MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2016, 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, 2016, 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, 2016, 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 29, 2016

MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Balance Sheet
March 31,2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 23,875	¥ 23,760	$ 211,883
Short-term investments (Notes 3 and 17)	12,011	8,423	106,594
Marketable securities (Notes 4 and 17)		1	
Receivables (Note 17):			
Trade notes	8,201	8,296	72,781
Trade accounts	17,387	16,669	154,304
Unconsolidated subsidiaries and associated companies (Note 6)	244	326	2,165
Other	138	192	1,226
Allowance for doubtful accounts	(98)	(73)	(870)
Inventories (Note 5)	13,781	13,014	122,302
Lease investment assets (Notes 16 and 17)	2,014	2,066	17,874
Deferred tax assets (Note 12)	2,104	2,121	18,672
Prepaid expenses and other	485	686	4,304
Total current assets	80,142	75,481	711,235
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,686	11,674	103,710
Buildings and structures	35,915	34,691	318,734
Machinery and equipment (Note 16)	8,642	8,195	76,695
Tools, furniture and fixtures (Note 16)	7,496	7,308	66,525
Construction in progress	627	860	5,564
Total	64,366	62,728	571,228
Accumulated depreciation	(25,079)	(23,453)	(222,568)
Net property, plant and equipment	39,287	39,275	348,660
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 17)	12,279	10,577	108,972
Investments in and advances to unconsolidated subsidiaries and associated companies	1,302	648	11,555
Deposits	769	840	6,825
Asset for retirement benefits (Note 8)	1,031	1,651	9,150
Deferred tax assets (Note 12)	56	77	497
Other	995	976	8,830
Total investments and other assets	16,432	14,769	145,829
TOTAL	¥ 135,861	¥ 129,525	$ 1,205,724

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 38	¥ 38	$ 337
Payables (Note 17):			
Trade notes	638	687	5,662
Trade accounts	2,848	2,511	25,275
Unconsolidated subsidiaries	66	54	586
Other	4,530	4,164	40,202
Income taxes payable (Note 17)	2,172	1,175	19,276
Advances received from customers	8,296	7,866	73,624
Accrued expenses	6,380	6,009	56,621
Product warranty provision	701	635	6,221
Provision for environmental measures		9	
Provision for shareholders benefit program	34	38	302
Asset retirement obligations	6	13	53
Other (Note 12)	575	599	5,103
Total current liabilities	26,284	23,798	233,262
LONG-TERM LIABILITIES:			
Long-term borrowings (Note 7)	19	17	169
Liability for retirement benefits (Note 8)	386	445	3,426
Retirement allowances for directors (Note 9)	65	55	577
Deferred tax liabilities (Note 12)	1,778	1,629	15,779
Other	284	363	2,520
Total long-term liabilities	2,532	2,509	22,471
Total liabilities	28,816	26,307	255,733
EQUITY (Notes 10, 11 and 21):			
Common stock—authorized, 300,000,000 shares; issued, 125,291,112 shares in 2016 and 2015	9,544	9,544	84,700
Capital surplus	10,098	10,089	89,617
Stock acquisition rights	246	205	2,183
Retained earnings	91,212	86,306	809,478
Treasury stock—at cost, 12,788,321 shares in 2016 and 12,824,842 shares in 2015	(7,042)	(7,056)	(62,496)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	3,222	2,561	28,594
Foreign currency translation adjustments	1,381	3,031	12,256
Remeasurements of defined benefit plans	(1,874)	(1,483)	(16,631)
Total	106,787	103,197	947,701
Noncontrolling interests	258	21	2,290
Total equity	107,045	103,218	949,991
TOTAL	¥ 135,861	¥ 129,525	$ 1,205,724

See notes to consolidated financial statements.

MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES (Note 14)	¥ 99,019	¥ 90,424	$ 878,763
COST OF SALES (Notes 8 and 14)	58,825	53,380	522,054
Gross profit	40,194	37,044	356,709
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 13 and 14)	29,974	28,032	266,010
Operating income	10,220	9,012	90,699
OTHER INCOME (EXPENSES):			
Interest and dividend income	365	304	3,239
Rent on real estate (Note 14)	401	394	3,559
Foreign exchange (loss) gain—net	(446)	549	(3,958)
Other—net (Note 15)	541	301	4,801
Other income—net	861	1,548	7,641
INCOME BEFORE INCOME TAXES	11,081	10,560	98,340
INCOME TAXES (Note 12):			
Current	3,591	3,007	31,869
Deferred	14	88	124
Total income taxes	3,605	3,095	31,993
NET INCOME	7,476	7,465	66,347
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		1	
NET INCOME ATTRIBUTABLE TO OWNER OF THE PARENT	¥ 7,476	¥ 7,464	$ 66,347
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 20):			
Basic net income	¥ 66.46	¥ 66.37	$ 0.59
Diluted net income	66.30	66.23	0.59
Cash dividends applicable to the year	21.00	19.67	0.19

See notes to consolidated financial statements.

MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 7,476	¥ 7,465	$ 66,347
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	661	1,700	5,866
Foreign currency translation adjustments	(1,532)	1,627	(13,596)
Remeasurements of defined benefit plans	(356)	(121)	(3,159)
Total other comprehensive income	(1,227)	3,206	(10,889)
COMPREHENSIVE INCOME	¥ 6,249	¥ 10,671	$ 55,458
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 6,252	¥ 10,668	$ 55,485
Noncontrolling interests	(3)	3	(27)

See notes to consolidated financial statements.

MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2016

	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	Noncontrolling Interests	Total Equity
BALANCE, 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
Net income						7,476					7,476		7,476
Cash dividends, ¥21.00 per share						(2,362)					(2,362)		(2,362)
Purchase of treasury stock							(1)				(1)		(1)
Disposal of treasury stock		37		10			21				31		31
Effect on change of the fiscal year-end of consolidated subsidiaries						(208)					(208)		(208)
Change in the parent's ownership interest due to transactions with noncontrolling interests				(1)			(6)				(7)		(7)
Net change in the year					41			661	(1,650)	(391)	(1,339)	237	(1,102)
BALANCE, MARCH 31, 2016	125,291	(12,788)	¥ 9,544	¥ 10,098	¥ 246	¥ 91,212	¥ (7,042)	¥ 3,222	¥ 1,381	¥ (1,874)	¥ 106,787	¥ 258	¥ 107,045

	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	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	$ 84,700	$ 89,537	$ 1,819	$ 765,939	$ (62,620)	$ 22,728	$ 26,899	$ (13,161)	$ 915,841	$ 187	$ 916,028
Net income				66,347					66,347		66,347
Cash dividends, $0.19 per share				(20,962)					(20,962)		(20,962)
Purchase of treasury stock					(9)				(9)		(9)
Exercise of stock options		89			186				275		275
Effect on change of the fiscal year-end of consolidated subsidiaries				(1,846)					(1,846)		(1,846)
Change in the parent's ownership interest due to transactions with noncontrolling interests		(9)			(53)				(62)		(62)
Net change in the year			364			5,866	(14,643)	(3,470)	(11,883)	2,103	(9,780)
BALANCE, MARCH 31, 2016	$ 84,700	$ 89,617	$ 2,183	$ 809,478	$ (62,496)	$ 28,594	$ 12,256	$ (16,631)	$ 947,701	$ 2,290	$ 949,991

* 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, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 11,081	¥ 10,560	$ 98,340
Adjustments for:			
Income taxes—paid	(2,542)	(4,412)	(22,559)
Depreciation and amortization	2,856	2,546	25,346
Retirement benefit expenses	901	750	7,996
Increase in asset for retirement benefits	(637)	(556)	(5,653)
Decrease in liability for retirement benefits	(131)	(10)	(1,163)
Increase in allowance for doubtful accounts	40	7	355
Increase (decrease) in provision for accrued bonuses to employees	240	(543)	2,130
Stock based compensation expense	72	82	639
Loss on valuation of shares of subsidiary		88	
Loss on sales of shares of subsidiary		15	
Loss on disposals and sales of property, plant and equipment	(91)	131	(808)
Foreign exchange loss (gain)	187	(469)	1,660
Loss on valuation of investment securities		5	
Increase in receivables	(1,045)	(741)	(9,274)
Increase in inventories	(418)	(1,407)	(3,710)
Increase in payables	456	206	4,047
Increase in advances received	269	1,159	2,387
Other—net	261	1,552	2,316
Total adjustments	418	(1,597)	3,709
Net cash provided by operating activities	11,499	8,963	102,049
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(2,616)	(6,598)	(23,216)
Proceeds from sales of property, plant and equipment	378	257	3,355
Purchase of marketable securities	(12,500)	(6,873)	(110,934)
Proceeds from sales and redemption of marketable securities	15,200	11,373	134,895
Purchase of investment securities	(814)	(2)	(7,224)
Proceeds from sales and redemption of investment securities		1,412	
Payment for loans	(2)	(219)	(18)
Proceeds from collection of loans	6	21	53
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation		(8)	
Purchase of shares of unconsolidated subsidiaries	(653)	(317)	(5,795)
(Decrease) increase in short-term investments—net	(6,177)	557	(54,819)
Other—net	(816)	(265)	(7,242)
Net cash used in investing activities	(7,994)	(662)	(70,945)
FORWARD	¥ 3,505	¥ 8,301	$ 31,104

(Continued)

MIURA CO., LTD. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
FORWARD	¥ 3,505	¥ 8,301	$ 31,104
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net		10	
Repayments of lease obligations	(13)	(7)	(115)
Purchase of treasury stock	(1)	(3)	(9)
Cash dividends paid	(2,360)	(2,246)	(20,944)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(22)		(195)
Net cash used in financing activities	(2,396)	(2,246)	(21,263)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(356)	782	(3,158)
NET INCREASE IN CASH AND CASH EQUIVALENTS	753	6,837	6,683
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE IN SCOPE OF CONSOLIDATION	108		958
EFFECT ON CHANGE OF THE FISCAL YEAR-END OF CONSOLIDATED SUBSIDIARIES	(746)		(6,621)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,760	16,923	210,863
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 23,875	¥ 23,760	$ 211,883

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68 to U.S.$1, the approximate rate of exchange at March 31, 2016. 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, 2016 include the accounts of the Company and its thirteen (fifteen in 2015) significant subsidiaries (collectively, the "Companies").

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 one unconsolidated subsidiary AIMU CO., LTD. are accounted for by the equity method at the beginning of the year ended March 31, 2016 due to the increasing materiality.

Another seven (seven in 2015) unconsolidated subsidiaries and one (three in 2015) associated company 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.

To achieve more appropriate disclosure of consolidated financial information, from the consolidated fiscal year under review we have changed the closing date for KOREA MIURA CO., LTD. and five other companies to March 31. With regard to MIURA INDUSTRIES (SUZHOU) CO., LTD., we performed a provisional settlement of account on March 31, the consolidated closing date, and have switched to the consolidation method.

As a result of this change in settlement period, we have adjusted profit and loss for the period from January 1, 2015 to March 31, 2015 and recorded reduction of ¥208 million in retained earnings.

Furthermore, as the closing date for NIWA KOUGYO CO., LTD. is December 31, we performed a provisional settlement of account on March 31, the consolidated closing date, and a consolidation.

b. ***Business Combinations —*** In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary mightchange if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively. With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

c. ***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.

d. ***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.

e. ***Inventories*****—** Inventories are stated at cost, determined by the following methods (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

f. ***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.

g. ***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

h. ***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.

i ***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.

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 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 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 18).

(3) The 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.

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, retained earnings as of April 1, 2014, increased by ¥2,538 million.

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. ***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.

3. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Time deposits	¥ 12,011	¥ 5,723	$ 106,594
Negotiable certificates of deposit		2,700	
Total	¥ 12,011	¥ 8,423	$ 106,594

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Government and corporate bonds and other		¥ 1	
Total		¥ 1	
Non-current:			
Equity securities	¥ 10,362	¥ 9,484	$ 91,960
Government and corporate bonds and other	1,806	1,000	16,028
Trust fund investments and other	111	93	984
Total	¥ 12,279	¥ 10,577	$ 108,972

The carrying amounts and aggregate fair value of investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,551	¥ 4,654	¥ 38	¥ 10,167
Trust fund investments and other	88	20		108
Held-to-maturity	1,806	8		1,814

	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

March 31, 2016	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 49,263	$ 41,303	$ 337	$ 90,229
Trust fund investments and other	781	177		958
Held-to-maturity	16,028	71		16,099

5. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products and merchandise	¥ 4,425	¥ 4,902	$ 39,271
Work-in-process	3,117	2,491	27,662
Raw materials and supplies	6,239	5,621	55,369
Total	¥ 13,781	¥ 13,014	$ 122,302

6. RECEIVABLES FROM UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Receivables from unconsolidated subsidiaries and associated companies at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Accounts receivable	¥ 87	¥ 143	$ 772
Short-term loans receivable	157	183	1,393
Total	¥ 244	¥ 326	$ 2,165

7. SHORT-TERM AND LONG-TERM BORROWINGS

Short-term borrowings at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Short-term borrowings from an unconsolidated subsidiary with average interest rate of 0.025% (2016 and 2015)	¥ 30	¥ 30	$ 266
Lease obligations	8	8	71
Total	¥ 38	¥ 38	$ 337

Long-term borrowings at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Lease obligations	¥ 19	¥ 17	$ 169
Total	¥ 19	¥ 17	$ 169

8. 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, Taiwan and US have defined contribution plans.

a. The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 16,895	¥ 19,170	$ 149,938
Cumulative effects of changes in accounting policies		(3,929)	
Balance at beginning of year (as restated)	16,895	15,241	149,938
Current service cost	1,136	1,038	10,082
Interest cost	146	181	1,296
Actuarial losses	1,386	853	12,300
Benefits paid	(499)	(484)	(4,429)
Cumulative effect of accounting period change	74		657
Effect of foreign exchange rate fluctuation	(108)	66	(959)
Balance at end of year	¥ 19,030	¥ 16,895	$ 168,885

b. The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 18,102	¥ 16,808	$ 160,650
Expected return on plan assets	191	185	1,695
Actuarial losses	113	(45)	1,003
Contributions from the employer	1,825	1,616	16,196
Benefits paid	(481)	(509)	(4,269)
Cumulative effect of accounting period change	(11)		(97)
Effect of foreign exchange rate fluctuation	(64)	46	(568)
Balance at end of year	¥ 19,675	¥ 18,101	$ 174,610

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
	2016	2015	2016
Funded defined benefit obligation	¥ 18,990	¥ 16,865	$ 168,530
Plan assets	(19,675)	(18,101)	(174,609)
Total	(685)	(1,236)	(6,079)
Unfunded defined benefit obligation	40	30	355
Net liability (asset) arising from defined benefit obligation	¥ (645)	¥ (1,206)	$ (5,724)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 386	¥ 445	$ 3,426
Asset for retirement benefits	(1,031)	(1,651)	(9,150)
Net liability (asset) arising from defined benefit obligation	¥ (645)	¥ (1,206)	$ (5,724)

d. The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 1,133	¥ 1,034	$ 10,055
Interest cost	146	181	1,296
Expected return on plan assets	(190)	(185)	(1,686)
Amortization of prior service cost	8	8	71
Recognized actuarial losses	890	742	7,898
Other	3	4	27
Net periodic benefit costs	¥ 1,990	¥ 1,784	$ 17,661

e. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ 8	¥ 8	$ 71
Actuarial losses	(379)	(156)	(3,364)
Total	¥ (371)	¥ (148)	$ (3,293)

f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (46)	¥ (54)	$ (408)
Unrecognized actuarial losses	(2,627)	(2,203)	(23,314)
Total	¥ (2,673)	¥ (2,257)	$ (23,722)

g. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
General accounts of life insurance companies	53%	54%
Domestic bonds	42	42
Other	5	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, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.148%	0.738%
Expected rate of return on plan assets	1.0	1.0
Rate of salary increase	4.9	4.9

9. RETIREMENT ALLOWANCES FOR DIRECTORS

The provisions for retirement benefits to directors charged to income were ¥13 million ($115 thousand) and ¥10 million for the years ended March 31, 2016 and 2015, respectively.

10. 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 being prescribed as one year rather than the normal two-year 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.

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2016, are as follows:

Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
11 directors	283,700 shares	2012.7.17 2013.7.16 2014.7.16 2015.7.15	¥ 1 $ (0.01)	From July 18, 2012 to July 15, 2045

The stock option activity is as follows:

Year Ended March 31, 2016	
Non-vested (Shares)	
March 31, 2015—Outstanding	271,200
Granted	49,700
Canceled	
Vested	37,200
March 31, 2016—Outstanding	283,700
Vested (Shares)	
March 31, 2015—Outstanding	
Vested	37,200
Exercised	37,200
Canceled	
March 31, 2016—Outstanding	

	Exercised	Outstanding at March 31, 2016
Exercise price	¥ 1 $ (0.01)	¥ 1 $ (0.01)
Average stock price at exercise	¥ 1,423 $ (12.63)	
Fair value price at grant date	¥ 823 $ (7.30)	¥ 927 $ (8.23)

The Assumptions Used to Measure the Fair Value of the 2016 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	25.804%
Estimated remaining outstanding period:	3.0 years
Estimated dividend:	¥19.67 per share
Risk free interest rate:	0.0275%

12. 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 approximately 32.8% for the year ended March 31, 2016 and 35.4% for the year ended March 31, 2015.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Accrued expenses	¥ 1,327	¥ 1,308	$ 11,777
Retirement allowances for directors	23	18	204
Long-term liability — other	68	104	603
Enterprise tax	161	92	1,429
Accrued warranty costs	200	188	1,775
Loss on valuation of unconsolidated subsidiaries shares	12	14	106
Impairment loss of long-lived assets	77	81	683
Share-based compensation expenses	75	66	666
Liability for retirement benefit	56	78	497
Depreciation	134	144	1,189
Tax loss carryforwards	792	803	7,029
Other	267	287	2,370
Less valuation allowance	(955)	(911)	(8,475)
Total	2,237	2,272	19,853
Deferred tax liabilities:			
Asset for retirement benefit	327	461	2,902
Unrealized gain on available-for-sale securities	1,414	1,211	12,549
Other	115	33	1,021
Total	1,856	1,705	16,472
Net deferred tax assets	¥ 381	¥ 567	$ 3,381

For the year ended March 31, 2016, 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 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016 and the fiscal year beginning on or after April 1, 2017, to approximately 30.7% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.5%. The effect of these changes was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2016, by ¥4 million ($35 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥78 million ($692 thousand).

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,600 million ($23,074 thousand) and ¥2,403 million for the years ended March 31, 2016 and 2015, respectively.

14. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Major transactions with unconsolidated subsidiaries for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen				
Year Ended	Sales	Purchases	Rent on Real Estate	Research and Development Costs	Fee Expenses
March 31, 2016	¥ 1,196	¥ 18	¥ 8	¥ 3	¥ 231
March 31, 2015	817		7	5	278

	Thousands of U.S. Dollars				
Year Ended	Sales	Purchases	Rent on Real Estate	Research and Development Costs	Fee Expenses
March 31, 2016	$ 10,614	$ 160	$ 71	$ 27	$ 2,050

15. OTHER INCOME (EXPENSES) — NET

Other income (expenses) — net for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gain on sale of property and equipment	¥ 138	¥ 10	$ 1,225
Loss on retirement of property and equipment	(45)	(84)	(399)
Loss on sales of property, plant and equipment	(3)	(58)	(27)
Subsidies	131	148	1,163
Loss on valuation of shares of subsidiary		(88)	
Loss on sales of shares of subsidiary		(15)	
Gain on bargain purchase	103		914
Other	217	388	1,925
Other income (expenses) — net	¥ 541	¥ 301	$ 4,801

16. 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
	2016	2015	2016
Gross lease receivables	¥ 4,391	¥ 4,495	$ 38,969
Unearned interest income	2,377	2,429	21,095
Lease investment assets, current	¥ 2,014	¥ 2,066	$ 17,874

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
2017	¥ 488	$ 4,331
2018	439	3,896
2019	385	3,417
2020	330	2,929
2021	237	2,103
2022 and thereafter	135	1,198
Total	¥ 2,014	$ 17,874

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

17. 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, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 23,875	¥ 23,875	
Short-term investments	12,011	12,011	
Receivables	25,872	25,872	
Lease investment assets	2,014	4,310	¥ 2,296
Investment securities	12,081	12,089	8
Total	¥ 75,853	¥ 78,157	¥ 2,304
Payables	¥ 8,082	¥ 8,082	
Income taxes payable	2,172	2,172	
Total	¥ 10,254	¥ 10,254	

	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	

	Thousands of U.S. Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 211,883	$ 211,883	
Short-term investments	106,594	106,594	
Receivables	229,606	229,606	
Lease investment assets	17,874	38,250	$ 20,376
Investment securities	107,215	107,286	71
Total	$ 673,172	$ 693,619	$ 20,447
Payables	$ 71,725	$ 71,725	
Income taxes payable	19,276	19,276	
Total	$ 91,001	$ 91,001	

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 is 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 3.

(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
	2016	2015	2016
Investments in unconsolidated subsidiaries and associated companies	¥ 1,189	¥ 527	$ 10,552
Other	198	197	1,757
Total	¥ 1,387	¥ 724	$ 12,309

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

	Millions of Yen			
March 31, 2016	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	¥ 23,826			
Short-term investments	12,011			
Receivables	25,863	¥ 9		
Lease investment assets	488	1,391	¥ 135	
Investment securities:				
Held-to-maturity securities		303	1,506	
Available-for-sale securities with contractual maturities	5	38		
Total	¥ 62,193	¥ 1,741	¥ 1,641	

	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	

March 31, 2016	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	$ 211,448			
Short-term investments	106,594			
Receivables	229,526	$ 80		
Lease investment assets	4,331	12,345	$ 1,198	
Investment securities:				
Held-to-maturity securities		2,689	13,365	
Available-for-sale securities with contractual maturities	44	337		
Total	$ 551,943	$ 15,451	$ 14,563	

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 865	¥ 2,439	$ 7,677
Amount before income tax effect	865	2,439	7,677
Income tax effect	(204)	(739)	(1,811)
Total	¥ 661	¥ 1,700	$ 5,866
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (1,532)	¥ 1,627	$ (13,596)
Remeasurements of defined benefit plans			
Adjustments arising during the year	¥ (1,272)	¥ (898)	$ (11,289)
Reclassification adjustments to profit or loss	901	750	7,996
Amount before income tax effect	(371)	(148)	(3,293)
Income tax effect	15	27	134
Total	¥ (356)	¥ (121)	$ (3,159)
Total other comprehensive income	¥ (1,227)	¥ 3,206	$ (10,889)

19. SEGMENT INFORMATION

For the years ended March 31, 2016 and 2015

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".

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						
	2016						
	Reportable segment						
	Domestic		Overseas				
	Manufacturing and Sales of Products	Maintenance	Manufacturing and Sales of Products	Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 51,956	¥ 27,050	¥ 16,027	¥ 3,986	¥ 99,019		¥ 99,019
Intersegment sales or transfers	1,994	95	168	32	2,289	¥ (2,289)	
Total	¥ 53,950	¥ 27,145	¥ 16,195	¥ 4,018	¥101,308	¥ (2,289)	¥ 99,019
Segment profit (loss)	¥ 2,549	¥ 6,363	¥ 1,253	¥ (371)	¥ 9,794	¥ 426	¥ 10,220
Segment assets	49,066	18,143	11,639	1,573	80,421	55,440	135,861
Other:							
Depreciation	1,667	273	448	58	2,446	410	2,856
Increase in property, plant and equipment and intangible assets	2,155	397	210	29	2,791	822	3,613
Impairment loss of long-lived assets							

	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							

	Thousands of U.S. Dollars						
	2016						
	Reportable segment						
	Domestic		Overseas				
	Manufacturing and Sales of Products	Maintenance	Manufacturing and Sales of Products	Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$461,093	$240,060	$142,235	$ 35,375	$878,763		$ 878,763
Intersegment sales or transfers	17,696	843	1,491	284	20,314	$ (20,314)	
Total	$478,789	$240,903	$143,726	$ 35,659	$899,077	$ (20,314)	$ 878,763
Segment profit (loss)	$ 22,622	$ 56,470	$ 11,120	$ (3,293)	$ 86,919	$ 3,780	$ 90,699
Segment assets	435,446	161,012	103,293	13,960	713,711	492,013	1,205,724
Other:							
Depreciation	14,794	2,422	3,976	515	21,707	3,639	25,346
Increase in property, plant and equipment and intangible assets	19,125	3,523	1,864	257	24,769	7,295	32,064
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
	2016	2015	2016
Japan	¥ 77,750	¥ 73,841	$ 690,007
Asia	16,737	13,149	148,536
North and South America	4,297	3,378	38,135
Other	235	56	2,085
Total	¥ 99,019	¥ 90,424	$ 878,763

(2) Property, plant and equipment

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Japan	¥ 33,212	¥ 32,482	$ 294,746
Asia	4,950	5,483	43,930
North and South America	1,125	1,310	9,984
Total	¥ 39,287	¥ 39,275	$ 348,660

20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,476	112,494	¥ 66.46	$ 0.59
Effect of dilutive securities—Stock options		272		
Diluted EPS—Net income for computation	¥ 7,476	112,766	¥ 66.30	$ 0.59

	Millions of Yen	Thousands of Shares	Yen
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
Effect of dilutive securities—Stock options		241	
Diluted EPS—Net income for computation	¥ 7,464	112,708	¥ 66.23

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

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

At the general shareholders meeting held on June 29, 2016, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations—Cash dividends, ordinary dividend of ¥11.00 ($0.1)	¥ 1,238	$ 10,987