Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2014, 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, 2014, 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, 2014, 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 27, 2014

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 16,923	¥ 13,257	$ 164,429
Short-term investments (Notes 3 and 18)	12,689	11,631	123,290
Marketable securities (Notes 4 and 18)	502		4,878
Receivables (Note 18):			
Trade notes	7,202	7,519	69,977
Trade accounts	16,613	13,945	161,417
Unconsolidated subsidiaries and associated companies (Note 6)	181	315	1,759
Other	107	191	1,039
Allowance for doubtful accounts	(57)	(78)	(554)
Inventories (Note 5)	11,213	9,651	108,949
Lease investment assets (Notes 17 and 18)	2,151	2,308	20,900
Deferred tax assets (Note 13)	2,318	2,159	22,522
Prepaid expenses and other	549	336	5,333
Total current assets	70,391	61,234	683,939
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,392	11,221	110,688
Buildings and structures	31,057	27,578	301,759
Machinery and equipment (Note 17)	6,971	6,640	67,732
Tools, furniture and fixtures (Note 17)	6,905	6,493	67,091
Construction in progress	822	1,847	7,987
Total	57,147	53,779	555,257
Accumulated depreciation	(22,020)	(21,744)	(213,953)
Net property, plant and equipment	35,127	32,035	341,304
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 18)	9,557	9,480	92,859
Investments in and advances to unconsolidated subsidiaries and associated companies	350	1,341	3,401
Deposits	750	674	7,287
Prepaid pension costs (Note 9)		456	
Deferred tax assets (Note 13)	432	16	4,197
Other	892	705	8,667
Total investments and other assets	11,981	12,672	116,411
TOTAL	¥ 117,499	¥ 105,941	$ 1,141,654

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 30	¥ 35	$ 291
Payables (Note 18):			
Trade notes	560	381	5,441
Trade accounts	2,225	1,821	21,619
Unconsolidated subsidiaries and associated companies	47	48	457
Other	3,392	2,313	32,957
Income taxes payable (Note 18)	2,570	1,747	24,971
Advances received from customers	6,528	6,131	63,428
Accrued expenses	5,948	5,328	57,792
Product warranty provision	660	512	6,413
Provision for environmental measures	11	11	107
Asset retirement obligations	7	7	68
Other current liabilities	526	690	5,111
Total current liabilities	22,504	19,024	218,655
LONG-TERM LIABILITIES:			
Long-term borrowings (Note 8)	6	9	58
Liability for retirement benefits (Note 9)	2,362	147	22,950
Retirement allowances for directors (Note 10)	70	87	680
Deferred tax liabilities (Note 13)	3	117	29
Other	376	527	3,654
Total long-term liabilities	2,817	887	27,371
Total liabilities	25,321	19,911	246,026
EQUITY (Notes 11, 12 and 22):			
Common stock—authorized, 100,000,000 shares; issued, 41,763,704 shares in 2014 and 2013	9,544	9,544	92,732
Capital surplus	10,089	10,088	98,028
Stock acquisition rights	123	53	1,195
Retained earnings	78,553	73,737	763,243
Treasury stock—at cost, 4,274,196 shares in 2014 and 4,276,831 shares in 2013	(7,053)	(7,057)	(68,529)
Accumulated other comprehensive gain (loss):			
Unrealized gain on available-for-sale securities	860	333	8,356
Foreign currency translation adjustments	1,405	(682)	13,652
Defined retirement benefit plans	(1,362)		(13,234)
Total	92,159	86,016	895,443
Minority interests	19	14	185
Total equity	92,178	86,030	895,628
TOTAL	¥ 117,499	¥ 105,941	$ 1,141,654

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES (Note 15)	¥ 85,536	¥ 78,157	$831,092
COST OF SALES (Notes 9 and 15)	49,940	45,950	485,231
Gross profit	35,596	32,207	345,861
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 14 and 15)	26,631	24,765	258,755
Operating income	8,965	7,442	87,106
OTHER INCOME (EXPENSES):			
Interest and dividend income	298	293	2,895
Rent on real estate (Note 15)	385	385	3,741
Foreign exchange gain—net	356	347	3,459
Gain on abolishment of retirement benefit plan		302	
Impairment loss of long-lived assets (Note 7)	(297)	(395)	(2,886)
Other—net (Note 16)	416	368	4,043
Other income—net	1,158	1,300	11,252
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,123	8,742	98,358
INCOME TAXES (Note 13):			
Current	4,095	3,446	39,788
Deferred	(262)	107	(2,546)
Total income taxes	3,833	3,553	37,242
NET INCOME BEFORE MINORITY INTERESTS	6,290	5,189	61,116
MINORITY INTERESTS IN NET LOSS (INCOME)	1	1	10
NET INCOME	¥ 6,289	¥ 5,188	$ 61,106
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 21):			
Basic net income	¥ 167.75	¥ 136.14	$ 1.63
Diluted net income	167.51	136.03	1.63
Cash dividends applicable to the year	55.00	41.00	0.53

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 6,290	¥ 5,189	$ 61,116
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain on available-for-sale securities	528	566	5,130
Foreign currency translation adjustments	2,091	1,091	20,317
Total other comprehensive income	2,619	1,657	25,447
COMPREHENSIVE INCOME	¥ 8,909	¥ 6,846	$ 86,563
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	¥ 8,904	¥ 6,842	$ 86,514
Minority interests	5	4	49

See notes to consolidated financial statements.

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

	Thousands		Millions of Yen										
								Accumulated other comprehensive gain (loss)					
	Issued Number of Shares of Common Stock	Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	41,764	(3,324)	¥ 9,544	¥ 10,088		¥ 70,046	¥ (5,055)	¥ (233)	¥ (1,770)		¥ 82,620	¥ 11	¥ 82,631
Net income						5,188					5,188		5,188
Cash dividends, ¥40.00 per share						(1,538)					(1,538)		(1,538)
Purchase of treasury stock		(953)					(2,002)				(2,002)		(2,002)
Change in scope of consolidation						41					41		41
Net change in the year					¥ 53			566	1,088		1,707	3	1,710
BALANCE, MARCH 31, 2013	41,764	(4,277)	¥ 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, ¥42.00 per share						(1,574)					(1,574)		(1,574)
Purchase of treasury stock		(1)					(2)				(2)		(2)
Exercise of stock options		4		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	41,764	(4,274)	¥ 9,544	¥ 10,089	¥ 123	¥ 78,553	¥ (7,053)	¥ 860	¥ 1,405	¥ (1,362)	¥ 92,159	¥ 19	¥ 92,178

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive gain (loss)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 92,732	$ 98,018	$ 515	$ 716,449	$ (68,568)	$ 3,236	$ (6,626)		$ 835,756	$ 136	$ 835,892
Net income				61,106					61,106		61,106
Cash dividends, $0.41 per share				(15,293)					(15,293)		(15,293)
Purchase of treasury stock					(19)				(19)		(19)
Exercise of stock options		10			58				68		68
Change in scope of consolidation				981					981		981
Net change in the year			680			5,120	20,278	$ (13,234)	12,844	49	12,893
BALANCE, MARCH 31, 2014	$ 92,732	$ 98,028	$ 1,195	$ 763,243	$ (68,529)	$ 8,356	$ 13,652	$ (13,234)	$ 895,443	$ 185	$ 895,628

See notes to consolidated financial statements

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 10,123	¥ 8,742	$ 98,358
Adjustments for:			
Income taxes—paid	(3,264)	(4,017)	(31,714)
Depreciation and amortization	2,192	2,013	21,298
Impairment loss of long-lived assets	297	395	2,886
Increase in net liability for retirement benefit	79	2	768
Decrease in prepaid pension costs	456	404	4,431
Decrease in allowance for doubtful accounts	(43)	(100)	(418)
Increase (decrease) in provision for accrued bonuses to employees	710	(109)	6,899
Stock based compensation expense	77	53	748
(Gain) loss on disposal and sale of property, plant and equipment	(128)	24	(1,244)
Loss on sales and retirement of intangible assets	3		29
Gain on abolishment of retirement benefit plan		(302)	
Foreign exchange gain	(214)	(98)	(2,079)
Loss on valuation of investment securities	3		29
(Increase) decrease in receivables	(1,427)	496	(13,865)
Increase in inventories	(806)	(153)	(7,831)
Decrease in payables	(47)	(574)	(457)
Other—net	511	415	4,964
Total adjustments	(1,601)	(1,551)	(15,556)
Net cash provided by operating activities	8,522	7,191	82,802
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(4,482)	(5,386)	(43,548)
Proceeds from sales of property, plant and equipment	486	39	4,722
Purchase of marketable securities	(14,698)	(18,200)	(142,810)
Proceeds from sales and redemption of marketable securities	14,100	19,300	137,000
Purchase of investment securities	(296)	(1,422)	(2,876)
Proceeds from sales and redemption of investment securities	517	1,306	5,023
Payment for loans	(184)	(57)	(1,788)
Proceeds from collection of loans	101	50	981
Payment for investment in unconsolidated subsidiaries	(41)	(1,093)	(398)
Decrease (increase) in short-term investments—net	147	(532)	1,428
Other—net	(331)	(118)	(3,216)
Net cash used in investing activities	(4,681)	(6,113)	(45,482)
FORWARD	¥ 3,841	¥ 1,078	$ 37,320

(Continued)

Miura Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
FORWARD	¥ 3,841	¥ 1,078	$ 37,320
FINANCING ACTIVITIES:			
Repayments of lease obligations	(6)	(6)	(59)
Purchase of treasury stock	(2)	(2,002)	(19)
Cash dividends paid	(1,574)	(1,535)	(15,293)
Net cash used in financing activities	(1,582)	(3,543)	(15,371)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	361	233	3,508
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,620	(2,232)	25,457
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,257	14,317	128,809
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE IN SCOPE OF CONSOLIDATION	1,046	1,172	10,163
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 16,923	¥ 13,257	$164,429

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 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102.92 to U.S.$1, the approximate rate of exchange at March 31, 2014. 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, 2014 include the accounts of the Company and its fifteen (fourteen in 2013) significant subsidiaries (collectively, the "Companies").

Miura Boiler Co., Ltd. (Taiwan) was included in the scope of consolidation at the beginning of the year ended March 31, 2014, due to increased materiality.

Under the control or influence concept, 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 four (five in 2013) unconsolidated subsidiaries and three (three in 2013) 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.

Nine 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 certificate of deposits and trust funds.

d. ***Inventories—*** Inventories are stated at cost, determined by the following method (balance sheet value is to be 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. ***Employees' Retirement and Pension Plans—***The Company and its domestic subsidiaries have non-contributory funded pension plans covering substantially all of their employees.

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

The liability for employees' retirement benefits is 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 shall be treated as reclassification adjustments (see Note 2.u).

(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. As a result, liability for retirement benefits of ¥2,362 million ($22,950 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥1,362 million ($13,234 thousand).

l. ***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.

m. ***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.

n. ***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.

o. ***Research and Development Costs*** ―Research and development costs are charged to income as incurred.

p. ***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.

q. ***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.

r. ***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.

s. ***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.

t. ***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.

u. ***New Accounting Pronouncements***

Accounting Standard for Retirement Benefits—On May 17, 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.

Major changes are as follows:

(1) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

(2) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be 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 shall be 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 shall be treated as reclassification adjustments.

(3) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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 for (1) above effective March 31, 2014, and expects to apply (2) and (3) above from April 1, 2014.

In accordance with the revised standard, it is expected that opening retained earnings increased by ¥2,538 million ($24,660 thousand), and operating income and income before taxes and minority interests increase by ¥52 million ($505 thousand).

3. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Time deposit	¥ 5,989	¥ 5,528	$ 58,191
Negotiable certificate of deposit	6,700	6,102	65,099
Other		1	
Total	¥ 12,689	¥ 11,631	$ 123,290

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Government and corporate bonds and other	¥ 502		$ 4,878
Total	¥ 502		$ 4,878
Non-current:			
Equity securities	¥ 7,056	¥ 5,960	$ 68,558
Government and corporate bonds and other	2,417	3,444	23,484
Trust fund investments and other	84	76	817
Total	¥ 9,557	¥ 9,480	$ 92,859

The carrying amounts and aggregate fair value of investment securities at March 31, 2014 and 2013, were as follows:

	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

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,265	¥ 747	¥ 250	¥ 5,762
Trust fund investments and other	62	15	3	74
Held-to-maturity	3,444	19	15	3,448

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 53,877	$ 13,447	$ 690	$ 66,634
Trust fund investments and other	612	156		768
Held-to-maturity	28,362	165	97	28,430

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Finished products and merchandise	¥ 4,286	¥ 3,357	$ 41,644
Work-in-process	2,135	1,753	20,744
Raw materials and supplies	4,792	4,541	46,561
Total	¥ 11,213	¥ 9,651	$ 108,949

6. RECEIVABLES FROM UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Receivables from unconsolidated subsidiaries at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Accounts receivable	¥ 181	¥ 258	$ 1,759
Short-term loans receivable		57	
Total	¥ 181	¥ 315	$ 1,759

7. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment as of March 31, 2014 and 2013.

For the year ended March 31, 2014

The Company recognized an impairment loss of ¥253 million ($2,458 thousand) for land in Matsuyama because the government and Ehime prefecture plan to expropriate the land for road maintenance and an improvement project and the expected net disposal value was less than the carrying amount. The impairment loss was calculated as a difference between the carrying amount and expected net disposal value based on a real estate appraisal.
Additionally, the Company recognized an impairment loss of ¥44 million ($428) for their patent license because they decided not to use it in future. The impairment loss was calculated by writing down the carrying amount to zero.

For the year ended March 31, 2013

The Companies recognized an impairment loss of ¥395 million as other expense for a certain asset group for manufacturing boilers in the United States due to a continuous operating loss. The carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2013. The recoverable amounts of the machinery and equipment were measured at their value in use, and those of the buildings and land were measured at their net selling price based on a real estate appraisal. The discount rate used for computation of the present value of future cash flows was 4.5%.

8. SHORT-TERM AND LONG-TERM BORROWINGS

Short-term borrowings at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Short-term borrowings from an unconsolidated subsidiary with average interest rate of 0.025% (2014 and 2013)	¥ 20	¥ 20	$ 194
Lease obligations	10	15	97
Total	¥ 30	¥ 35	$ 291

Long-term borrowings at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Lease obligations	¥ 6	¥ 9	$ 58
Total	¥ 6	¥ 9	$ 58

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 a 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 foreign subsidiaries in Canada and Taiwan have defined contribution plans.

For the year ended March 31, 2014

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 18,175	$ 176,593
Current service cost	1,074	10,435
Interest cost	181	1,759
Actuarial losses	50	486
Benefits paid	(417)	(4,052)
Effect of foreign exchange rate fluctuation	107	1,040
Balance at end of year	¥ 19,170	$ 186,261

"Balance at beginning of year" above includes the amount of Miura Boiler Co., Ltd. (Taiwan), which was added to the scope of consolidation at the beginning of the year ended March 31, 2014.

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 16,005	$ 155,509
Expected return on plan assets	158	1,535
Actuarial losses	(27)	(262)
Contributions from the employer	999	9,707
Benefits paid	(396)	(3,848)
Effect of foreign exchange rate fluctuation	69	670
Balance at end of year	¥ 16,808	$ 163,311

"Balance at beginning of year" above includes the amount of Miura Boiler Co., Ltd. (Taiwan), which was added to the scope of consolidation at the beginning of the year ended March 31, 2014.

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
Funded defined benefit obligation	¥ 19,152	$ 186,086
Plan assets	(16,808)	(163,311)
	2,344	22,775
Unfunded defined benefit obligation	18	175
Net liability (asset) arising from defined benefit obligation	¥ 2,362	$ 22,950

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 2,362	$ 22,950
Net liability (asset) arising from defined benefit obligation	¥ 2,362	$ 22,950

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

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 939	$ 9,124
Interest cost	181	1,759
Expected return on plan assets	(157)	(1,525)
Amortization of prior service cost	8	78
Recognized actuarial losses	404	3,925
Other	134	1,301
Net periodic benefit costs	¥ 1,509	$ 14,662

e. Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (62)	$ (603)
Unrecognized actuarial losses	(2,047)	(19,889)
Total	¥ (2,109)	$ (20,492)

f. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

General accounts of life insurance companies	55%
Domestic bonds	41
Other	4
Total	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.

g. Assumptions used for the year ended March 31, 2014, were set forth as follows:

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

For the year ended March 31, 2013

The net liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 18,124
Fair value of plan assets	(15,990)
Unrecognized prior service cost	(69)
Unrecognized actuarial loss	(2,374)
Prepaid pension costs	456
Net liability	¥ 147

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 835
Interest cost	293
Expected return on plan assets	(224)
Amortization of prior service cost	8
Recognized actuarial loss	552
Payment to a defined contribution plan	234
Net periodic benefit costs	¥ 1,698

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

Discount rate	1.016%
Expected rate of return on plan assets	1.5%
Recognition period of actuarial gain/loss	4 years

10. RETIREMENT ALLOWANCES FOR DIRECTORS

The provisions for retirement benefits to directors charged to income were ¥11 million ($107 thousand) and ¥27 million for the years ended March 31, 2014 and 2013, 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.

12. STOCK OPTIONS

The stock options outstanding as of March 31, 2014, are as follows:

Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
11 directors	66,900 shares	2012.7.17 2013.7.16	¥ 1 $ (0.01)	From July 18, 2012 to July 16, 2043

The stock option activity is as follows:

Year Ended March 31, 2014	
Non-vested	
March 31, 2013—Outstanding	38,000
Granted	32,500
Canceled	
Vested	(3,600)
March 31, 2014—Outstanding	66,900
Vested	
March 31, 2013—Outstanding	
Vested	3,600
Exercised	(3,600)
Canceled	
March 31, 2014—Outstanding	

	Exercised	Outstanding at March 31, 2014
Exercise price	¥ 1 $ (0.01)	¥ 1 $ (0.01)
Average stock price at exercise	¥ 2,470 $ (24.00)	
Fair value price at grant date	¥ 1,857 $ (18.04)	¥ 2,132 $ (20.72)

The Assumptions Used to Measure the Fair Value of the 2014 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	21.401%
Estimated remaining outstanding period:	4.7 years
Estimated dividend:	¥ 41 per share
Risk free interest rate:	0.281%

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 37.8% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Accrued expenses	¥ 1,574	¥ 1,422	$ 15,293
Retirement allowances for directors	29	92	282
Long-term liability — other	114	177	1,108
Enterprise tax	179	151	1,739
Accrued warranty costs	217	181	2,108
Loss on revaluation of available-for-sale securities		85	
Impairment loss of long-lived assets	287		2,789
Share-based compensation expenses	44	19	428
Liability for retirement benefit	758		7,365
Depreciation	155	176	1,506
Other	854	1,015	8,298
Less valuation allowance	(902)	(858)	(8,765)
Total	¥ 3,309	¥ 2,460	$ 32,151
Deferred tax liabilities:			
Long-term prepaid pension expenses		¥ 172	
Unrealized loss on available-for-sale securities	¥ 472	176	¥ 4,586
Other	90	54	875
Total	562	402	5,461
Net deferred tax assets	¥ 2,747	¥ 2,058	$ 26,690

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.8% to 35.4%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥152 million ($1,477 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥152 million ($1,477 thousand).

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

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,055 million ($19,967 thousand) and ¥1,909 million for the years ended March 31, 2014 and 2013, respectively.

15. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Major transactions with unconsolidated subsidiaries for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen				
Year Ended	Sales	Purchases	Rent on real estate	Research and development costs	Fee expenses
March 31, 2014	¥ 952	¥ 3	¥ 7	¥ 3	¥ 266
March 31, 2013	885	87	7	2	271

	Thousands of U.S. Dollars				
Year Ended	Sales	Purchases	Rent on real estate	Research and development costs	Fee expenses
March 31, 2014	$ 9,250	$ 29	$ 68	$ 29	$ 2,585

16. OTHER INCOME (EXPENSES) — NET

Other income (expenses) — net for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gain on sale of property and equipment	¥ 376	¥ 5	$ 3,653
Loss on retirement of property and equipment	(195)	(24)	(1,894)
Loss on sales of property, plant and equipment	(55)		(534)
Other	290	387	2,818
Other income (expenses) — net	¥ 416	¥ 368	$ 4,043

17. LEASES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	¥ 4,643	¥ 4,910	$ 45,113
Unearned interest income	2,492	2,602	24,213
Lease investment assets, current	¥ 2,151	¥ 2,308	$ 20,900

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
2015	¥ 498	$ 4,839
2016	452	4,392
2017	431	4,188
2018	352	3,420
2019	252	2,448
2020 and thereafter	166	1,613
Total	¥ 2,151	$ 20,900

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.

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.

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, 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	

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 13,257	¥ 13,257	
Short-term investments	11,630	11,630	
Receivables	21,892	21,892	
Lease investment assets	2,308	4,787	¥ 2,479
Investment securities	9,280	9,285	5
Total	¥ 58,367	¥ 60,851	¥ 2,484
Payables	¥ 4,563	¥ 4,563	
Income taxes payable	1,747	1,747	
Total	¥ 6,310	¥ 6,310	

	Thousands of U.S. Dollars		
March 31, 2014	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 164,429	$ 164,429	
Short-term investments	123,290	123,290	
Marketable securities	4,878	4,888	$ 10
Receivables	233,638	233,638	
Lease investment assets	20,900	43,956	23,056
Investment securities	90,886	90,944	58
Total	$ 638,021	$ 661,145	$ 23,124
Payables	$ 60,474	$ 60,474	
Income taxes payable	24,971	24,971	
Total	$ 85,445	$ 85,445	

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 approximate 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.

Marketable and investment securities

The fair value of marketable and 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 marketable and 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
	2014	2013	2014
Investments in unconsolidated subsidiaries and associated companies	¥ 298	¥ 1,341	$ 2,896
Other	202	201	1,963
Total	¥ 500	¥ 1,542	$ 4,859

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

	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	

	Millions of Yen			
March 31, 2013	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	¥ 13,209			
Short-term investments	11,631			
Receivables	21,873	¥ 14	¥ 5	
Lease investment assets	550	1,560	197	¥ 1
Investment securities:				
Held-to-maturity securities		502	2,900	
Available-for-sale securities with contractual maturities			27	
Total	¥ 47,263	¥ 2,076	¥ 3,129	¥ 1

	Thousands of U.S. Dollars			
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	$ 163,982			
Short-term investments	123,290			
Marketable securities	4,868			
Receivables	233,482	$ 136	$ 20	
Lease investment assets	4,839	14,448	1,613	
Investment securities:				
Held-to-maturity securities		29	23,319	
Available-for-sale securities with contractual maturities		272		
Total	$ 530,461	$ 14,885	$ 24,952	

19. COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 821	¥ 870	$ 7,977
Reclassification adjustments to profit or loss	3		29
Amount before income tax effect	824	870	8,006
Income tax effect	(296)	(304)	(2,876)
Total	¥ 528	¥ 566	$ 5,130
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 2,091	¥ 1,091	$ 20,317
Total other comprehensive income	¥ 2,619	¥ 1,657	$ 25,447

20. SEGMENT INFORMATION

For the years ended March 31, 2014 and 2013

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 Manufacturing & sales of boilers, Manufacturing & sales of water tube boilers and cooling equipment, and Maintenance.

The Companies operate in the following segments:

Manufacturing & sales of boilers	Small once-through boilers, Simple once-through boilers, Hot water boilers, Hot water heaters, Steam driven air-compressors, Filtration equipment, Pure water generators, Water softeners, Oxygen removers, Central Management System, Chemicals for boilers, Lease of Miura products
Manufacturing & sales of water tube boilers and cooling equipment	Thermal oil heaters, Marine auxiliary boilers, Composite boilers, Waste heat boilers, Sterilizers, Vacuum boiling washers, Water coolers, Vacuum coolers, Vacuum thawing equipment, Transfer pumps, Water desalination units, Steam cookers, Waste oil incinerators, Measurement analysis of dioxins, Ballast water treatment system
Maintenance	Maintenance contracts, Paid maintenance, Technical guidance, Maintenance leases

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					
	2014					
	Reportable segment					
	Manufacturing & sales of boilers	Manufacturing & sales of water tube boilers and cooling equipment	Maintenance	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 43,492	¥ 13,999	¥ 28,045	¥ 85,536		¥ 85,536
Intersegment sales or transfers	2,374	728		3,102	¥ (3,102)	
Total	¥ 45,866	¥ 14,727	¥ 28,045	¥ 88,638	¥ (3,102)	¥ 85,536
Segment profit	¥ 3,762	¥ 1,761	¥ 7,725	¥ 13,248	¥ (4,283)	¥ 8,965
Segment assets	40,741	11,616	18,580	70,937	46,562	117,499
Other:						
Depreciation	1,128	396	324	1,848	344	2,192
Increase in property, plant and equipment and intangible assets	2,931	893	650	4,474	626	5,100
Impairment loss of long-lived assets	(44)			(44)	(253)	(297)

	Millions of Yen					
	2013					
	Reportable segment					
	Manufacturing & sales of boilers	Manufacturing & sales of water tube boilers and cooling equipment	Maintenance	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 37,748	¥ 13,972	¥ 26,437	¥ 78,157		¥ 78,157
Intersegment sales or transfers	2,142	559		2,701	¥ (2,701)	
Total	¥ 39,890	¥ 14,531	¥ 26,437	¥ 80,858	¥ (2,701)	¥ 78,157
Segment profit	¥ 2,449	¥ 1,245	¥ 7,444	¥ 11,138	¥ (3,696)	¥ 7,442
Segment assets	35,178	11,970	17,689	64,837	41,104	105,941
Other:						
Depreciation	1,032	343	262	1,637	376	2,013
Increase in property, plant and equipment and intangible assets	2,915	1,022	681	4,618	963	5,581
Impairment loss of long-lived assets	(395)			(395)		(395)

	Thousands of U.S. Dollars					
	2014					
	Reportable segment					
	Manufacturing & sales of boilers	Manufacturing & sales of water tube boilers and cooling equipment	Maintenance	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	$ 422,581	$ 136,018	$ 272,493	$ 831,092		$ 831,092
Intersegment sales or transfers	23,066	7,074		30,140	$ (30,140)	
Total	$ 445,647	$ 143,092	$ 272,493	$ 861,232	$ (30,140)	$ 831,092
Segment profit	$ 36,554	$ 17,110	$ 75,058	$ 128,722	$ (41,616)	$ 87,106
Segment assets	395,851	112,864	180,529	689,244	452,410	1,141,654
Other:						
Depreciation	10,960	3,848	3,148	17,956	3,342	21,298
Increase in property, plant and equipment and intangible assets	28,478	8,677	6,316	43,471	6,082	49,553
Impairment loss of long-lived assets	(428)			(428)	(2,458)	(2,886)

Notes:

1. Reconciliations of segment profit mainly represent corporate expenses, including administrative expenses, which are not attributable to specific reportable segments.
   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 also respectively related to assets of management department.

2. Segment profit is reconciled to operating profit of the consolidated financial statements.

d. Related Information

Information about Geographical Areas

(1) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Japan	¥ 72,037	¥ 68,119	$ 699,932
Asia	10,076	7,615	97,901
North and South America	3,343	2,369	32,482
Other	80	54	777
Total	¥ 85,536	¥ 78,157	$ 831,092

(2) Property, plant and equipment

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Japan	¥ 29,115	¥ 27,828	$ 282,890
Asia	4,747	3,095	46,123
North and South America	1,265	1,112	12,291
Total	¥ 35,127	¥ 32,035	$ 341,304

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2014 and 2013, is as follows:

	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	37,489	¥ 167.75	$ 1.63
Effect of dilutive securities—Stock options		54		
Diluted EPS—Net income for computation	¥ 6,289	37,543	¥ 167.51	$ 1.63

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2013	Net Income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 5,188	38,106	¥ 136.14
Effect of dilutive securities—Stock options		29	
Diluted EPS—Net income for computation	¥ 5,188	38,135	¥ 136.03

22. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

At the general shareholders meeting held on June 27, 2014, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations—Cash dividends, ordinary dividend of ¥34.00 ($0.33)	¥ 1,275	$ 12,388

b. Changes in classification of segments

Effective from the year ending March 31, 2015, the Company decided to reclassify the reportable segments to “Domestic manufacturing & sales of products”, “Domestic maintenance”, “Overseas manufacturing & sales of products”, “Overseas maintenance”.

The Companies are improving their business to provide the total solutions for plant infrastructure globally, according to which various boilers and related equipments are provided to their customers systematically, and are also accelerating the expansion of overseas business. As a result, the existing segmentation is not appropriate for the Companies’ decision making in the performance management process.

Pro-forma information about sales and segment income by reportable segment for the year ended March 31, 2014, if the new segmentation was applied, would be as follows:

	Millions of Yen						
	2014						
	Reportable segment						
	Domestic		Overseas				
	Manufacturing & sales of products	Maintenance	Manufacturing & sales of products	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

	Thousands of U.S. Dollars						
	2014						
	Reportable segment						
	Domestic		Overseas				
	Manufacturing & sales of products	Maintenance	Manufacturing & sales of products	Maintenance	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$458,502	$245,016	$100,097	$ 27,477	$831,092		$ 831,092
Intersegment sales or transfers	17,402		1,584		18,986	$ (18,986)	
Total	$475,904	$245,016	$101,681	$ 27,477	$850,078	$ (18,986)	$ 831,092
Segment profit	$ 27,934	$ 53,109	$ 3,479	$ 1,117	$ 85,639	$ 1,467	$ 87,106

Notes:

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

2. Reconciliation includes the amounts of inter-segment transactions to be eliminated.

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