	12,689	70,092
Marketable securities (Notes 5 and 18)	1	502	8
Receivables (Note 18):			
Trade notes	8,296	7,202	69,036
Trade accounts	16,669	16,613	138,710
Unconsolidated subsidiaries and associated companies (Note 7)	326	181	2,713
Other	192	107	1,598
Allowance for doubtful accounts	(73)	(57)	(607)
Inventories (Note 6)	13,014	11,213	108,297
Lease investment assets (Notes 17 and 18)	2,066	2,151	17,192
Deferred tax assets (Note 13)	2,121	2,318	17,650
Prepaid expenses and other	686	549	5,709
Total current assets	75,481	70,391	628,118
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,674	11,392	97,146
Buildings and structures	34,691	31,057	288,682
Machinery and equipment (Note 17)	8,195	6,971	68,195
Tools, furniture and fixtures (Note 17)	7,308	6,905	60,814
Construction in progress	860	822	7,157
Total	62,728	57,147	521,994
Accumulated depreciation	(23,453)	(22,020)	(195,165)
Net property, plant and equipment	39,275	35,127	326,829
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 18)	10,577	9,557	88,017
Investments in and advances to unconsolidated subsidiaries and associated companies	648	350	5,392
Deposits	840	750	6,990
Asset for retirement benefits (Note 9)	1,651		13,739
Deferred tax assets (Note 13)	77	432	641
Other	976	892	8,122
Total investments and other assets	14,769	11,981	122,901
TOTAL	¥ 129,525	¥ 117,499	$ 1,077,848

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 38	¥ 30	$ 317
Payables (Note 18):			
Trade notes	687	560	5,717
Trade accounts	2,511	2,225	20,895
Unconsolidated subsidiaries and associated companies	54	47	449
Other	4,164	3,392	34,651
Income taxes payable (Note 18)	1,175	2,570	9,778
Advances received from customers	7,866	6,528	65,457
Accrued expenses	6,009	5,948	50,004
Product warranty provision	635	660	5,284
Provision for environmental measures	9	11	75
Provision for shareholders benefit program	38		316
Asset retirement obligations	13	7	108
Other current liabilities	599	526	4,985
Total current liabilities	23,798	22,504	198,036
LONG-TERM LIABILITIES:			
Long-term borrowings (Note 8)	17	6	141
Liability for retirement benefits (Note 9)	445	2,362	3,703
Retirement allowances for directors (Note 10)	55	70	458
Deferred tax liabilities (Note 13)	1,629	3	13,556
Other	363	376	3,021
Total long-term liabilities	2,509	2,817	20,879
Total liabilities	26,307	25,321	218,915
EQUITY (Notes 11, 12 and 22):			
Common stock*—authorized, 300,000,000 shares; issued, 125,291,112 shares in 2015 and 2014	9,544	9,544	79,421
Capital surplus	10,089	10,089	83,956
Stock acquisition rights	205	123	1,706
Retained earnings	86,306	78,553	718,199
Treasury stock*—at cost, 12,824,842 shares in 2015 and 12,822,588 shares in 2014	(7,056)	(7,053)	(58,717)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	2,561	860	21,311
Foreign currency translation adjustments	3,031	1,405	25,223
Remeasurements of defined benefit plans	(1,483)	(1,362)	(12,341)
Total	103,197	92,159	858,758
Minority interests	21	19	175
Total equity	103,218	92,178	858,933
TOTAL	¥ 129,525	¥ 117,499	$ 1,077,848

* Shares have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2014.

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES (Note 15)	¥ 90,424	¥ 85,536	$752,467
COST OF SALES (Notes 9 and 15)	53,380	49,940	444,204
Gross profit	37,044	35,596	308,263
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 14 and 15)	28,032	26,631	233,270
Operating income	9,012	8,965	74,993
OTHER INCOME (EXPENSES):			
Interest and dividend income	304	298	2,530
Rent on real estate (Note 15)	394	385	3,279
Foreign exchange gain—net	549	356	4,568
Loss on valuation of shares of subsidiary	(88)		(732)
Loss on sales of shares of subsidiary	(15)		(125)
Impairment loss of long-lived assets		(297)	
Other—net (Note 16)	404	416	3,362
Other income—net	1,548	1,158	12,882
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,560	10,123	87,875
INCOME TAXES (Note 13):			
Current	3,007	4,095	25,023
Deferred	88	(262)	732
Total income taxes	3,095	3,833	25,755
NET INCOME BEFORE MINORITY INTERESTS	7,465	6,290	62,120
MINORITY INTERESTS IN NET LOSS	1	1	8
NET INCOME	¥ 7,464	¥ 6,289	$ 62,112

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK* (Note 21):			
Basic net income	¥ 66.37	¥ 55.92	$ 0.55
Diluted net income	66.23	55.84	0.55
Cash dividends applicable to the year	19.67	18.33	0.16

* Per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2014.

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 7,465	¥ 6,290	$ 62,120
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain on available-for-sale securities	1,700	528	14,147
Foreign currency translation adjustments	1,627	2,091	13,539
Remeasurements of defined benefit plans	(121)		(1,007)
Total other comprehensive income	3,206	2,619	26,679
COMPREHENSIVE INCOME	¥ 10,671	¥ 8,909	$ 88,799
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	¥ 10,668	¥ 8,904	$ 88,774
Minority interests	3	5	25

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

	Thousands		Millions of Yen										
								Accumulated other comprehensive income					
	Issued Number of Shares of Common Stock*	Treasury Stock*	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	125,291	(12,831)	¥ 9,544	¥ 10,088	¥ 53	¥ 73,737	¥ (7,057)	¥ 333	¥ (682)		¥ 86,016	¥ 14	¥ 86,030
Net income						6,289					6,289		6,289
Cash dividends, ¥14.00 per share						(1,574)					(1,574)		(1,574)
Purchase of treasury stock		(3)					(2)				(2)		(2)
Exercise of stock options		11		1			6				7		7
Change in scope of consolidation						101					101		101
Net change in the year					70			527	2,087	¥ (1,362)	1,322	5	1,327
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	125,291	(12,823)	¥ 9,544	¥ 10,089	¥ 123	¥ 78,553	¥ (7,053)	¥ 860	¥ 1,405	¥ (1,362)	¥ 92,159	¥ 19	¥ 92,178
Cumulative effects of changes in accounting policies						2,538					2,538		2,538
BALANCE, APRIL 1, 2014 (as restated)	125,291	(12,823)	9,544	10,089	123	81,091	(7,053)	860	1,405	(1,362)	94,697	19	94,716
Net income						7,464					7,464		7,464
Cash dividends, ¥20.00 per share						(2,249)					(2,249)		(2,249)
Purchase of treasury stock		(2)					(3)				(3)		(3)
Net change in the year					82			1,701	1,626	(121)	3,288	2	3,290
BALANCE, MARCH 31, 2015	125,291	(12,825)	¥ 9,544	¥ 10,089	¥ 205	¥ 86,306	¥ (7,056)	¥ 2,561	¥ 3,031	¥ (1,483)	¥ 103,197	¥ 21	¥ 103,218

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 79,421	$ 83,956	$ 1,024	$ 653,682	$ (58,692)	$ 7,156	$ 11,692	$ (11,334)	$ 766,905	$ 158	$ 767,063
Cumulative effects of changes in accounting policies				21,120					21,120		21,120
BALANCE, APRIL 1, 2014 (as restated)	79,421	83,956	1,024	674,802	(58,692)	7,156	11,692	(11,334)	788,025	158	788,183
Net income				62,112					62,112		62,112
Cash dividends, $0.2 per share				(18,715)					(18,715)		(18,715)
Purchase of treasury stock					(25)				(25)		(25)
Net change in the year			682			14,155	13,531	(1,007)	27,361	17	27,378
BALANCE, MARCH 31, 2015	$ 79,421	$ 83,956	$ 1,706	$ 718,199	$ (58,717)	$ 21,311	$ 25,223	$ (12,341)	$ 858,758	$ 175	$ 858,933

* Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2014.
See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 10,560	¥ 10,123	$ 87,875
Adjustments for:			
Income taxes—paid	(4,412)	(3,264)	(36,715)
Depreciation and amortization	2,546	2,192	21,187
Retirement benefit expenses	750		6,241
Increase in asset for retirement benefits	(556)		(4,627)
Impairment loss of long-lived assets		297	
(Decrease) increase in net liability for retirement benefits	(10)	79	(83)
Decrease in prepaid pension costs		456	
Increase (decrease) in allowance for doubtful accounts	7	(43)	58
(Decrease) increase in provision for accrued bonuses to employees	(543)	710	(4,519)
Stock based compensation expense	82	77	682
Loss on valuation of shares of subsidiary	88		732
Loss on sales of shares of subsidiary	15		125
Loss (gain) on disposal and sale of property, plant and equipment	131	(128)	1,090
Foreign exchange gain	(469)	(214)	(3,903)
Loss on valuation of investment securities	5	3	42
Increase in receivables	(741)	(1,427)	(6,166)
Increase in inventories	(1,407)	(806)	(11,708)
Increase (decrease) in payables	206	(47)	1,714
Increase in advances received	1,159	196	9,645
Other—net	1,552	318	12,915
Total adjustments	(1,597)	(1,601)	(13,290)
Net cash provided by operating activities	8,963	8,522	74,585
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(6,598)	(4,482)	(54,906)
Proceeds from sales of property, plant and equipment	257	486	2,139
Purchase of marketable securities	(6,873)	(14,698)	(57,194)
Proceeds from sales and redemption of marketable securities	11,373	14,100	94,641
Purchase of investment securities	(2)	(296)	(17)
Proceeds from sales and redemption of investment securities	1,412	517	11,750
Payment for loans	(219)	(184)	(1,822)
Proceeds from collection of loans	21	101	175
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(8)		(67)
Purchase of shares of unconsolidated subsidiaries	(317)		(2,638)
Payment for investment in associated companies		(41)	
Increase in short-term investments—net	557	147	4,635
Other—net	(265)	(331)	(2,205)
Net cash used in investing activities	(662)	(4,681)	(5,509)
FORWARD	¥ 8,301	¥ 3,841	$ 69,076

(Continued)

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
FORWARD	¥ 8,301	¥ 3,841	$ 69,076
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	10		83
Repayments of lease obligations	(7)	(6)	(59)
Purchase of treasury stock	(3)	(2)	(25)
Cash dividends paid	(2,246)	(1,574)	(18,689)
Net cash used in financing activities	(2,246)	(1,582)	(18,690)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	782	361	6,507
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,837	2,620	56,893
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,923	13,257	140,827
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE IN SCOPE OF CONSOLIDATION		1,046	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 23,760	¥ 16,923	$197,720

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Miura Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to U.S.$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Principles of Consolidation*—**The consolidated financial statements as of March 31, 2015 include the accounts of the Company and its fifteen (fifteen in 2014) significant subsidiaries (collectively, the "Companies").

Miura International Inc. (USA) was established in February 2015, and was included in the scope of consolidation. Miura Manufacturing Korea Co., Ltd. (Korea) was excluded from the scope of consolidation beginning in the third quarter due to the transfer of shares in July 2014.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in seven (four in 2014) unconsolidated subsidiaries and three (three in 2014) associated companies are stated at cost. If the equity method had been applied to account for investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions among the Companies is eliminated.

Eight consolidated subsidiaries use a fiscal year ending on December 31, which is different from the Company's fiscal year. The consolidated financial statements include the financial statements of these subsidiaries for their fiscal year after making appropriate adjustments for significant intercompany transactions during the period from their fiscal year end to the date of the consolidated financial statements.

b. ***Cash Equivalents*—**Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

c. ***Short-term Investments—***Short-term investments consist of time deposits which mature in more than three months from the date of acquisition, negotiable certificates of deposit and trust funds.

d. ***Inventories—*** Inventories are stated at cost, determined by the following method (consolidated balance sheet value is calculated using the devaluating book value method based on decreases in profitability).

- Merchandise and raw materials — principally by the average method
- Finished products, semi-finished products and work-in-process
  — principally by the specific identification method
- Supplies — principally by the last purchase cost method

e. ***Marketable and Investment Securities—***Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost.

(2) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment—***Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings, excluding structures (e.g., facilities for water supply and drainage, air conditioning units and electricity), which were acquired after April 1, 1998. Machinery and equipment held for lease are depreciated by the straight-line method over the respective lease periods.

The estimated useful lives are principally as follows:

Buildings and structures	15 to 65 years
Machinery and equipment (excluding leases)	6 to 12 years

g. ***Long-lived Assets —***The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Allowance for Doubtful Accounts—***The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. ***Provision for environmental measures—***To provide for the future expenditures on environmental protection (disposal cost of polychlorinated biphenyls waste), the estimated amount is recorded at the end of the fiscal year.

j. ***Product warranty provision—***Product warranty provision is provided to cover the cost of all services anticipated to be incurred during the entire warranty period and based on past experience.

k. ***Provision for shareholders benefit program***—Provision for shareholders benefit program comprises the estimated expenses for shareholders benefit program for the following fiscal year.

l. ***Employees' Retirement and Pension Plans***—The Company and its domestic subsidiaries have non-contributory funded pension plans covering substantially all of their employees.

Three foreign subsidiaries in Korea, Indonesia and Taiwan have funded or unfunded retirement plans covering substantially all of their employees.

The asset and liability for employees' retirement benefits are based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The net periodic benefit costs, based on an actuarial computation of current and future employee benefits, are charged to income.

In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 19).

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (2) and (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (1) above, effective March 31, 2014, and for (2) and (3) above, effective April 1, 2014.

With respect to (3) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (3) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥2,131 million ($17,733 thousand) asset for retirement benefits as of April 1, 2014, increased by ¥1,798 million ($14,962 thousand), and retained earnings as of April 1, 2014, increased by ¥2,538 million ($21,120 thousand). Further, operating income and income taxes and minority interests for the year ended March 31, 2015, increased by ¥52 million ($433 thousand). In addition, basic net income per share and diluted net income per share for the year ended March 31, 2015, increased by ¥0.47 ($0.004) and ¥0.47 ($0.004), respectively.

m. ***Retirement Allowances for Directors in Some Consolidated Subsidiaries—***Directors are entitled to receive lump-sum payments based on their compensation at the time of retirement and years of service when they leave the Companies, subject to the approval by the shareholders.

The annual provision for severance payments is calculated to state the severance liability at the amount that would be payable if all directors were to retire at each consolidated balance sheet date. Accrued provisions are not funded.

n. ***Advances Received from Customers—***The Companies provide various repair and maintenance services to their customers under three-year contracts. The Companies receive advances from customers for the full contract cost and recognize revenues on a straight-line basis over the contract period.

o. ***Stock Options—***The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. ***Research and Development Costs*****—**Research and development costs are charged to income as incurred.

q. ***Leases*****—**The Company leases certain assets produced as a lessor and the Companies lease certain equipment as lessees.

Lessor:
All finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as lease investment assets. Sales and cost of sales are recorded upon receipt of lease revenue.

Lessee:
All finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. Lease assets are included in “Machinery and equipment” and “Tool, furniture and fixtures”, and lease obligations are included in “Short-term borrowings” and “Long-term borrowings”, as such amounts are considered immaterial.

r. ***Income Taxes—***The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. ***Foreign Currency Transactions—***All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. ***Foreign Currency Financial Statements—***The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. ***Derivatives and Hedging Activities —*** The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income.

v. ***Per Share Information—***Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes full conversion of the outstanding stock options at the beginning of the year.

Cash dividends per share shown in the accompanying consolidated statement of income represent cash dividends, including semi-annual cash dividends, applicable to the income of the respective years.

On October 1, 2014, the Company effected a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on September 1, 2014. All prior year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2015. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, diluted net income per share, stock option data of the Company's common stock, and cash dividends per share.

3. CHANGE IN PRESENTATION

Prior to April 1, 2014, the increase/decrease in advances received was included in “other—net” of the operating activities section in the consolidated statement of cash flows. Since the amount increased significantly during the fiscal year ended March 31, 2015, the increase/decrease is presented separately in the operating activities section in the consolidated statement of cash flows for the years ended of March 31, 2015 and 2014. The amount included in “other—net” for the year ended March 31, 2014, was ¥196 million increase.

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Time deposits	¥ 5,723	¥ 5,989	$ 47,624
Negotiable certificates of deposit	2,700	6,700	22,468
Total	¥ 8,423	¥ 12,689	$ 70,092

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Government and corporate bonds and other	¥ 1	¥ 502	$ 8
Total	¥ 1	¥ 502	$ 8
Non-current:			
Equity securities	¥ 9,484	¥ 7,056	$ 78,921
Government and corporate bonds and other	1,000	2,417	8,322
Trust fund investments and other	93	84	774
Total	¥ 10,577	¥ 9,557	$ 88,017

The carrying amounts and aggregate fair value of investment securities at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,545	¥ 3,761	¥ 15	¥ 9,291
Trust fund investments and other	63	26		89
Held-to-maturity	1,000	15		1,015

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,545	¥ 1,384	¥ 71	¥ 6,858
Trust fund investments and other	63	16		79
Held-to-maturity	2,919	17	10	2,926

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 46,143	$ 31,297	$ 125	$ 77,315
Trust fund investments and other	524	217		741
Held-to-maturity	8,322	124		8,446

6. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products and merchandise	¥ 4,902	¥ 4,286	$ 40,792
Work-in-process	2,491	2,135	20,729
Raw materials and supplies	5,621	4,792	46,776
Total	¥ 13,014	¥ 11,213	$ 108,297

7. RECEIVABLES FROM UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Receivables from unconsolidated subsidiaries and associated companies at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 143	¥ 181	$ 1,190
Short-term loans receivable	183		1,523
Total	¥ 326	¥ 181	$ 2,713

8. SHORT-TERM AND LONG-TERM BORROWINGS

Short-term borrowings at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Short-term borrowings from an unconsolidated subsidiary with average interest rate of 0.025% (2015 and 2014)	¥ 30	¥ 20	$ 250
Lease obligations	8	10	67
Total	¥ 38	¥ 30	$ 317

Long-term borrowings at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease obligations	¥ 17	¥ 6	$ 141
Total	¥ 17	¥ 6	$ 141

9. RETIREMENT BENEFITS FOR EMPLOYEES

The Company and its domestic subsidiaries have severance payment plans for employees, which consist of defined benefit plans and defined contribution plans. Regarding defined benefit plans, under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or the domestic subsidiaries and in the form of annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The subsidiaries in Korea, Indonesia and Taiwan have defined benefit plans, and the subsidiaries in Korea, Canada and Taiwan have defined contribution plans.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 19,170	¥ 18,175	$ 159,524
Cumulative effects of changes in accounting policies	(3,929)		(32,695)
Balance at beginning of year (as restated)	15,241	18,175	126,829
Current service cost	1,038	1,074	8,638
Interest cost	181	181	1,506
Actuarial losses	853	50	7,098
Benefits paid	(484)	(417)	(4,028)
Effect of foreign exchange rate fluctuation	66	107	550
Balance at end of year	¥ 16,895	¥ 19,170	$ 140,593

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 16,808	¥ 16,005	$ 139,869
Expected return on plan assets	185	158	1,539
Actuarial losses	(45)	(27)	(374)
Contributions from the employer	1,616	999	13,448
Benefits paid	(509)	(396)	(4,236)
Effect of foreign exchange rate fluctuation	46	69	383
Balance at end of year	¥ 18,101	¥ 16,808	$ 150,629

c. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 16,865	¥ 19,152	$ 140,343
Plan assets	(18,101)	(16,808)	(150,629)
Total	(1,236)	2,344	(10,286)
Unfunded defined benefit obligation	30	18	250
Net liability (asset) arising from defined benefit obligation	¥ (1,206)	¥ 2,362	$ (10,036)

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 445	¥ 2,362	$ 3,703
Asset for retirement benefits	(1,651)		(13,739)
Net liability (asset) arising from defined benefit obligation	¥ (1,206)	¥ 2,362	$ (10,036)

d. The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 1,034	¥ 939	$ 8,604
Interest cost	181	181	1,506
Expected return on plan assets	(185)	(157)	(1,539)
Amortization of prior service cost	8	8	67
Recognized actuarial losses	742	404	6,175
Other	4	134	33
Net periodic benefit costs	¥ 1,784	¥ 1,509	$ 14,846

e. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 8		$ 66
Actuarial losses	(156)		(1,298)
Total	¥ (148)		$ (1,232)

f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (54)	¥ (62)	$ (449)
Unrecognized actuarial losses	(2,203)	(2,047)	(18,333)
Total	¥ (2,257)	¥ (2,109)	$ (18,782)

g. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
General accounts of life insurance companies	54%	55%
Domestic bonds	42	41
Other	4	4
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

h. Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.738%	1.046%
Expected rate of return on plan assets	1.0%	1.0%
Rate of salary increase	4.9%	4.9%

10. RETIREMENT ALLOWANCES FOR DIRECTORS

The provisions for retirement benefits to directors charged to income were ¥10 million ($83 thousand) and ¥11 million for the years ended March 31, 2015 and 2014, respectively.

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

On October 1, 2014, the Company made a stock split by way of a free share distribution at the rate of three-for-one shares for each outstanding share. 12,822,588 shares were issued to shareholders of record on October 1, 2014.

12. STOCK OPTIONS

The stock options outstanding as of March 31, 2015, are as follows:

Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
11 directors	271,200 shares	2012.7.17 2013.7.16 2014.7.16	¥ 1 $ (0.01)	From July 18, 2012 to July 16, 2044

The number of shares in the above table reflects the three-for-one share split executed on October 1, 2014.

The stock option activity is as follows:

Year Ended March 31, 2015	
Non-vested (Shares)	
March 31, 2014—Outstanding	200,700
Granted	70,500
Canceled	
Vested	
March 31, 2015—Outstanding	271,200
Vested (Shares)	
March 31, 2014—Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2015—Outstanding	

The number of shares in the above table reflects the three-for-one share split executed on October 1, 2014.

	Exercised	Outstanding at March 31, 2015
Exercise price	¥ 1	¥ 1
	$ (0.01)	$ (0.01)
Average stock price at exercise		
Fair value price at grant date		¥ 834
		$ (6.94)

The exercise price in the above table reflects the three-for-one share split executed on October 1, 2014.

<u>The Assumptions Used to Measure the Fair Value of the 2015 Stock Option</u>

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	23.173%
Estimated remaining outstanding period:	3.7 years
Estimated dividend:	¥50 per share
Risk free interest rate:	0.103%

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 35.4% for the years ended March 31, 2015 and 2014.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Accrued expenses	¥ 1,308	¥ 1,574	$ 10,885
Retirement allowances for directors	18	29	150
Long-term liability — other	104	114	866
Enterprise tax	92	179	766
Accrued warranty costs	188	217	1,564
Loss on valuation of unconsolidated subsidiaries shares	14		117
Impairment loss of long-lived assets	81	287	674
Share-based compensation expenses	66	44	549
Liability for retirement benefit	78	758	649
Depreciation	144	155	1,198
Tax loss carryforwards	803	493	6,682
Other	287	361	2,388
Less valuation allowance	(911)	(902)	(7,581)
Total	¥ 2,272	¥ 3,309	$ 18,907
Deferred tax liabilities:			
Asset for retirement benefit	¥ 461	¥ 4	$ 3,836
Unrealized gain on available-for-sale securities	1,211	472	10,077
Other	33	86	275
Total	1,705	562	14,188
Net deferred tax assets	¥ 567	¥ 2,747	$ 4,719

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, is as follows:

	2015
Normal effective statutory tax rate	35.4%
Expenses not deductible for income tax purposes	1.1
Minimum inhabitant taxes	0.9
Tax credits on research and development costs and others	(2.0)
Downward revision to deferred tax assets as of the end of the period due to the change in corporate tax rates	0.5
Dividend and other permanently non-taxable income	(0.2)
The reduction due to the application of such foreign tax credit	(0.2)
Tax rate difference in consolidated subsidiaries	(1.2)
Change in valuation allowances	0.1
Effect of consolidation adjustments	(4.9)
Other — net	(0.2)
Actual effective tax rate	29.3%

For the year ended March 31, 2014, a reconciliation schedule was omitted because the difference between the normal effective statutory tax rate and the actual effective tax rate was less than 5% of the normal effective statutory tax rate. This treatment is permitted by Japanese accounting regulations.

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.8% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.1%. The effect of these changes was to increase deferred tax assets in the consolidated balance sheet as of March 31, 2015, by ¥68 million ($566 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥56 million ($466 thousand).

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,403 million ($19,997 thousand) and ¥2,055 million for the years ended March 31, 2015 and 2014, respectively.

15. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Major transactions with unconsolidated subsidiaries for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen				
Year Ended	Sales	Purchases	Rent on Real Estate	Research and Development Costs	Fee Expenses
March 31, 2015	¥ 817		¥ 7	¥ 5	¥ 278
March 31, 2014	952	¥ 3	7	3	266

	Thousands of U.S. Dollars				
Year Ended	Sales	Purchases	Rent on Real Estate	Research and Development Costs	Fee Expenses
March 31, 2015	$ 6,799		$ 58	$ 42	$ 2,313

16. OTHER INCOME (EXPENSES) — NET

Other income (expenses) — net for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gain on sale of property and equipment	¥ 10	¥ 376	$ 83
Loss on retirement of property and equipment	(84)	(195)	(699)
Loss on sales of property, plant and equipment	(58)	(55)	(483)
Subsidies	148		1,232
Other	388	290	3,229
Other income (expenses) — net	¥ 404	¥ 416	$ 3,362

17. LEASES

As a lessor, the Company recognized leased assets as lease investment assets. The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥ 4,495	¥ 4,643	$ 37,405
Unearned interest income	2,429	2,492	20,213
Lease investment assets, current	¥ 2,066	¥ 2,151	$ 17,192

Maturities of lease investment assets for finance leases that are not deemed to transfer ownership of the leased property to the lessee are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 474	$ 3,945
2017	464	3,861
2018	404	3,362
2019	331	2,754
2020	249	2,072
2021 and thereafter	144	1,198
Total	¥ 2,066	$ 17,192

As a lessee, the Company and some subsidiaries lease certain machinery, equipment, tools, furniture and fixtures.

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group policy for financial instruments

The capital expenditures of the Companies are financed by their own funds. Cash surpluses, if any, are invested in low-risk financial instruments such as negotiable certificates of deposit and marketable debt securities. The Companies also invest in the stock of their business partners to maintain and enhance business relationships. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in "b." below.

b. Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, and lease investment assets are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly negotiable certificates of deposit, held-to-maturity securities, and equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one month.

c. Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk from receivables and lease investment assets on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each division to identify the default risk of customers in the early stages.

Certain consolidated subsidiaries hedge their credit risk by collecting advance payments before shipment of products.

Market risk management (foreign exchange risk and interest rate risk)

Marketable and investment securities are managed by putting limits on investment amounts in accordance with internal guidelines, and monitoring market value and financial position of issuers on a regular basis.

Foreign exchange risk is hedged by using forward foreign currency contracts. In conducting and managing derivative transactions, the division in charge of derivative transactions follows the internal management policies which define delegation of authority and position limits. Actual transaction data are regularly reported to the Board of Directors.

The Company considers that credit risk from non-performance of counterparties is minimal because the counterparties to the derivative transactions are limited to banks with high credit standings.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Companies manage their liquidity risk by developing cash management plans based on reports from each division, and holding adequate balances of liquid assets.

d. Fair value of financial instruments

Fair value of financial instruments is based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

(1) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 23,760	¥ 23,760	
Short-term investments	8,423	8,423	
Receivables	25,410	25,410	
Lease investment assets	2,066	4,395	¥ 2,329
Investment securities	10,380	10,394	14
Total	¥ 70,039	¥ 72,382	¥ 2,343
Payables	¥ 7,416	¥ 7,416	
Income taxes payable	1,175	1,175	
Total	¥ 8,591	¥ 8,591	

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 16,923	¥ 16,923	
Short-term investments	12,689	12,689	
Marketable securities	502	503	¥ 1
Receivables	24,046	24,046	
Lease investment assets	2,151	4,524	2,373
Investment securities	9,354	9,360	6
Total	¥ 65,665	¥ 68,045	¥ 2,380
Payables	¥ 6,224	¥ 6,224	
Income taxes payable	2,570	2,570	
Total	8,794	8,794	

	Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 197,720	$ 197,720	
Short-term investments	70,092	70,092	
Receivables	211,450	211,450	
Lease investment assets	17,192	36,574	$ 19,382
Investment securities	86,378	86,494	116
Total	$ 582,832	$ 602,330	$ 19,498
Payables	$ 61,712	$ 61,712	
Income taxes payable	9,778	9,778	
Total	$ 71,490	$ 71,490	

Cash and cash equivalents, short-term investments, receivables, payables, and income taxes payable

The carrying value of cash and cash equivalents, short-term investments, receivables, payables and income taxes payable approximates fair value because of their short maturities.

Lease investment assets

The fair value of lease investment assets are determined by discounting the cash flows related to the lease investment assets at the Companies' assumed corporate discount rate, based upon considerations of risk-free interest rates and credit risk.

Investment securities

The fair value of investment securities is measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 4.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

Investments in equity instruments and debt instruments that do not have a quoted market price in an active market

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in unconsolidated subsidiaries and associated companies	¥ 527	¥ 298	$ 4,386
Other	197	202	1,639
Total	¥ 724	¥ 500	$ 6,025

e. Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 23,711			
Short-term investments	8,423			
Marketable securities	1			
Receivables	25,397	¥ 13		
Lease investment assets	473	1,449	¥ 144	
Investment securities:				
Held-to-maturity securities		2	1,001	
Available-for-sale securities with contractual maturities		30		
Total	¥ 58,005	¥ 1,494	¥ 1,145	

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 16,877			
Short-term investments	12,689			
Marketable securities	501			
Receivables	24,030	¥ 14	¥ 2	
Lease investment assets	498	1,487	166	
Investment securities:				
Held-to-maturity securities		3	2,400	
Available-for-sale securities with contractual maturities		28		
Total	¥ 54,595	¥ 1,532	¥ 2,568	

March 31, 2015	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 197,312			
Short-term investments	70,092			
Marketable securities	8			
Receivables	211,342	$ 108		
Lease investment assets	3,936	12,058	$ 1,198	
Investment securities:				
Held-to-maturity securities		17	8,330	
Available-for-sale securities with contractual maturities		250		
Total	$ 482,690	$ 12,433	$ 9,528	

19. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 2,439	¥ 821	$ 20,296
Reclassification adjustments to profit or loss		3	
Amount before income tax effect	2,439	824	20,296
Income tax effect	(739)	(296)	(6,149)
Total	¥ 1,700	¥ 528	$ 14,147
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 1,627	¥ 2,091	$ 13,539
Remeasurements of defined benefit plans			
Adjustments arising during the year	¥ (898)		$ (7,473)
Reclassification adjustments to profit or loss	750		6,241
Amount before income tax effect	(148)		(1,232)
Income tax effect	27		225
Total	¥ (121)		$ (1,007)
Total other comprehensive income	¥ 3,206	¥ 2,619	$ 26,679

20. SEGMENT INFORMATION

For the years ended March 31, 2015 and 2014

a. *Description of reportable segments*

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. Therefore, the Companies consist of the segments of "Domestic manufacturing and sales of products", "Domestic maintenance", "Overseas manufacturing and sales of products", and "Overseas maintenance".

Changes in classification of segments

Effective from the fiscal year ended March 31, 2015, the Company changed the segments to "Domestic manufacturing and sales of products", "Domestic maintenance", "Overseas manufacturing and sales of products", and "Overseas maintenance".

The Companies are improving their business to provide total solutions for plant infrastructure globally, according to which various boilers and related equipment are provided to customers systematically, and the Companies are also accelerating the expansion of their overseas business. As a result, the prior classification of segments was no longer appropriate for the Companies' decision making in the performance management process.

The segment information for the fiscal year ended March 31, 2014 is reclassified according to the new reportable segments.

b. *Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

Profit of reportable segments is calculated as operating income. The Companies account for intersegment sales and transfers on the basis of arm's length price.

c. *Information about sales, profit, assets, liabilities and other items*

	Millions of Yen						
	2015						
	Reportable segment						
	Domestic		Overseas				
	Manufacturing and Sales of Products	Maintenance	Manufacturing and Sales of Products	Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 48,842	¥ 25,755	¥ 12,604	¥ 3,223	¥ 90,424		¥ 90,424
Intersegment sales or transfers	1,746	81	256		2,083	¥ (2,083)	
Total	¥ 50,588	¥ 25,836	¥ 12,860	¥ 3,223	¥ 92,507	¥ (2,083)	¥ 90,424
Segment profit (loss)	¥ 2,172	¥ 5,912	¥ 816	¥ (146)	¥ 8,754	¥ 258	¥ 9,012
Segment assets	47,444	18,062	12,745	1,417	79,668	49,857	129,525
Other:							
Depreciation	1,562	181	364	53	2,160	386	2,546
Increase in property, plant and equipment and intangible assets	4,902	567	511	66	6,046	470	6,516
Impairment loss of long-lived assets							

Millions of Yen

2014

	Reportable segment: Domestic: Manufacturing and Sales of Products	Reportable segment: Domestic: Maintenance	Reportable segment: Overseas: Manufacturing and Sales of Products	Reportable segment: Overseas: Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 47,189	¥ 25,217	¥ 10,302	¥ 2,828	¥ 85,536		¥ 85,536
Intersegment sales or transfers	1,791		163		1,954	¥ (1,954)	
Total	¥ 48,980	¥ 25,217	¥ 10,465	¥ 2,828	¥ 87,490	¥ (1,954)	¥ 85,536
Segment profit	¥ 2,875	¥ 5,466	¥ 358	¥ 115	¥ 8,814	¥ 151	¥ 8,965
Segment assets	41,239	17,313	11,206	1,179	70,937	46,562	117,499
Other:							
Depreciation	1,264	251	261	73	1,849	343	2,192
Increase in property, plant and equipment and intangible assets	2,615	464	1,209	186	4,474	626	5,100
Impairment loss of long-lived assets	(44)				(44)	(253)	(297)

Thousands of U.S. Dollars

2015

	Reportable segment: Domestic: Manufacturing and Sales of Products	Reportable segment: Domestic: Maintenance	Reportable segment: Overseas: Manufacturing and Sales of Products	Reportable segment: Overseas: Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$406,441	$214,321	$104,885	$ 26,820	$752,467		$ 752,467
Intersegment sales or transfers	14,530	674	2,130		17,334	$ (17,334)	
Total	$420,971	$214,995	$107,015	$ 26,820	$769,801	$ (17,334)	$ 752,467
Segment profit (loss)	$ 18,074	$ 49,197	$ 6,790	$ (1,215)	$ 72,846	$ 2,147	$ 74,993
Segment assets	394,807	150,304	106,058	11,792	662,961	414,887	1,077,848
Other:							
Depreciation	12,998	1,507	3,029	441	17,975	3,212	21,187
Increase in property, plant and equipment and intangible assets	40,792	4,719	4,252	549	50,312	3,911	54,223
Impairment loss of long-lived assets							

Notes:

1. "Domestic" segments are accounted for as domestic subsidiaries and "Overseas" segments are accounted for as overseas subsidiaries.

2. Reconciliations of segment assets mainly represent the surplus assets of the Company, which include cash and marketable securities, long-term investment funds, including investment securities, and assets related to the management department.

3. Segment profit is reconciled to operating profit in the consolidated financial statements.

d. Related Information

Information about Geographical Areas

(1) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Japan	¥ 73,841	¥ 72,037	$ 614,471
Asia	13,149	10,076	109,420
North and South America	3,378	3,343	28,110
Other	56	80	466
Total	¥ 90,424	¥ 85,536	$ 752,467

(2) Property, plant and equipment

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Japan	¥ 32,482	¥ 29,115	$ 270,301
Asia	5,483	4,747	45,627
North and South America	1,310	1,265	10,901
Total	¥ 39,275	¥ 35,127	$ 326,829

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,464	112,467	¥ 66.37	$ 0.55
Effect of dilutive securities—Stock options		241		
Diluted EPS—Net income for computation	¥ 7,464	112,708	¥ 66.23	$ 0.55

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 6,289	112,467	¥ 55.92	$ 0.54
Effect of dilutive securities—Stock options		162		
Diluted EPS—Net income for computation	¥ 6,289	112,629	¥ 55.84	$ 0.54

A three-for-one stock split was implemented on October 1, 2014. Per share figures were retroactively adjusted to reflect the stock split.

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

At the general shareholders meeting held on June 26, 2015, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations—Cash dividends, ordinary dividend of ¥11.00 ($0.09)	¥ 1,237	$ 10,294

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