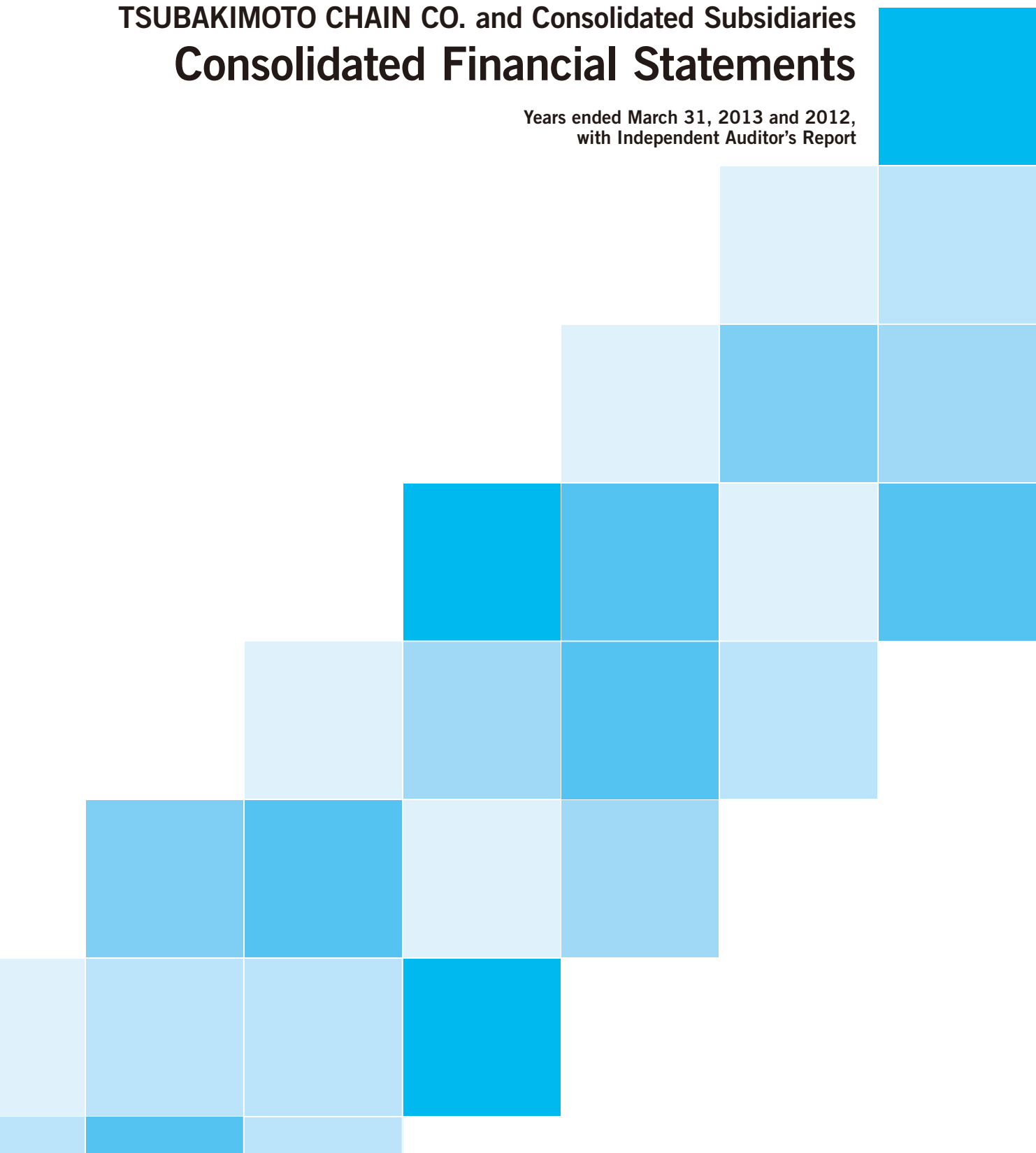


TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries **Consolidated Financial Statements**

Years ended March 31, 2013 and 2012,
with Independent Auditor's Report



Consolidated Balance Sheets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2013 and 2012

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current assets:			
Cash and deposits (Notes 5 and 18)	¥ 19,678	¥ 9,661	\$ 209,327
Short-term investments (Notes 5, 6 and 18)	560	4,468	5,959
Trade notes and accounts receivable (Note 5)	41,844	42,886	445,111
Inventories (Note 7)	29,298	25,893	311,651
Deferred tax assets (Note 9)	2,857	2,574	30,395
Other current assets	2,930	1,512	31,176
Allowance for doubtful accounts (Note 5)	(388)	(367)	(4,133)
Total current assets	96,782	86,630	1,029,487
Property, plant and equipment, at cost (Note 8):			
Land (Notes 12 and 16)	37,132	36,384	394,988
Buildings and structures (Note 16)	58,009	52,422	617,053
Machinery, equipment and vehicles	86,790	78,001	923,204
Tools, furniture and fixtures	20,966	18,864	223,020
Construction in progress	4,057	4,363	43,163
Subtotal	206,956	190,036	2,201,430
Less accumulated depreciation	(116,474)	(107,274)	(1,238,962)
Property, plant and equipment, net (Note 23)	90,481	82,761	962,468
Investments and other assets:			
Investments in securities (Notes 5 and 6)	15,459	12,457	164,442
Investments in unconsolidated subsidiaries and affiliates	2,542	3,635	27,046
Long-term loans receivable	70	24	746
Deferred tax assets (Note 9)	1,916	1,137	20,389
Intangible assets (Note 22)	5,381	1,716	57,240
Other assets	3,339	3,531	35,522
Allowance for doubtful accounts	(135)	(129)	(1,445)
Total investments and other assets	28,573	22,374	303,943
Total assets (Note 23)	¥ 215,837	¥ 191,766	\$2,295,898

See accompanying notes to consolidated financial statements.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current liabilities:			
Short-term loans (Notes 5 and 8)	¥ 8,305	¥ 10,141	\$ 88,351
Current portion of long-term debt and finance lease obligations (Notes 5 and 8)	3,703	613	39,399
Trade notes and accounts payable (Note 5)	26,488	27,779	281,765
Accrued income taxes (Note 9)	2,399	2,283	25,528
Accrued bonuses to employees	3,229	3,059	34,347
Accrued expenses	2,515	2,119	26,752
Provision for loss on construction contracts	80	58	861
Other current liabilities (Note 8)	10,820	8,490	115,095
Total current liabilities	57,543	54,544	612,102
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 5 and 8)	24,922	17,035	265,107
Long-term accounts payable	144	212	1,532
Accrued retirement benefits to employees (Note 10)	9,508	9,722	101,148
Accrued retirement benefits to directors and corporate auditors	234	253	2,495
Deferred tax liabilities (Note 9)	8,338	6,792	88,696
Deferred tax liabilities on land revaluation (Note 12)	5,864	5,884	62,383
Asset retirement obligations	246	237	2,618
Other long-term liabilities (Note 8)	436	747	4,644
Total long-term liabilities	49,696	40,885	528,626
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock:			
Authorized—299,000,000 shares in 2013 and 2012			
Issued—191,406,969 shares in 2013 and 2012	17,076	17,076	181,647
Capital surplus	12,657	12,657	134,644
Retained earnings (Note 24)	83,318	77,167	886,273
Treasury stock, at cost:			
4,263,619 shares in 2013 and 4,246,240 shares in 2012	(2,017)	(2,009)	(21,456)
Total shareholders' equity	111,036	104,892	1,181,109
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 6)	4,724	3,122	50,252
Net unrealized deferred loss on derivative instruments (Note 20)	(72)	(61)	(773)
Net unrealized loss on land revaluation (Note 12)	(11,348)	(11,312)	(120,712)
Translation adjustments	(2,319)	(6,718)	(24,673)
Total accumulated other comprehensive loss	(9,016)	(14,969)	(95,906)
Minority interests	6,577	6,412	69,967
Total net assets	108,597	96,335	1,155,169
Total liabilities and net assets	¥215,837	¥191,766	\$2,295,898

Consolidated Statements of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales (Note 23)	¥150,002	¥144,896	\$1,595,605
Cost of sales (Notes 14 and 15)	107,396	104,156	1,142,391
Gross profit	42,606	40,739	453,214
Selling, general and administrative expenses (Note 15)	30,027	28,657	319,407
Operating income (Note 23)	12,579	12,081	133,807
Other income (expenses):			
Interest and dividend income	351	319	3,734
Interest expense	(491)	(529)	(5,222)
Equity in earnings of affiliates	5	62	60
Foreign exchange gain (loss), net	107	(120)	1,145
Gain on sales of investments in affiliates	—	53	—
Loss on sales of investments in affiliates	—	(107)	—
Loss on devaluation of investments in securities (Note 6)	(5)	(6)	(55)
Loss on devaluation of investments in affiliates	—	(87)	—
Loss on impairment of property, plant and equipment (Notes 16 and 23)	(167)	(105)	(1,784)
Loss on sales or disposal of property, plant and equipment, net	(104)	(60)	(1,112)
Other, net	369	408	3,930
Income before income taxes and minority interests	12,644	11,907	134,503
Income taxes (Note 9):			
Current	4,558	4,224	48,491
Deferred	192	245	2,049
	4,751	4,469	50,541
Income before minority interests	7,893	7,437	83,961
Minority interests	(464)	(623)	(4,938)
Net income	¥ 7,428	¥ 6,814	\$ 79,023

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	¥ 7,893	¥7,437	\$ 83,961
Other comprehensive income (loss):			
Net unrealized holding gain on securities	1,603	335	17,060
Net unrealized deferred loss on derivative instruments	(11)	(26)	(123)
Net unrealized gain on land revaluation	—	826	—
Translation adjustments	4,509	(746)	47,966
Share of other comprehensive income of affiliates accounted for by the equity method	81	94	867
Total other comprehensive income, net (Note 17)	6,183	484	65,771
Comprehensive income	¥14,076	¥7,922	\$149,733
Comprehensive income attributable to:			
Shareholders of the Company	¥13,417	¥7,296	\$142,728
Minority interests	658	625	7,004

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2012

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred loss on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2011	¥17,076	¥12,653	¥71,636	¥(2,554)	¥2,784	¥(35)	¥(12,087)	¥(6,061)	¥6,464	¥ 89,877
Cash dividends paid	—	—	(1,302)	—	—	—	—	—	—	(1,302)
Net income	—	—	6,814	—	—	—	—	—	—	6,814
Purchases of treasury stock	—	—	—	(5)	—	—	—	—	—	(5)
Sales of treasury stock	—	4	—	550	—	—	—	—	—	554
Reversal of land revaluation	—	—	51	—	—	—	—	—	—	51
Decrease resulting from initial consolidation of a subsidiary	—	—	(33)	—	—	—	—	—	—	(33)
Other net changes during the year	—	—	—	—	337	(26)	775	(656)	(51)	378
Balance at April 1, 2012	¥17,076	¥12,657	¥77,167	¥(2,009)	¥3,122	¥(61)	¥(11,312)	¥(6,718)	¥6,412	¥ 96,335
Cash dividends paid	—	—	(1,310)	—	—	—	—	—	—	(1,310)
Net income	—	—	7,428	—	—	—	—	—	—	7,428
Purchases of treasury stock	—	—	—	(8)	—	—	—	—	—	(8)
Sales of treasury stock	—	0	—	0	—	—	—	—	—	0
Reversal of land revaluation	—	—	35	—	—	—	—	—	—	35
Decrease resulting from initial consolidation of a subsidiary	—	—	(3)	—	—	—	—	—	—	(3)
Other net changes during the year	—	—	—	—	1,601	(11)	(35)	4,398	165	6,118
Balance at March 31, 2013	¥17,076	¥12,657	¥83,318	¥(2,017)	¥4,724	¥(72)	¥(11,348)	¥(2,319)	¥6,577	¥108,597

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred loss on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2012	\$181,647	\$134,645	\$820,839	\$(21,372)	\$33,211	\$(651)	\$(120,329)	\$(71,460)	\$68,207	\$1,024,737
Cash dividends paid	—	—	(13,935)	—	—	—	—	—	—	(13,935)
Net income	—	—	79,023	—	—	—	—	—	—	79,023
Purchases of treasury stock	—	—	—	(87)	—	—	—	—	—	(87)
Sales of treasury stock	—	0	—	3	—	—	—	—	—	3
Reversal of land revaluation	—	—	382	—	—	—	—	—	—	382
Decrease resulting from initial consolidation of a subsidiary	—	—	(36)	—	—	—	—	—	—	(36)
Other net changes during the year	—	—	—	—	17,040	(122)	(382)	46,787	1,759	65,082
Balance at March 31, 2013	\$181,647	\$134,644	\$886,273	\$(21,456)	\$50,252	\$(773)	\$(120,712)	\$(24,673)	\$69,967	\$1,155,169

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2013	2012	
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 12,644	¥11,907	\$ 134,503
Adjustments for:			
Depreciation and amortization	7,360	7,403	78,299
Loss on impairment of property, plant and equipment	167	105	1,784
Amortization of goodwill	102	—	1,087
Loss on sales or disposal of property, plant and equipment, net	104	60	1,112
Loss on devaluation of investments in securities	5	6	55
Loss on devaluation of investments in affiliates	—	87	—
Gain on sales of investments in affiliates	—	(53)	—
Loss on sales of investments in affiliates	—	107	—
Decrease in allowance for doubtful accounts	(9)	(52)	(96)
Decrease in accrued retirement benefits to employees	(288)	(21)	(3,063)
Decrease in obligation on transfer to defined contribution pension plans included in other current liabilities and other long-term liabilities	(148)	(532)	(1,582)
Decrease (increase) in trade notes and accounts receivable	4,005	(6,990)	42,602
Decrease (increase) in inventories	366	(1,491)	3,901
Decrease (increase) in trade notes and accounts payable	(3,539)	6,216	(37,649)
Other, net	(584)	(246)	(6,218)
Subtotal	20,187	16,506	214,735
Interest and dividends received	360	320	3,833
Interest paid	(501)	(532)	(5,332)
Income taxes paid	(4,695)	(4,667)	(49,945)
Net cash provided by operating activities	15,350	11,626	163,290
Cash flows from investing activities:			
Decrease (increase) in time deposits	174	(7)	1,856
Purchases of investments in securities	(512)	(712)	(5,452)
Proceeds from sales of investments in securities	14	3	158
Payments for the acquisition of subsidiaries' shares resulting in changes in scope of consolidation (Note 18)	(6,334)	—	(67,385)
Payments for investments in unconsolidated subsidiaries and affiliates	(854)	(2,579)	(9,092)
Proceeds from sales of investments in unconsolidated subsidiaries and affiliates	—	234	—
Decrease (increase) in short-term loans receivable, net	71	(94)	762
(Increase) decrease in long-term loans receivable	(22)	28	(239)
Purchases of property, plant and equipment	(11,121)	(7,553)	(118,298)
Proceeds from sales of property, plant and equipment	187	193	1,991
Payments related to asset retirement obligations	(4)	(2)	(44)
Net cash used in investing activities	(18,401)	(10,487)	(195,744)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	(1,949)	2,460	(20,734)
Proceeds from long-term loans	10,614	1,027	112,909
Repayment of long-term loans	(734)	(7,178)	(7,814)
Repayment of finance lease obligations	(312)	(107)	(3,320)
Payments for installment payables	(8)	(174)	(93)
Proceeds from issuance of new shares to minority shareholders	212	—	2,256
Cash dividends paid	(1,310)	(1,302)	(13,935)
Cash dividends paid to minority interests	(177)	(182)	(1,893)
Purchases of treasury stock	(8)	(5)	(87)
Proceeds from sales of treasury stock	0	1	3
Net cash provided by (used in) financial activities	6,325	(5,460)	67,290
Effect of exchange rate changes on cash and cash equivalents	793	(118)	8,435
Net increase (decrease) in cash and cash equivalents	4,068	(4,440)	43,272
Cash and cash equivalents at beginning of the year	13,916	17,308	148,031
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	2,210	1,048	23,513
Cash and cash equivalents at end of the year (Note 18)	¥ 20,194	¥13,916	\$ 214,816

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2013

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2012 to the 2013 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥94.01 = U.S. \$1.00, the exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements both in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The balance sheet dates of certain consolidated subsidiaries are December 31 or January 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 or February 1 through March 31 have been adjusted, if necessary. For one overseas consolidated subsidiary whose fiscal year-end is December 31, for consolidation purposes, the financial statements are prepared as of and for the year ended March 31.

The number of consolidated subsidiaries and affiliates accounted for by the equity method for the years ended March 31, 2013 and 2012 is summarized below:

	2013	2012
Domestic subsidiaries	11	11
Overseas subsidiaries	42	29
Overseas affiliates	2	2

(b) Cash and cash equivalents

For the preparation of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and have been accounted for as outlined above.

(e) Derivatives

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt. Receivables, payables and loans hedged by forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method. Under the allocation method, such receivables or payables denominated in foreign currencies are translated at the corresponding contract rates.

(f) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method, the individual identification method or the moving-average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market.

(g) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. Depreciation is mainly calculated by the declining-balance method over the estimated useful lives of the respective assets, except for the depreciation of buildings (other than structures attached to the buildings). Depreciation of buildings is calculated by the straight-line method.

The principal estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

(h) Goodwill

Goodwill is amortized primarily over a period of 5 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leases

For lease transactions involving the transfer of ownership, leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the lessee.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

The Company and its domestic consolidated subsidiaries continue to account for finance lease transactions not involving the transfer of ownership that commenced prior to April 1, 2008 as operating leases.

(j) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current year.

(l) Accrued retirement benefits to employees

Accrued retirement benefits to employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

(m) Accrued retirement benefits to directors and corporate auditors

Directors and corporate auditors of domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. Accrued retirement benefits to directors and corporate auditors have been made at an estimated amount based on the internal rules.

(n) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for anticipated future losses on outstanding projects if such future loss on construction projects is anticipated at the year-end and the loss amount can be reasonably estimated.

(o) Recognition of contract revenue and cost

The Company and its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company and its consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(p) Research and development costs and computer software

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

(q) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests, net unrealized holding gain on securities and net unrealized deferred loss on derivative instruments are translated at their historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" as a component of accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets.

(r) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such distributions. (Refer to Note 24.)

3. CHANGE IN ACCOUNTING POLICY

Change in depreciation method

In accordance with an amendment to the Corporation Tax Law effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, other than certain buildings, to reflect the methods prescribed in the amended Corporation Tax Law. The previously applied 250% declining-balance method was changed to the 200% declining-balance method. The impact on the consolidated operating results as a result of this change is immaterial.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standard for Retirement Benefits

- Accounting Standard for Retirement Benefits (Statement No. 26 issued by Accounting Standards Board of Japan ("ASBJ") on May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (Guidance No. 25 issued by ASBJ on May 17, 2012)

Summary

These accounting standards were amended from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on how actuarial gains or losses and prior service costs should be accounted for, how retirement benefit obligations and current service costs should be determined, and enhancement of disclosures.

Under the revised accounting standard, unrecognized actuarial gains or losses and prior service cost shall be recognized within net assets (accumulated other comprehensive income (loss)), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability or asset. In addition, the retirement benefit obligation can be attributed to each period based on the plan's benefit formula or the straight-line method.

Planned date of adoption

The Company will apply these accounting standards from the end of the fiscal year ending March 31, 2014. However, the amendment of the calculation method for the present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.

Effect of adoption of these accounting standards

The impact of the adoption of these accounting standards is currently under assessment.

5. FINANCIAL INSTRUMENTS

(1) Overview

(a) Policies for financial instruments

The Company and its consolidated subsidiaries obtain necessary funding principally by bank borrowings and bond issuance. Temporary surplus funds are managed through low-risk financial assets. Derivatives are utilized for mitigating fluctuation risks of foreign currency exchange rates or interest rates, but not utilized for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables, notes and accounts receivable, are exposed to the credit risk of customers. The Company and its consolidated subsidiaries conduct their business globally and the trade receivables denominated in foreign currencies incurred from export transactions are exposed to the fluctuation risk of foreign currencies. This risk is mitigated by utilizing forward foreign exchange contracts.

Securities are mainly composed of stocks of the companies with which the Group has business relationships or business alliances and they are exposed to fluctuation risk of market prices.

Almost all trade payables, notes and accounts payable, are due within one year. Certain trade payables resulting from import transactions are denominated in foreign currencies and the Company and its consolidated subsidiaries utilize forward foreign exchange contracts, as with trade receivables. Loans are utilized for necessary financing of operating funds and capital expenditures. Certain portions of loans and bonds are exposed to the fluctuation risks of foreign currency exchange rates and interest rates because of borrowings in foreign currency and floating interest rates and these risks are hedged by utilizing derivative transactions (interest-rate swap agreements and currency swap agreements).

Derivative transactions are entered into to hedge the foreign currency fluctuation risk of trade receivables and trade payables denominated in foreign currencies by utilizing forward foreign exchange contracts, and to hedge interest rate fluctuation risks and foreign currency fluctuation risks of certain loans by utilizing interest-rate swap agreements and currency swap agreements. Refer to "Derivatives" in Note 2 "Summary of Significant Accounting Policies" and Note 20 "Derivatives and Hedging Activities" for information on hedge accounting, such as hedging instruments and hedged items.

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules of credit management of the Company, each business department manages the collection due dates and receivable balances of its customers, periodically monitors the financial conditions of customers and tries to identify credit risk of customers with worsening financial conditions at the early stage to mitigate any risk. Consolidated subsidiaries perform similar credit management.

The Company and certain consolidated subsidiaries enter into derivative transactions with financial institutions with high credit ratings to mitigate the risk of credit loss in the event of nonperformance by the counterparties.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts for hedging of currency fluctuation risk. The Company also utilizes interest-rate swap agreements and currency swap agreements to mitigate fluctuation risks of interest rates and foreign currency exchange rates.

The Company and its consolidated subsidiaries continuously review securities holdings by monitoring periodically the market value and financial condition of the securities' issuers (companies with business relationships or business alliances with the Company and its consolidated subsidiaries) and by evaluating those relationships.

Each business department determines the amount of each forward foreign exchange contract within the actual underlying transaction amount, and the responsible finance department enters into and manages these forward foreign exchange contracts. The finance department enters into and manages interest-rate swap agreements and currency swap agreements in the course of undertaking borrowing contracts.

(iii) Monitoring of liquidity risk (the risk that the Company and its consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

The Company and its consolidated subsidiaries manage liquidity risk by preparing cash flow plans on a timely basis and so forth.

(iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 20 do not necessarily indicate the market risk of the derivative transactions.

(2) Fair value of financial instruments

Carrying value, fair value, and the difference related to financial instruments at March 31, 2013 and 2012 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	2013			2012		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Millions of yen						
Assets:						
Cash and deposits	¥19,678	¥19,678	¥ —	¥ 9,661	¥ 9,661	¥ —
Trade notes and accounts receivable	41,844	—	—	42,886	42,886	—
Allowance for doubtful accounts* ¹	(388)	—	—	(367)	(367)	—
	41,456	41,456	—	42,519	42,519	—
Short-term investments and investments in securities	15,586	15,586	—	16,491	16,491	—
Total assets	¥76,721	¥76,721	¥ —	¥68,672	¥68,672	¥ —
Liabilities:						
Trade notes and accounts payable	¥26,488	¥26,488	¥ —	¥27,779	¥27,779	¥ —
Short-term loans	8,305	8,305	—	10,141	10,141	—
Long-term debt* ²	28,201	28,461	(259)	17,264	17,459	(195)
Total liabilities	¥62,996	¥63,255	¥(259)	¥55,184	¥55,379	¥(195)
Derivatives, net* ³	¥ (830)	¥ (830)	¥ —	¥ (323)	¥ (323)	¥ —

	2013		
	Carrying value	Fair value	Difference
Thousands of U.S. dollars			
Assets:			
Cash and deposits	\$209,327	\$209,327	\$ —
Trade notes and accounts receivable	445,111	—	—
Allowance for doubtful accounts* ¹	(4,133)	—	—
	440,977	440,977	—
Short-term investments and investments in securities	165,792	165,792	—
Total assets	\$816,097	\$816,097	\$ —
Liabilities:			
Trade notes and accounts payable	\$281,765	\$281,765	\$ —
Short-term loans	88,351	88,351	—
Long-term debt* ²	299,984	302,745	(2,760)
Total liabilities	\$670,101	\$672,862	\$(2,760)
Derivatives, net* ³	\$ (8,837)	\$ (8,837)	\$ —

*1 Allowances for doubtful accounts on specific bad debts are deducted from "Trade notes and accounts receivable."

*2 Long-term debt includes current portion of long-term debt.

*3 Assets and liabilities arising from derivatives are shown at net value, and the amount in parentheses represents a net liability position.

Methods to determine the fair value of financial instruments, investments in securities and derivative transactions

Assets

Cash, deposits and trade notes and accounts receivable

Since these items are settled in a short time period, their carrying value approximates fair value.

Short-term investments and investments in securities

The fair value of equity securities is based on their quoted market price. Since certificates of deposit are settled in a short time period, their carrying value approximates fair value.

Liabilities

Trade notes and accounts payable, short-term loans

Since these items are settled in a short time period, their carrying value approximates fair value.

Long-term debt

The fair value of long-term debt is based on the present value of the total principal and interest discounted by the estimated interest rates to be applied if similar new loans are made.

Long-term debt with floating interest rates is hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The fair value of this long-term debt hedged by interest-rate swap agreements is based on the present value of the total principal, interest and cash flows of interest-rate swap agreements discounted by the reasonably estimated interest rates to be applied if similar new loans are made.

Derivative transactions

Please refer to Note 20 "Derivatives and Hedging Activities."

The amounts of financial instruments for which it is extremely difficult to determine the fair value are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted securities	¥1,873	¥967	\$19,928

Because no quoted market price is available and it is extremely difficult to determine the fair value, these amounts are not included in the preceding table related to carrying value and fair value of financial instruments.

The redemption schedule for monetary assets and securities with maturities subsequent to March 31, 2013 and 2012 are as follows:

	Millions of yen			
	2013			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥19,150	¥—	¥—	¥—
Trade notes and accounts receivable	41,844	—	—	—
Short-term investments and investments in securities				
Debt securities with maturity dates:				
Bonds	739	—	—	—
Other	—	—	—	—
	¥61,734	¥—	¥—	¥—

	Millions of yen			
	2012			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥ 9,633	¥—	¥—	¥—
Trade notes and accounts receivable	42,886	—	—	—
Short-term investments and investments in securities				
Debt securities with maturity dates:				
Bonds	468	—	—	—
Other	4,000	—	—	—
	¥56,988	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2013			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	\$203,701	\$—	\$—	\$—
Trade notes and accounts receivable	445,111	—	—	—
Short-term investments and investments in securities				
Debt securities with maturity dates:				
Bonds	7,867	—	—	—
Other	—	—	—	—
	\$656,680	\$—	\$—	\$—

6. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

(a) Short-term investments and investments in securities with determinable market value classified as other securities at March 31, 2013 and 2012 are summarized as follows:

	2013			2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥14,094	¥6,743	¥7,351	¥11,578	¥ 6,761	¥4,817
Bonds	179	179	0	—	—	—
Subtotal	14,273	6,922	7,351	11,578	6,761	4,817
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	733	874	(141)	271	349	(77)
Bonds	—	—	—	156	157	(0)
Other	579	580	(0)	4,485	4,488	(3)
Subtotal	1,312	1,455	(142)	4,913	4,995	(82)
Total	¥15,586	¥8,377	¥7,208	¥16,491	¥11,756	¥4,734

	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$149,923	\$71,728	\$78,195
Bonds	1,908	1,905	2
Subtotal	151,831	73,633	78,198
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	7,797	9,306	(1,509)
Bonds	—	—	—
Other	6,162	6,171	(8)
Subtotal	13,960	15,478	(1,518)
Total	\$165,792	\$89,112	\$76,679

(b) Sales of other securities for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Sales	¥14	¥3	\$158
Gross realized gain	5	0	62
Gross realized loss	(0)	—	(1)

(c) The Company recorded losses on devaluation of investments in securities of ¥5 million (\$55 thousand) and ¥6 million for the years ended March 31, 2013 and 2012, respectively. The recording of a loss on devaluation of investments in securities is based on internal rules such as if the fair value at balance sheet date has fallen more than 50% from its book value or if fair value at the balance sheet date has continually fallen by more than 30% and less than 50% from its book value over the past 2 years.

7. INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished goods	¥14,222	¥12,612	\$151,290
Work in process	9,229	8,251	98,174
Raw materials and supplies	5,846	5,029	62,186
	¥29,298	¥25,893	\$311,651

8. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans consisted principally of loans from banks and insurance companies at weighted average interest rates of 0.6% and 0.7% at March 31, 2013 and 2012, respectively.

Long-term debt and finance lease obligations at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans, principally from banks and insurance companies, due through 2019 at an average annual interest rate of 1.2%:			
Secured	¥ 571	¥ 39	\$ 6,078
Unsecured	27,630	17,224	293,906
Lease obligations due through 2019	425	384	4,522
	28,626	17,648	304,507
Less current portion	3,703	613	39,399
Total	¥24,922	¥17,035	\$265,107

Other interest-bearing liabilities included in other current liabilities and other long-term liabilities represented installment payables at an average annual interest rate of 3.1% at March 31, 2013 and 2012.

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 3,703	\$ 39,399
2015	10,122	107,671
2016	2,050	21,816
2017	826	8,790
2018	11,901	126,595
2019 and thereafter	21	233
Total	¥28,626	\$304,507

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 8	\$ 93
2015	8	93
2016	8	93
2017	8	93
Total	¥35	\$372

Assets pledged as collateral for short-term loans of ¥130 million (\$1,382 thousand) and nil, the current portion of long-term debt of ¥110 million (\$1,179 thousand) and ¥21 million and long-term debt of ¥460 million (\$4,898 thousand) and ¥18 million at March 31, 2013 and 2012 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Buildings and structures	¥ 676	¥ 70	\$ 7,196
Land	1,531	1,242	16,295
	¥2,208	¥1,312	\$23,491

The Company has concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit at March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lines of credit	¥15,000	¥15,000	\$159,557
Credit utilized	—	2,000	—
Available credit	¥15,000	¥13,000	\$159,557

9. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0% and 40.6% for the years ended March 31, 2013 and 2012, respectively.

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2013 and 2012 is summarized as follows:

	2013	2012
Statutory tax rates	38.0%	40.6%
Permanent differences such as entertainment expenses	0.7	0.6
Per capita portion of inhabitants' taxes	0.5	0.5
Equity in loss (earnings) of affiliates	0.0	(0.2)
Valuation allowance	(0.9)	(0.1)
Permanent differences such as dividends received	(0.7)	(0.5)
Tax credits such as research and development costs and other	(0.6)	(0.7)
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	(0.1)	(0.7)
Tax exemption on investment	(0.1)	(0.4)
Effect of changes in corporate tax rates	—	(2.1)
Other	0.8	0.5
Effective tax rates	37.6%	37.5%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2013 and 2012 are summarized as follows:

	2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Deferred tax assets:			
Accrued retirement benefits	¥ 3,350	¥ 3,435	\$ 35,634
Accrued bonuses	980	960	10,428
Unrealized losses on inventories	627	458	6,671
Accrued enterprise taxes	188	173	2,004
Other	3,893	2,308	41,418
Gross deferred tax assets	9,039	7,336	96,158
Less: valuation allowance	(998)	(991)	(10,623)
Total deferred tax assets	8,041	6,345	85,535
Deferred tax liabilities:			
Deferred gain on replacement of property	(4,690)	(4,699)	(49,896)
Undistributed earnings of overseas subsidiaries	(1,156)	(919)	(12,298)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(1,620)	(775)	(17,234)
Unrealized holding gain on securities	(2,467)	(1,583)	(26,249)
Other	(1,670)	(1,447)	(17,767)
Total deferred tax liabilities	(11,605)	(9,425)	(123,446)
Net deferred tax liabilities	¥ (3,564)	¥(3,080)	\$ (37,912)

10. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries pay additional retirement benefits under certain conditions. Certain overseas subsidiaries also have defined benefit pension plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2013 and 2012 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligation	¥(11,741)	¥(12,127)	\$(124,897)
Plan assets at fair value	1,193	1,041	12,694
Unfunded retirement benefit obligation	(10,548)	(11,085)	(112,203)
Unrecognized actuarial loss	1,039	1,363	11,054
Accrued retirement benefits	¥ (9,508)	¥ (9,722)	\$(101,148)

As permitted under the accounting standard for retirement benefits, certain domestic subsidiaries calculate their retirement benefit obligation for their employees by the simplified method. Under the simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 700	¥ 721	\$ 7,453
Interest cost	215	222	2,297
Expected return on plan assets	(12)	(12)	(130)
Amortization of unrecognized actuarial loss	178	378	1,896
Contributions to defined contribution pension plans	488	496	5,197
Retirement benefit expenses	¥1,571	¥1,806	\$16,714

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	Principally 2.0%	Principally 2.0%

11. CONTINGENT LIABILITIES

At March 31, 2013 and 2012, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable discounted	¥153	¥136	\$1,630
Guarantees of home mortgage loans by employees	92	109	979
Guarantees of loans made by affiliates	70	81	750

12. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as "Net unrealized loss on land revaluation" under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its corresponding fair value by ¥12,000 million (\$127,645 thousand) and ¥11,000 million at March 31, 2013 and 2012, respectively.

13. SHAREHOLDERS' EQUITY

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve amounted to ¥3,376 million (\$35,919 thousand) at March 31, 2013 and 2012.

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

	Number of shares			
	April 1, 2012	Increase	Decrease	2013 March 31, 2013
Issued shares of common stock	191,406,969	—	—	191,406,969
Treasury stock	4,246,240	18,059	680	4,263,619

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less than one unit.

	Number of shares			
	April 1, 2011	Increase	Decrease	2012 March 31, 2012
Issued shares of common stock	191,406,969	—	—	191,406,969
Treasury stock	5,397,143	12,636	1,163,539	4,246,240

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to share exchanges, and sales of fractional shares of less than one unit.

14. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2013 and 2012 amounted to ¥22 million (\$236 thousand) and ¥12 million, respectively.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2013 and 2012 amounted to ¥4,319 million (\$45,951 thousand) and ¥4,231 million, respectively.

16. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Certain domestic consolidated subsidiaries have recognized an impairment loss on idle assets or assets to be dismantled by reducing their net book value to the respective net realizable value of each asset. As a result, certain domestic consolidated subsidiaries recognized loss on impairment for idle assets or assets to be dismantled, including dismantling cost, for the year ended March 31, 2013 in the amount of ¥167 million (\$1,784 thousand).

Certain domestic consolidated subsidiaries recognized loss on impairment for idle assets for the year ended March 31, 2012 in the amount of ¥105 million.

Location	Use	Classification	Millions of yen		Thousands of U.S. dollars
			2013	2012	2013
Kasai city Hyogo prefecture	Idle property	Land	¥ —	¥ 76	\$ —
		Buildings and other	—	15	—
Kadoma city Osaka prefecture	Idle property	Land	—	11	—
		Buildings and other	113	—	1,208
Kuki city Saitama prefecture	Plant	Buildings and other	34	—	362
Osaka city Osaka prefecture		Sales office	Buildings and other	18	—
Tomakomai city Hokkaido prefecture	Idle property		Land	1	1
				¥167	¥105

The respective recoverable amounts are measured using the respective net selling prices principally based on valuations by a real-estate company and a scrap company.

17. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2013 and 2012 are summarized as follows:

	2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Net unrealized holding gain on securities:			
Gain arising during the year	¥2,475	¥ 236	\$26,337
Reclassification adjustments	0	6	1
Before tax effect	2,476	242	26,339
Tax effect	(872)	92	(9,278)
Net unrealized holding gain on securities	1,603	335	17,060
Net unrealized deferred loss on derivative instruments:			
Loss arising during the year	(18)	(42)	(193)
Tax effect	6	16	70
Net unrealized deferred loss on derivative instruments	(11)	(26)	(123)
Net unrealized loss on land revaluation:			
Tax effect	—	826	—
Translation adjustments:			
Amount arising during the year	4,505	(746)	47,923
Reclassification adjustments	4	—	43
Translation adjustments:	4,509	(746)	47,966
Share of other comprehensive income of affiliates accounted for by the equity method:			
Gain (loss) arising during the year	81	(12)	867
Reclassification adjustments	—	107	—
Share of other comprehensive income of affiliates accounted for by the equity method	81	94	867
Other comprehensive income	¥6,183	¥ 484	\$65,771

18. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2013 and 2012 are as follows:

	2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Cash and deposits	¥19,678	¥ 9,661	\$209,327
Deposits with maturities exceeding three months	(44)	(214)	(469)
Short-term investments	560	4,468	5,959
Cash and cash equivalents	¥20,194	¥13,916	\$214,816

On August 31, 2012, the Company initially consolidated Mayfran International, Incorporated, Conergics International LLC, and MF Real Estate Partners, LLC. Assets acquired and liabilities assumed at the date of commencement of consolidation and the related cost of the acquired shares and payment for the acquisition of the subsidiaries' shares are summarized as follows:

	Millions of yen 2013	Thousands of U.S. dollars 2013
Current assets	¥ 4,106	\$ 43,682
Fixed assets	4,654	49,512
Goodwill	1,330	14,152
Current liabilities	(2,784)	(29,621)
Long-term liabilities	(818)	(8,710)
Acquisition cost of shares	6,488	69,016
Cash and cash equivalents	(153)	(1,630)
Payment for the acquisition of the subsidiaries' shares	¥ 6,334	\$ 67,385

19. LEASES

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets as of March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased assets to the Company and its domestic consolidated subsidiaries commencing on or before March 31, 2008 (currently accounted for as operating leases) had been capitalized:

	Millions of yen		
	2013		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥3	¥3	¥0

	Millions of yen		
	2012		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 89	¥ 82	¥ 7
Tools, furniture and fixtures	172	157	15
Other assets	44	37	6
Total	¥306	¥277	¥29

	Thousands of U.S. dollars		
	2013		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	\$38	\$35	\$3

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥29 million (\$310 thousand) and ¥99 million for the years ended March 31, 2013 and 2012, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥29 million (\$310 thousand) and ¥99 million for the years ended March 31, 2013 and 2012, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 under finance leases, other than those which transfer the ownership of the leased assets to the Company and its domestic consolidated subsidiaries, that commenced on or before March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥0	\$3
2015 and thereafter	—	—
	¥0	\$3

The acquisition cost and future minimum lease payments under finance leases presented in the above tables include the imputed interest expense.

Future minimum lease payments subsequent to March 31, 2013 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥193	\$2,055
2015 and thereafter	493	5,247
	¥686	\$7,302

20. DERIVATIVES AND HEDGING ACTIVITIES

(1) Derivative transactions to which hedge accounting is not applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting has not been applied, the estimated fair value of the outstanding derivatives positions and unrealized gain or loss at March 31, 2013 and 2012 are summarized as follows:

	2013			2012		
	Notional amount	Estimated fair value*	Unrealized loss	Notional amount	Estimated fair value*	Unrealized gain (loss)
Millions of yen						
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	¥3,137	¥(467)	¥(467)	¥2,938	¥(168)	¥(168)
Euros	638	(86)	(86)	549	(23)	(23)
Canadian dollars	150	(22)	(22)	136	(12)	(12)
Australian dollars	90	(19)	(19)	152	(17)	(17)
Buy:						
Japanese yen	646	(83)	(83)	233	(3)	(3)
U.S. dollars	—	—	—	3	(0)	(0)
Total	¥4,663	¥(678)	¥(678)	¥4,014	¥(225)	¥(225)

	2013		
	Notional amount	Estimated fair value*	Unrealized loss
Thousands of U.S. dollars			
Forward foreign exchange contracts:			
Sell:			
U.S. dollars	\$33,372	\$(4,970)	\$(4,970)
Euros	6,792	(918)	(918)
Canadian dollars	1,598	(239)	(239)
Australian dollars	964	(203)	(203)
Buy:			
Japanese yen	6,876	(886)	(886)
U.S. dollars	—	—	—
Total	\$49,604	\$(7,219)	\$(7,219)

* Estimated fair value is determined based on the prices quoted by financial institutions.

There were no derivative transactions relevant to interest rate hedging to which hedge accounting has not been applied as of March 31, 2013 and 2012.

(b) Interest-rate related

The notional amounts of interest-rate swap agreements to which hedge accounting has not been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2013 and 2012 are summarized as follows:

	Hedged items	2013			2012		
		Notional amount	Due after one year	Estimated fair value*	Notional amount	Due after one year	Estimated fair value*
Millions of yen							
Interest-rate swap agreements:							
Fixed paid/floating received	Long-term debt	¥281	¥246	¥1	¥—	¥—	¥—
Thousands of U.S. dollars							
2013							
Interest-rate swap agreements:							
Fixed paid/floating received	Long-term debt	\$2,990	\$2,624	\$20			

* Estimated fair value is determined based on the prices quoted by financial institutions.

(2) Derivative transactions to which hedge accounting is applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2013 and 2012 are summarized as follows:

		Millions of yen					
		2013			2012		
Hedged items		Notional amount	Due after one year	Estimated fair value*2	Notional amount	Due after one year	Estimated fair value*2
Forward foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	¥2,141	¥—	¥ (86)	¥2,925	¥81	¥(74)
Euros	(Forecasted transactions)	610	—	(14)	502	—	(12)
Australian dollars		134	—	(6)	122	—	(6)
Canadian dollars		130	—	(4)	102	—	(3)
U.S. dollars	Accounts receivable	63	—	—	—	—	—
Total		3,080	—	(113)	3,653	81	(96)
Buy:							
Japanese yen	Accounts payable	464	—	(22)	220	—	0
U.S. dollars	(Forecasted transactions)	6	—	0	57	—	(1)
Total		¥ 470	¥—	¥ (22)	¥ 278	¥—	¥ (1)

		Thousands of U.S. dollars		
		2013		
Hedged items		Notional amount	Due after one year	Estimated fair value*2
Forward foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	\$22,777	\$—	\$ (919)
Euros	(Forecasted transactions)	6,496	—	(159)
Australian dollars		1,430	—	(74)
Canadian dollars		1,386	—	(51)
U.S. dollars	Accounts receivable	671	—	(105)
Total		32,762	—	(1,309)
Buy:				
Japanese yen	Accounts payable	4,939	—	(236)
U.S. dollars	(Forecasted transactions)	68	—	(1)
Total		\$ 5,007	\$—	\$ (238)

*1 For forward foreign exchange contracts, other than those corresponding to the forecasted transactions above, accounted for by the allocation method (refer to Note 2 (e)), their fair value is included in that of the accounts receivable or payable and is disclosed in Note 5 "Financial Instruments."

*2 Estimated fair value is determined based on the prices quoted by financial institutions.

The notional amounts of currency swap contracts that include interest-rate swaps to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2013 and 2012 are summarized as follows:

		2013			2012		
		Notional amount	Due after one year	Estimated fair value* ²	Notional amount	Due after one year	Estimated fair value* ²
Millions of yen							
Hedged items							
Currency swap contracts including interest-rate swaps: (Special treatment, hedge accounting treatment and allocation method* ¹)	Long-term debt	¥8,200	¥8,200	¥—	¥—	¥—	¥—

		2013		
		Notional amount	Due after one year	Estimated fair value* ²
Thousands of U.S. dollars				
Hedged items				
Currency swap contracts including interest-rate swaps: (Special treatment, hedge accounting treatment and allocation method* ¹)	Long-term debt	\$87,224	\$87,224	\$—

*1 U.S. dollars received/Japanese yen paid, and fixed paid/floating received for a portion of the interest-rate swap.

*2 Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt (refer to Note 2 (e)), their fair value is included in that of the long-term debt disclosed in Note 5 "Financial Instruments."

(b) Interest-rate related

The notional amounts of interest-rate swaps to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2013 and 2012 are summarized as follows:

		2013			2012		
		Notional amount	Due after one year	Estimated fair value*	Notional amount	Due after one year	Estimated fair value*
Millions of yen							
Hedged items							
Interest-rate swaps: Fixed paid/floating received (Special treatment)	Long-term debt	¥5,170	¥5,170	¥—	¥4,500	¥4,500	¥—

		2013		
		Notional amount	Due after one year	Estimated fair value*
Thousands of U.S. dollars				
Hedged items				
Interest-rate swaps: Fixed paid/floating received (Special treatment)	Long-term debt	\$54,994	\$54,994	\$—

* Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt (refer to Note 2 (e)), their fair value is included in that of the long-term debt disclosed in Note 5 "Financial Instruments."

21. AMOUNTS PER SHARE

Amounts per share at March 31, 2013 and 2012 and for the years then ended were as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net assets	¥545.14	¥480.46	\$5.79
Net income	39.69	36.60	0.42
Cash dividends	7.00	7.00	0.07

The amounts per share of net assets are computed based on the number of shares of common stock outstanding at each year-end.

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

Diluted net income per share for the years ended March 31, 2013 and 2012 has not been presented because no potentially dilutive shares of common stock were outstanding.

Information used in the calculation of basic net income per share is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income	¥7,428	¥6,814	\$79,023
Net income not available for distribution to shareholders of common stock	—	—	—
Net income on which basic net income per share is calculated	¥7,428	¥6,814	\$79,023
	Thousands of shares		
	2013	2012	
Weighted-average number of shares of common stock on which net income per share is calculated	187,152	186,198	

22. BUSINESS COMBINATIONS

On August 31, 2012, the Company acquired all of shares of voting rights of Mayfran International, Incorporated, Conergics International LLC, and MF Real Estate Partners, LLC, for ¥6,488 million (\$69,016 thousand) in cash and made them wholly-owned subsidiaries. Mayfran International, Incorporated, Conergics International LLC, and MF Real Estate Partners, LLC are engaged in the manufacture and sales of products relating to conveying equipment. The Company determined to undertake this acquisition to develop chip conveyor, and scrap conveyor businesses mainly in Europe and North America, as well as expand full-scale development in China and other emerging markets. Further, the Company can expect a powerful synergy effect among its related businesses leading to the enhancement of its global competitiveness. The consolidated statement of income for the year ended March 31, 2013 included financial results of Mayfran International, Incorporated, Conergics International LLC, and MF Real Estate Partners, LLC for the four-month period ended December 31, 2012. There was no change in the name of these subsidiaries after the business combination.

As a result, ¥1,330 million (\$14,152 thousand) of goodwill was recognized, which corresponded to the excess of the acquisition costs over the net amount allocated to the assets and liabilities. The corresponding goodwill is amortized over a period of 5 years on a straight-line basis.

The following table represents the assets and liabilities assumed on the date of the business combination:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥4,106	\$43,682
Fixed assets	4,654	49,512
Total assets	¥8,761	\$93,195
Current liabilities	¥2,784	\$29,621
Long-term liabilities	818	8,710
Total liabilities	¥3,603	\$38,332

The amounts allocated to intangible assets other than goodwill, breakdown by component and amortization period by component are as follows:

	Millions of yen	Thousands of U.S. dollars	Amortization period (years)
Intangible assets related to marketing	¥1,308	\$13,920	5
Intangible assets related to technologies	357	3,799	10
Intangible assets related to customers	432	4,598	10
Total	¥2,098	\$22,319	7

The disclosure of the estimated effect on the consolidated statement of income assuming the business combination the completed at the beginning of the fiscal year ended March 31, 2013 is omitted because it is difficult to determine the amount.

23. SEGMENT INFORMATION

(1) Outline of the reportable segment information

The reportable segments of the Company are components for which obtaining separate financial information is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments. The Company classifies its business segments based on products and services. Each business segment determines comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area. The reportable segments that comprise the Company's operations are: Chains, Power Transmission Units and Components, Automotive Parts and Materials Handling Systems.

(2) Calculation methods used for sales, operating income or loss, assets and other items of each reportable segment

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 2. Intersegment sales are recorded at the same price used in transactions with third parties.

(3) Information on sales, operating income, assets and other items of each reportable segment
Information by reportable segment for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen								
	Reportable Segments							2013	
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other	Total	Adjustments and eliminations	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥49,183	¥19,332	¥49,397	¥30,146	¥148,060	¥1,942	¥150,002	¥ —	¥150,002
Inter-segment sales and transfers	1,066	331	—	99	1,498	904	2,402	(2,402)	—
Total	¥50,250	¥19,664	¥49,397	¥30,246	¥149,558	¥2,846	¥152,405	¥(2,402)	¥150,002
Operating income	¥ 3,586	¥ 1,955	¥ 6,494	¥ 531	¥ 12,568	¥ 143	¥ 12,711	¥ (132)	¥ 12,579
Assets	66,758	26,887	49,936	40,288	183,870	3,450	187,321	28,516	215,837
Other items:									
Depreciation and amortization	2,290	801	3,569	687	7,349	11	7,360	—	7,360
Investments in affiliates accounted for by the equity method	—	—	—	571	571	—	571	—	571
Increase in property, plant and equipment and intangible assets	4,017	627	6,596	576	11,818	11	11,833	—	11,833

	Millions of yen								
	Reportable Segments							2012	
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other	Total	Adjustments and eliminations	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥50,414	¥21,040	¥43,509	¥27,937	¥142,902	¥1,993	¥144,896	¥ —	¥144,896
Inter-segment sales and transfers	1,277	323	—	40	1,641	918	2,559	(2,559)	—
Total	¥51,692	¥21,364	¥43,509	¥27,977	¥144,543	¥2,911	¥147,455	¥(2,559)	¥144,896
Operating income	¥ 3,462	¥ 2,512	¥ 4,846	¥ 878	¥ 11,700	¥ 170	¥ 11,871	¥ 210	¥ 12,081
Assets	62,405	28,939	44,657	30,680	166,682	3,733	170,415	21,350	191,766
Other items:									
Depreciation and amortization	2,472	843	3,582	492	7,390	13	7,403	—	7,403
Investments in affiliates accounted for by the equity method	—	—	—	511	511	—	511	—	511
Increase in property, plant and equipment and intangible assets	1,626	759	6,831	285	9,502	15	9,518	—	9,518

Thousands of U.S. dollars

	2013								
	Reportable Segments					Other	Total	Adjustments and eliminations	Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal				
Sales, operating income and assets:									
Sales to third parties	\$523,175	\$205,643	\$525,451	\$320,673	\$1,574,943	\$20,662	\$1,595,605	\$ —	\$1,595,605
Inter-segment sales and transfers	11,348	3,528	—	1,060	15,937	9,617	25,554	(25,554)	—
Total	\$534,524	\$209,171	\$525,451	\$321,733	\$1,590,881	\$30,279	\$1,621,160	\$(25,554)	\$1,595,605
Operating income	\$ 38,146	\$ 20,802	\$ 69,085	\$ 5,654	\$ 133,688	\$ 1,525	\$ 135,213	\$ (1,405)	\$ 133,807
Assets	710,122	286,009	531,180	428,552	1,955,863	36,701	1,992,564	303,333	2,295,898
Other items:									
Depreciation and amortization	24,366	8,526	37,967	7,313	78,173	126	78,299	—	\$78,299
Investments in affiliates accounted for by the equity method	—	—	—	6,080	6,080	—	6,080	—	6,080
Increase in property, plant and equipment and intangible assets	42,734	6,680	70,171	6,134	125,720	157	125,878	—	125,878

(4) Geographical information

Sales to third parties by country or geographical area for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥ 84,602	¥ 88,005	\$ 899,933
U.S.A.	25,590	21,413	272,210
Europe	13,830	11,581	147,117
Asia and Oceania	21,357	19,790	227,183
Other	4,621	4,105	49,160
Total	¥150,002	¥144,896	\$1,595,605

Property, plant and equipment by country or geographical area at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥70,579	¥68,641	\$750,767
U.S.A.	7,488	5,502	79,659
Europe	3,498	3,154	37,213
Asia and Oceania	8,358	4,952	88,911
Other	556	509	5,915
Total	¥90,481	¥82,761	\$962,468

The information by major customer for the years ended March 31, 2013 and 2012 is summarized as follows:

Customer	Related segment	Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Automotive Parts, Materials Handling Systems	¥22,228	¥26,225	\$236,446

(5) Impairment loss on property, plant and equipment per reportable segments for the years ended March 31, 2013 and 2012

							Millions of yen
							2013
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	¥39	¥8	¥—	¥4	¥115	¥—	¥167

							Millions of yen
							2012
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	¥—	¥55	¥—	¥36	¥13	¥—	¥105

							Thousands of U.S. dollars
							2013
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	\$420	\$93	\$—	\$44	\$1,226	\$—	\$1,784

(6) Information on goodwill per reportable segments and the balance as of and for the years ended March 31, 2013 and 2012

							Millions of yen
							2013
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥11	¥—	¥—	¥ 90	¥—	¥—	¥ 102
Balance at March 31, 2013	46	—	—	1,367	—	—	1,413

							Millions of yen
							2012
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥—	¥—	¥—	¥—	¥—	¥—	¥—
Balance at March 31, 2012	57	—	—	—	—	—	57

							Thousands of U.S. dollars
							2013
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	\$122	\$—	\$—	\$ 964	\$—	\$—	\$ 1,087
Balance at March 31, 2013	490	—	—	14,546	—	—	15,037

24. SUBSEQUENT EVENT

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was approved at the annual general meeting of the shareholders held on June 27, 2013:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.0 (\$0.04) per share)	¥748	\$7,962

Report of Independent Auditors

The Board of Directors
TSUBAKIMOTO CHAIN CO.

We have audited the accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 TSUBAKIMOTO CHAIN CO. and its consolidated subsidiaries at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shin Nihon LLC

June 28, 2013
Osaka, Japan

