Innovation in Motion
TSUBAKI

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2014 and 2013,
with Report of Independent Auditors

Consolidated Balance Sheets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2014**	2013	**2014**
Current assets:			
Cash and deposits (Notes 5 and 19)	**¥ 13,518**	¥ 19,678	**$ 131,404**
Short-term investments (Notes 5, 6 and 19)	**7,877**	560	**76,574**
Trade notes and accounts receivable (Note 5)	**44,337**	41,844	**430,959**
Inventories (Note 7)	**29,625**	29,298	**287,957**
Deferred tax assets (Note 9)	**2,933**	2,857	**28,516**
Other current assets	**2,774**	2,930	**26,964**
Allowance for doubtful accounts (Note 5)	**(440)**	(388)	**(4,280)**
Total current assets	**100,626**	96,782	**978,096**
Property, plant and equipment, at cost:			
Land (Notes 8, 12 and 16)	**37,472**	37,132	**364,234**
Buildings and structures (Notes 8 and 16)	**61,664**	58,009	**599,382**
Machinery, equipment and vehicles	**95,581**	86,790	**929,060**
Tools, furniture and fixtures	**22,604**	20,966	**219,720**
Construction in progress	**4,430**	4,057	**43,061**
Subtotal	**221,753**	206,956	**2,155,459**
Less accumulated depreciation	**(124,901)**	(116,474)	**(1,214,052)**
Property, plant and equipment, net (Note 24)	**96,852**	90,481	**941,407**
Investments and other assets:			
Investments in securities (Notes 5 and 6)	**18,048**	15,459	**175,430**
Investments in unconsolidated subsidiaries and affiliates	**1,866**	2,542	**18,137**
Long-term loans receivable	**71**	70	**692**
Deferred tax assets (Note 9)	**2,206**	1,916	**21,444**
Intangible assets	**5,807**	5,381	**56,446**
Other assets	**3,494**	3,339	**33,971**
Allowance for doubtful accounts	**(132)**	(135)	**(1,286)**
Total investments and other assets	**31,361**	28,573	**304,836**
Total assets (Note 24)	**¥ 228,840**	¥ 215,837	**$ 2,224,340**

See accompanying notes to consolidated financial statements.

Liabilities and net assets	2014 (Millions of yen)	2013 (Millions of yen)	2014 (Thousands of U.S. dollars (Note 1))
Current liabilities:			
Short-term loans (Notes 5 and 8)	¥ 8,422	¥ 8,305	$ 81,863
Current portion of long-term debt and finance lease obligations (Notes 5 and 8)	10,597	3,703	103,010
Trade notes and accounts payable (Note 5)	25,269	26,488	245,618
Accrued income taxes (Note 9)	2,944	2,399	28,617
Accrued bonuses to employees	3,591	3,229	34,912
Accrued expenses	2,756	2,515	26,794
Provision for loss on construction contracts	28	80	278
Other current liabilities (Note 8)	8,393	10,820	81,584
Total current liabilities	62,003	57,543	602,680
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 5 and 8)	17,930	24,922	174,290
Long-term accounts payable (Note 8)	109	144	1,060
Accrued retirement benefits to employees (Note 10)	—	9,508	—
Liability for retirement benefits (Note 10)	10,910	—	106,051
Accrued retirement benefits to directors and corporate auditors	213	234	2,078
Deferred tax liabilities (Note 9)	9,483	8,338	92,181
Deferred tax liabilities on land revaluation (Note 12)	5,864	5,864	57,004
Asset retirement obligations	239	246	2,328
Other long-term liabilities	456	436	4,434
Total long-term liabilities	45,208	49,696	439,428
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock:			
Authorized—299,000,000 shares in 2014 and 2013			
Issued—191,406,969 shares in 2014 and 2013	17,076	17,076	165,986
Capital surplus	12,658	12,657	123,037
Retained earnings (Note 25)	92,072	83,318	894,951
Treasury stock, at cost:			
4,292,184 shares in 2014 and 4,263,619 shares in 2013	(2,037)	(2,017)	(19,805)
Total shareholders' equity	119,769	111,036	1,164,169
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 6)	6,427	4,724	62,471
Net unrealized deferred gain (loss) on derivative instruments (Note 21)	15	(72)	149
Net unrealized loss on land revaluation (Note 12)	(11,348)	(11,348)	(110,304)
Translation adjustments	4,182	(2,319)	40,654
Retirement benefits liability adjustments (Note 10)	(613)	—	(5,963)
Total accumulated other comprehensive loss	(1,336)	(9,016)	(12,992)
Minority interests	3,194	6,577	31,054
Total net assets	121,628	108,597	1,182,231
Total liabilities and net assets	¥228,840	¥215,837	$2,224,340

Consolidated Statements of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Net sales (Note 24)	**¥178,022**	¥150,002	**$1,730,390**
Cost of sales (Notes 14 and 15)	**126,130**	107,396	**1,225,998**
Gross profit	**51,891**	42,606	**504,391**
Selling, general and administrative expenses (Note 15)	**34,536**	30,027	**335,700**
Operating income (Note 24)	**17,354**	12,579	**168,690**
Other income (expenses):			
Interest and dividend income	**551**	351	**5,361**
Interest expense	**(461)**	(491)	**(4,481)**
Equity in earnings of affiliates	**34**	5	**335**
Foreign exchange gain, net	**114**	107	**1,117**
Loss on devaluation of investments in securities (Note 6)	**(61)**	(5)	**(601)**
Loss on impairment of property, plant and equipment (Notes 16 and 24)	**—**	(167)	**—**
Loss on sales or disposal of property, plant and equipment, net	**(189)**	(104)	**(1,840)**
Loss on disaster (Note 17)	**(365)**	—	**(3,552)**
Other, net	**594**	369	**5,779**
Income before income taxes and minority interests	**17,572**	12,644	**170,810**
Income taxes (Note 9):			
Current	**6,643**	4,558	**64,572**
Deferred	**212**	192	**2,069**
	6,856	4,751	**66,642**
Income before minority interests	**10,716**	7,893	**104,168**
Minority interests	**(503)**	(464)	**(4,895)**
Net income	**¥ 10,213**	¥ 7,428	**$ 99,272**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Income before minority interests	**¥10,716**	¥ 7,893	**$104,168**
Other comprehensive income (loss):			
Net unrealized holding gain on securities	**1,715**	1,603	**16,673**
Net unrealized deferred gain (loss) on derivative instruments	**88**	(11)	**856**
Translation adjustments	**6,768**	4,509	**65,794**
Share of other comprehensive income of affiliates accounted for by the equity method	**185**	81	**1,802**
Total other comprehensive income, net (Note 18)	**8,757**	6,183	**85,126**
Comprehensive income	**¥19,474**	¥14,076	**$189,295**
Comprehensive income attributable to:			
Shareholders of the Company	**¥18,506**	¥13,417	**$179,880**
Minority interests	**968**	658	**9,414**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2014 and 2013

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred gain (loss) on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments	Minority interests	Total net assets
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 April 1, 2013	¥17,076	¥12,657	¥83,318	¥(2,017)	¥4,724	¥(72)	¥(11,348)	¥(2,319)	¥ —	¥ 6,577	¥108,597
Cash dividends paid	—	—	**(1,497)**	—	—	—	—	—	—	—	**(1,497)**
Net income	—	—	**10,213**	—	—	—	—	—	—	—	**10,213**
Purchases of treasury stock	—	—	—	**(21)**	—	—	—	—	—	—	**(21)**
Sales of treasury stock	—	**0**	—	**0**	—	—	—	—	—	—	**0**
Increase resulting from initial consolidation of a subsidiary	—	—	**38**	—	—	—	—	—	—	—	**38**
Other net changes during the year	—	—	—	—	**1,702**	**88**	—	**6,502**	**(613)**	**(3,382)**	**4,296**
Balance at March 31, 2014	**¥17,076**	**¥12,658**	**¥92,072**	**¥(2,037)**	**¥6,427**	**¥ 15**	**¥(11,348)**	**¥ 4,182**	**¥(613)**	**¥ 3,194**	**¥121,628**

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 gain (loss) on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments	Minority interests	Total net assets
Balance at April 1, 2013	$165,986	$123,036	$809,861	$(19,606)	$45,919	$(706)	$(110,304)	$(22,545)	$ —	$ 63,934	$1,055,574
Cash dividends paid	—	—	**(14,551)**	—	—	—	—	—	—	—	**(14,551)**
Net income	—	—	**99,272**	—	—	—	—	—	—	—	**99,272**
Purchases of treasury stock	—	—	—	**(205)**	—	—	—	—	—	—	**(205)**
Sales of treasury stock	—	**1**	—	**5**	—	—	—	—	—	—	**6**
Increase resulting from initial consolidation of a subsidiary	—	—	**370**	—	—	—	—	—	—	—	**370**
Other net changes during the year	—	—	—	—	**16,551**	**856**	—	**63,200**	**(5,963)**	**(32,879)**	**41,765**
Balance at March 31, 2014	**$165,986**	**$123,037**	**$894,951**	**$(19,805)**	**$62,471**	**$ 149**	**$(110,304)**	**$ 40,654**	**$(5,963)**	**$ 31,054**	**$1,182,231**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 17,572	¥ 12,644	$ 170,810
Adjustments for:			
Depreciation and amortization (Note 24)	8,745	7,360	85,009
Loss on impairment of property, plant and equipment	—	167	—
Amortization of goodwill	383	102	3,728
Loss on sales or disposal of property, plant and equipment, net	238	104	2,320
Loss on devaluation of investments in securities	61	5	601
Increase (decrease) in allowance for doubtful accounts	5	(9)	56
Decrease in accrued retirement benefits to employees	—	(288)	—
Increase in liability for retirement benefits	334	—	3,250
Decrease in obligation on transfer to defined contribution pension plans included in other current liabilities and other long-term liabilities	(37)	(148)	(361)
(Increase) decrease in trade notes and accounts receivable	(513)	4,005	(4,991)
Decrease in inventories	2,225	366	21,628
Decrease in trade notes and accounts payable	(1,932)	(3,539)	(18,785)
Other, net	(1,318)	(584)	(12,819)
Subtotal	25,765	20,187	250,447
Interest and dividends received	573	360	5,578
Interest paid	(478)	(501)	(4,654)
Income taxes paid	(6,099)	(4,695)	(59,290)
Net cash provided by operating activities	19,761	15,350	192,080
Cash flows from investing activities:			
(Increase) decrease in time deposits	(56)	174	(548)
Purchases of investments in securities	(223)	(512)	(2,171)
Proceeds from sales and redemption of investments in securities	665	14	6,472
Payment for the acquisition of subsidiaries' shares resulting in changes in scope of consolidation (Note 19)	—	(6,334)	—
Payment for investments in unconsolidated subsidiaries and affiliates	(4,371)	(854)	(42,487)
(Increase) decrease in short-term loans receivable, net	(48)	71	(472)
Increase in long-term loans receivable	(0)	(22)	(6)
Purchases of property, plant and equipment	(13,232)	(11,121)	(128,617)
Proceeds from sales of property, plant and equipment	104	187	1,017
Payments related to asset retirement obligations	(4)	(4)	(45)
Net cash used in investing activities	(17,166)	(18,401)	(166,860)
Cash flows from financing activities:			
Decrease in short-term loans, net	(175)	(1,949)	(1,709)
Proceeds from long-term loans	3,700	10,614	35,972
Repayment of long-term loans	(4,342)	(734)	(42,205)
Repayment of finance lease obligations	(179)	(312)	(1,744)
Payments for installment payables	(4)	(8)	(42)
Proceeds from issuance of new shares to minority shareholders	—	212	—
Cash dividends paid	(1,497)	(1,310)	(14,551)
Cash dividends paid to minority interests	(678)	(177)	(6,590)
Purchases of treasury stock	(21)	(8)	(206)
Proceeds from sales of treasury stock	0	0	7
Net cash (used in) provided by financial activities	(3,196)	6,325	(31,071)
Effect of exchange rate changes on cash and cash equivalents	1,378	793	13,398
Net increase in cash and cash equivalents	776	4,068	7,547
Cash and cash equivalents at beginning of the year	20,194	13,916	196,295
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	320	2,210	3,113
Cash and cash equivalents at end of the year (Note 19)	¥ 21,291	¥ 20,194	$ 206,957

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2014

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.

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 ¥102.88 = U.S. $1.00, the exchange rate prevailing on March 31, 2014. 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, 2014 and 2013 is summarized below:

	2014	2013
Domestic subsidiaries	**11**	11
Overseas subsidiaries	**45**	42
Overseas affiliates	**1**	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 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.

(m) 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.

(n) Retirement benefits to employees

The liability for retirement benefits to employees is recorded based on the retirement benefit obligation less the fair value of the pension plan assets. 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).

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.

(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 25.)

3. CHANGE IN ACCOUNTING POLICY

The Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥10,910 million ($106,051 thousand) and accumulated other comprehensive income decreased by ¥613 million ($5,963 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥3.28 ($0.03).

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

(1) Accounting standards for business combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

(a) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and transitional provisions for these accounting standards were also defined.

(b) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the year ending March 31, 2016.

(c) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

(2) Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), 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, being followed by partial amendments from time to time through 2009.

(a) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvement to financial reporting and international trends.

(b) Scheduled date of adoption
The revised accounting standard and guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs and the enhancement of disclosures were adopted as of the end of the year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the year ending March 31, 2015.

(c) Impact of adopting revised accounting standard and guidance
As a result of revisions outlined above, liability for retirement benefits increased by ¥1,202 million ($11,686 thousand) and retained earnings decreased by ¥774 million ($7,526 thousand) at the beginning of the year ending March 31, 2015. The impacts on operating income and income before income taxes and minority interests for the year ending March 31, 2015 are immaterial.

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 21 “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 non-performance 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 currency fluctuation risk. The Company also utilizes interest-rate swap agreements and currency swap agreements to mitigate interest-rate risk and foreign currency exchange risk on long-term debt denominated in foreign currencies.

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 21 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, 2014 and 2013 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.

						Millions of yen
			2014			2013
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	**¥13,518**	**¥13,518**	**¥ —**	¥19,678	¥19,678	¥ —
Trade notes and accounts receivable	**44,337**	**—**	**—**	41,844	—	—
Allowance for doubtful accounts*1	**(440)**	**—**	**—**	(388)	—	—
	43,896	**43,896**	**—**	41,456	41,456	—
Short-term investments and investments in securities	**25,495**	**25,495**	**—**	15,586	15,586	—
Total assets	**¥82,911**	**¥82,911**	**¥ —**	¥76,721	¥76,721	¥ —
Liabilities:						
Trade notes and accounts payable	**¥25,269**	**¥25,269**	**¥ —**	¥26,488	¥26,488	¥ —
Short-term loans	**8,422**	**8,422**	**—**	8,305	8,305	—
Long-term debt*2	**28,116**	**28,719**	**(603)**	28,201	28,461	(259)
Total liabilities	**¥61,807**	**¥62,411**	**¥(603)**	¥62,996	¥63,255	¥(259)
Derivatives, net*3	**¥ (127)**	**¥ (127)**	**¥ —**	¥ (830)	¥ (830)	¥ —

			Thousands of U.S. dollars
			2014
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	**$131,404**	**$131,404**	**$ —**
Trade notes and accounts receivable	**430,959**	**—**	**—**
Allowance for doubtful accounts*1	**(4,280)**	**—**	**—**
	426,678	**426,678**	**—**
Short-term investments and investments in securities	**247,821**	**247,821**	**—**
Total assets	**$805,904**	**$805,904**	**$ —**
Liabilities:			
Trade notes and accounts payable	**$245,618**	**$245,618**	**$ —**
Short-term loans	**81,863**	**81,863**	**—**
Long-term debt*2	**273,289**	**279,159**	**(5,870)**
Total liabilities	**$600,772**	**$606,642**	**$(5,870)**
Derivatives, net*3	**$ (1,235)**	**$ (1,235)**	**$ —**

*1 Allowances for doubtful accounts on specific bad debts are deducted from “Trade notes and accounts receivable.”
*2 Long-term debt includes the 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 and 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.

For information on securities classified by holding purpose, please refer to Note 6 "Short-Term Investments and Investments in Securities" of the notes to the consolidated financial statements.

Liabilities

Trade notes and accounts payable, and 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 21 "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
	2014	2013	**2014**
Unlisted securities	**¥1,589**	¥1,873	**$15,451**

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, 2014 and 2013 are as follows:

	Millions of yen			
	2014			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	**¥13,477**	**¥—**	**¥—**	**¥—**
Trade notes and accounts receivable	**44,337**	**—**	**—**	**—**
Short-term investments and investments in securities				
Debt securities with maturity dates:				
Bonds	**205**	**—**	**—**	**—**
Other	**7,877**	**—**	**—**	**—**
	¥65,898	**¥—**	**¥—**	**¥—**

	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	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2014			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	**$131,001**	**$—**	**$—**	**$—**
Trade notes and accounts receivable	**430,959**	**—**	**—**	**—**
Short-term investments and investments in securities				
Debt securities with maturity dates:				
Bonds	**78,614**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
	$640,576	**$—**	**$—**	**$—**

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, 2014 and 2013 are summarized as follows:

						Millions of yen
			2014			2013
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥17,339**	**¥ 7,474**	**¥9,864**	¥14,094	¥6,743	¥7,351
Bonds	**—**	**—**	**—**	179	179	0
Subtotal	**17,339**	**7,474**	**9,864**	14,273	6,922	7,351
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**68**	**90**	**(22)**	733	874	(141)
Bonds	**209**	**215**	**(5)**	—	—	—
Other	**7,877**	**7,877**	**—**	579	580	(0)
Subtotal	**8,156**	**8,184**	**(27)**	1,312	1,455	(142)
Total	**¥25,495**	**¥15,659**	**¥9,836**	¥15,586	¥8,377	¥7,208

			Thousands of U.S. dollars
			2014
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$168,541**	**$ 72,656**	**$95,884**
Bonds	**—**	**—**	**—**
Subtotal	**168,541**	**72,656**	**95,884**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**665**	**883**	**(217)**
Bonds	**2,040**	**2,092**	**(51)**
Other	**76,574**	**76,574**	**—**
Subtotal	**79,279**	**79,549**	**(269)**
Total	**$247,821**	**$152,206**	**$95,614**

(b) Sales of other securities for the years ended March 31, 2014 and 2013 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2013	**2014**
Sales	**¥29**	¥14	**$282**
Gross realized gain	**6**	5	**58**
Gross realized loss	**—**	(0)	**—**

(c) The Company recorded losses on devaluation of investments in securities of ¥61 million ($601 thousand) and ¥5 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Finished goods	**¥13,028**	¥14,222	**$126,633**
Work in process	**9,150**	9,229	**88,939**
Raw materials and supplies	**7,446**	5,846	**72,384**
	¥29,625	¥29,298	**$287,957**

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

Short-term loans consisted principally of loans from banks and insurance companies at the weighted-average interest rate of 0.6% at March 31, 2014 and 2013.

Long-term debt and finance lease obligations at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loans, principally from banks and insurance companies, due through 2020 at an average annual interest rate of 0.9%:			
Secured	**¥ 524**	¥ 571	**$ 5,102**
Unsecured	**27,591**	27,630	**268,187**
Lease obligations due through 2020	**412**	425	**4,010**
	28,528	28,626	**277,300**
Less current portion	**10,597**	3,703	**103,010**
Total	**¥17,930**	¥24,922	**$174,290**

Other interest-bearing liabilities included in other current liabilities and long-term accounts payable represented installment payables at an average annual interest rate of 3.1% at March 31, 2014 and 2013.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2014 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥10,597	$103,010
2016	1,843	17,918
2017	511	4,973
2018	11,843	115,118
2019	525	5,105
2020 and thereafter	3,207	31,174
Total	¥28,528	$277,300

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2014 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 8	$ 85
2016	8	85
2017	8	85
Total	¥26	$255

Assets pledged as collateral for short-term loans of ¥130 million ($1,263 thousand) and ¥130 million, the current portion of long-term debt of ¥75 million ($736 thousand) and ¥110 million, and long-term debt of ¥449 million ($4,365 thousand) and ¥460 million at March 31, 2014 and 2013, respectively, were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Buildings and structures	**¥ 922**	¥ 676	**$ 8,971**
Land	**1,350**	1,531	**13,130**
	¥2,273	¥2,208	**$22,102**

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, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lines of credit	**¥15,000**	¥15,000	**$145,800**
Credit utilized	**—**	—	**—**
Available credit	**¥15,000**	¥15,000	**$145,800**

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 a statutory tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013.

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2014 and 2013 is summarized as follows:

	2014	2013
Statutory tax rates	**38.0%**	38.0%
Permanent non-taxable differences such as dividends received and entertainment expenses	**(0.8)**	(0.7)
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	**(0.8)**	(0.1)
Tax credits such as research and development costs and other	**(0.4)**	(0.6)
Tax exemption on investment	**(0.2)**	(0.1)
Equity in (earnings) loss of affiliates	**(0.1)**	0.0
Valuation allowance	**0.0**	(0.9)
Per capita portion of inhabitants' taxes	**0.3**	0.5
Permanent non-deductible differences such as entertainment expenses	**0.6**	0.7
Effect of changes in corporate tax rates	**0.7**	—
Other	**1.7**	0.8
Effective tax rates	**39.0%**	37.6%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Accrued retirement benefits	**¥ —**	¥ 3,350	**$ —**
Liability for retirement benefits	**3,747**	—	**36,426**
Accrued bonuses	**986**	980	**9,591**
Unrealized losses on inventories	**597**	627	**5,803**
Accrued enterprise taxes	**216**	188	**2,102**
Other	**4,839**	3,893	**47,043**
Gross deferred tax assets	**10,387**	9,039	**100,968**
Less valuation allowance	**(945)**	(998)	**(9,190)**
Total deferred tax assets	**9,442**	8,041	**91,777**
Deferred tax liabilities:			
Deferred gain on replacement of property	**(4,682)**	(4,690)	**(45,512)**
Unrealized holding gain on securities	**(3,385)**	(2,467)	**(32,904)**
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	**(2,127)**	(1,620)	**(20,684)**
Undistributed earnings of overseas subsidiaries	**(1,643)**	(1,156)	**(15,977)**
Other	**(1,946)**	(1,670)	**(18,919)**
Total deferred tax liabilities	**(13,785)**	(11,605)	**(133,997)**
Net deferred tax liabilities	**¥ (4,343)**	¥ (3,564)	**$ (42,220)**

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥116 million ($1,130 thousand) and increase deferred income taxes by ¥116 million ($1,135 thousand) and net unrealized deferred gain on derivative instruments by ¥0 million ($5 thousand) as of and for the year ended March 31, 2014.

10. RETIREMENT BENEFITS

For the year ended March 31, 2014

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.

As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculate their retirement benefit obligation for their employees by the simplified method. Under the simplified method, the liability for retirement benefits 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. Retirement benefit expenses related to benefit obligations calculated based on the simplified method have been fully included in service cost.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥10,241	$ 99,550
Service cost	536	5,217
Interest cost	223	2,175
Actuarial loss	154	1,505
Retirement benefit paid	(613)	(5,967)
Other	165	1,608
Retirement benefit obligation at March 31, 2014	¥10,708	$104,090

The changes in plan assets during the year ended March 31, 2014 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥ 835	$ 8,121
Expected return on plan assets	22	216
Actuarial gain	45	444
Contributions by the Company	129	1,254
Retirement benefit paid	(116)	(1,130)
Other	52	511
Plan assets at March 31, 2014	¥ 968	$ 9,417

The changes in the liability for retirement benefits calculated by the simplified method during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Liability for retirement benefits at April 1, 2013	¥1,142	$11,100
Retirement benefit expense	175	1,707
Retirement benefit paid	(119)	(1,161)
Contributions to the plans	(27)	(269)
Liability for retirement benefits at March 31, 2014	¥1,170	$11,378

A reconciliation of the ending balance of retirement benefit obligation and plan assets and liability for retirement benefits recorded in the consolidated balance sheet at March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 8,346	$ 81,131
Plan assets at fair value	(1,309)	(12,728)
	7,037	68,403
Unfunded retirement benefit obligation	3,873	37,648
Net liability for retirement benefits in the balance sheet	¥10,910	$106,051

The above table includes retirement benefit obligation calculated by the simplified method.

The components of retirement benefit expenses for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 536	$ 5,217
Interest cost	223	2,175
Expected return on plan assets	(22)	(216)
Amortization of unrecognized actuarial loss	197	1,919
Retirement benefit expense calculated by the simplified method	175	1,707
Other	2	23
Retirement benefit expenses	¥1,113	$10,827

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial loss	¥952	$9,260

The content of plan assets by major category, as a percentage of total plan assets as of March 31, 2014 is as follows:

	2014
Bonds	70%
Stocks	14%
Other	16%
Total	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term expected rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the defined benefit pension plans for the year ended March 31, 2014 were as follows:

	2014
Discount rate	Principally 2.0%
Expected rate of return on plan assets	Principally 2.0%

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥504 million ($4,900 thousand) for the year ended March 31, 2014.

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plan, 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 sheet at March 31, 2013 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen
	2013
Retirement benefit obligation	¥(11,741)
Plan assets at fair value	1,193
Unfunded retirement benefit obligation	(10,548)
Unrecognized actuarial loss	1,039
Accrued retirement benefits	¥ (9,508)

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 year ended March 31, 2013 are outlined as follows:

	Millions of yen
	2013
Service cost	¥ 700
Interest cost	215
Expected return on plan assets	(12)
Amortization of unrecognized actuarial loss	178
Contributions to defined contribution pension plans	488
Retirement benefit expenses	¥1,571

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

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

11. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable discounted	¥55	¥153	$544
Guarantees of home mortgage loans by employees	77	92	749
Guarantees of loans made by affiliates	79	70	775

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 ($116,640 thousand) and by ¥12,000 million at March 31, 2014 and 2013, 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 ($32,822 thousand) and ¥3,376 million at March 31, 2014 and 2013, respectively.

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2014 and 2013 are summarized as follows:

	Number of shares			
	2014			
	April 1, 2013	Increase	Decrease	March 31, 2014
Issued shares of common stock	**191,406,969**	**—**	**—**	**191,406,969**
Treasury stock	**4,263,619**	**29,776**	**1,211**	**4,292,184**

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			
	2013			
	April 1, 2012	Increase	Decrease	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 share exchanges, and sales of fractional shares of less than one unit.

14. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Reversal of and provision for loss on construction contracts included in cost of sales for the years ended March 31, 2014 and 2013 amounted to ¥52 million ($508 thousand) and ¥22 million, respectively.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing cost, and selling, general and administrative expenses for the years ended March 31, 2014 and 2013 amounted to ¥4,061 million ($39,475 thousand) and ¥4,319 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.

			Millions of yen
Location	Use	Classification	2013
Kadoma city Osaka prefecture	Idle property	Buildings and other	¥113
Kuki city Saitama prefecture	Plant	Buildings and other	34
Osaka city Osaka prefecture	Sales office	Buildings and other	18
Tomakomai city Hokkaido prefecture	Idle property	Land	1
			¥167

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

There was no loss on impairment of property, plant and equipment for the year ended March 31, 2014.

17. LOSS ON DISASTER

Loss on disaster recorded in the consolidated statement of income for the year ended March 31, 2014 mainly consisted of repair expenses for property, plant and equipment and fixed costs related to the suspension of production in the amounts of ¥189 million and ¥62 million ($1,840 thousand and $605 thousand), respectively, resulting from abnormally heavy snow fall in Japan on February 14 and 15, 2014.

18. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net unrealized holding gain on securities:			
Gain arising during the year	**¥2,578**	¥2,475	**$25,066**
Reclassification adjustments	**56**	0	**549**
Before tax effect	**2,635**	2,476	**25,615**
Tax effect	**(919)**	(872)	**(8,941)**
Net unrealized holding gain on securities	**1,715**	1,603	**16,673**
Net unrealized deferred gain (loss) on derivative instruments:			
Gain (loss) arising during the year	**140**	(18)	**1,364**
Tax effect	**(52)**	6	**(508)**
Net unrealized deferred gain (loss) on derivative instruments	**88**	(11)	**856**
Translation adjustments:			
Amount arising during the year	**6,768**	4,505	**65,794**
Reclassification adjustments	**—**	4	**—**
Translation adjustments	**6,768**	4,509	**65,794**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Gain arising during the year	**105**	81	**1,029**
Reclassification adjustments	**79**	—	**772**
Share of other comprehensive income of affiliates accounted for by the equity method	**185**	81	**1,802**
Other comprehensive income	**¥8,757**	¥6,183	**$85,126**

19. 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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and deposits	**¥13,518**	¥19,678	**$131,404**
Deposits with maturities exceeding three months	**(105)**	(44)	**(1,021)**
Short-term investments	**7,877**	560	**76,574**
Cash and cash equivalents	**¥21,291**	¥20,194	**$206,957**

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
Current assets	¥ 4,106
Fixed assets	4,654
Goodwill	1,330
Current liabilities	(2,784)
Long-term liabilities	(818)
Acquisition cost of shares	6,488
Cash and cash equivalents	(153)
Payment for the acquisition of the subsidiaries' shares	¥ 6,334

20. 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 which would have been reflected in the accompanying consolidated balance sheet 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

There were no outstanding finance lease transactions at March 31, 2014.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥0 million ($2 thousand) and ¥29 million for the years ended March 31, 2014 and 2013, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥0 million ($2 thousand) and ¥29 million for the years ended March 31, 2014 and 2013, respectively.

Future minimum lease payments subsequent to March 31, 2014 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥209	$2,036
2016 and thereafter	276	2,688
	¥486	$4,725

21. 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 loss at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen					
	2014			2013		
	Notional amount	Estimated fair value*	Unrealized loss	Notional amount	Estimated fair value*	Unrealized loss
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	**¥4,160**	**¥(118)**	**¥(118)**	¥3,137	¥(467)	¥(467)
Euros	**578**	**(24)**	**(24)**	638	(86)	(86)
Canadian dollars	**115**	**0**	**0**	150	(22)	(22)
Australian dollars	**72**	**(4)**	**(4)**	90	(19)	(19)
Buy:						
Japanese yen	**227**	**(1)**	**(1)**	646	(83)	(83)
U.S. dollars	**28**	**(1)**	**(1)**	—	—	—
Canadian dollars	**16**	**(1)**	**(1)**	—	—	—
Total	**¥5,198**	**¥(150)**	**¥(150)**	¥4,663	¥(678)	¥(678)

	Thousands of U.S. dollars		
	2014		
	Notional amount	Estimated fair value*	Unrealized loss
Forward foreign exchange contracts:			
Sell:			
U.S. dollars	**$40,437**	**$(1,154)**	**$(1,154)**
Euros	**5,618**	**(235)**	**(235)**
Canadian dollars	**1,120**	**7**	**7**
Australian dollars	**705**	**(44)**	**(44)**
Buy:			
Japanese yen	**2,212**	**(18)**	**(18)**
U.S. dollars	**274**	**(9)**	**(9)**
Canadian dollars	**163**	**(11)**	**(11)**
Total	**$50,533**	**$(1,465)**	**$(1,465)**

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

(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 and unrealized gain at March 31, 2014 and 2013 are summarized as follows:

		Millions of yen							
		2014				2013			
	Hedged items	Notional amount	Due after one year	Estimated fair value*	Unrealized gain	Notional amount	Due after one year	Estimated fair value*	Unrealized gain
Interest-rate swap agreements:									
Fixed paid/floating received	Long-term debt	**¥300**	**¥300**	**¥5**	**¥5**	¥281	¥246	¥1	¥1

		Thousands of U.S. dollars			
		2014			
	Hedged items	Notional amount	Due after one year	Estimated fair value*	Unrealized gain
Interest-rate swap agreements:					
Fixed paid/floating received	Long-term debt	**$2,918**	**$2,918**	**$50**	**$50**

* 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, 2014 and 2013 are summarized as follows:

							Millions of yen
		2014			2013		
	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*1:							
Sell:							
U.S. dollars	Accounts receivable (Forecasted transactions)	**¥3,591**	**¥—**	**¥26**	¥2,141	¥—	¥ (86)
Euros		**606**	**—**	**3**	610	—	(14)
Australian dollars		**91**	**—**	**(0)**	134	—	(6)
Canadian dollars		**104**	**—**	**3**	130	—	(4)
Thai baht		**409**	**—**	**(8)**	—	—	—
U.S. dollars	Accounts receivable	**—**	**—**	**—**	63	—	—
Total		**4,803**	**—**	**23**	3,080	—	(113)
Buy:							
Japanese yen	Accounts payable (Forecasted transactions)	**—**	**—**	**—**	464	—	(22)
U.S. dollars		**—**	**—**	**—**	6	—	(0)
Total		**¥ —**	**¥—**	**¥—**	¥ 470	¥—	¥ (22)

				Thousands of U.S. dollars
		2014		
	Hedged items	Notional amount	Due after one year	Estimated fair value*2
Forward foreign exchange contracts*1:				
Sell:				
U.S. dollars	Accounts receivable (Forecasted transactions)	**$34,910**	**$—**	**$261**
Euros		**5,891**	**—**	**29**
Australian dollars		**888**	**—**	**(9)**
Canadian dollars		**1,018**	**—**	**29**
Thai baht		**3,980**	**—**	**(80)**
Total		**$46,689**	**$—**	**$230**

*1 Since forward foreign exchange contracts, except for hedges of forecasted transactions, are 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, 2014 and 2013 are summarized as follows:

							Millions of yen
				2014			2013
	Hedged items	Notional amount	Due after one year	Estimated fair value*1	Notional amount	Due after one year	Estimated fair value*1
Currency swap contracts including interest-rate swaps: (Receive/U.S. dollars and pay/Japanese yen, and Receive/floating and pay/fixed)	Long-term debt	**¥8,200**	**¥8,200**	**¥—**	¥8,200	¥8,200	¥—

				Thousands of U.S. dollars
				2014
	Hedged items	Notional amount	Due after one year	Estimated fair value*1
Currency swap contracts including interest-rate swaps: (Receive/U.S. dollars and pay/Japanese yen, and Receive/floating and pay/fixed)	Long-term debt	**$79,704**	**$79,704**	**$—**

*1 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, 2014 and 2013 are summarized as follows:

							Millions of yen
				2014			2013
	Hedged items	Notional amount	Due after one year	Estimated fair value*	Notional amount	Due after one year	Estimated fair value*
Interest-rate swaps: Fixed paid/floating received (Special treatment*)	Long-term debt	**¥5,170**	**¥670**	**¥—**	¥5,170	¥5,170	¥—

				Thousands of U.S. dollars
				2014
	Hedged items	Notional amount	Due after one year	Estimated fair value*
Interest-rate swaps: Fixed paid/floating received (Special treatment*)	Long-term debt	**$50,252**	**$6,512**	**$—**

* 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."

22. AMOUNTS PER SHARE

Amounts per share at March 31, 2014 and 2013 and for the years then ended were as follows:

		Yen	U.S. dollars
	2014	2013	2014
Net assets	**¥632.94**	¥545.14	**$6.15**
Net income	**54.58**	39.69	**0.53**
Cash dividends	**10.00**	7.00	**0.09**

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, 2014 and 2013 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
	2014	2013	**2014**
Net income	**¥10,213**	¥7,428	**$99,272**
Net income not available for distribution to shareholders of common stock	**—**	—	**—**
Net income on which basic net income per share is calculated	**¥10,213**	¥7,428	**$99,272**

	Thousands of shares	
	2014	2013
Weighted-average number of shares of common stock on which net income per share is calculated	**187,129**	187,152

23. BUSINESS COMBINATIONS

(1) Acquisition of Tsubaki Emerson Co. shares from minority shareholder

On October 26, 2013, the Company acquired additional shares of voting rights of Tsubaki Emerson Co. for ¥3,985 million ($38,734 thousand) in cash and made it a wholly-owned subsidiary. Tsubaki Emerson Co. is engaged in the manufacture and sales of power transmission products (reducers, variable speed drives, and their related products). The Company determined to undertake this acquisition to enhance its comprehensive strength by accelerating globalization, and expediting the decision-making process and execution of business strategies. The name of the acquired company after the business combination has been changed to Tsubaki E&M Co.

The Company accounted for this business combination as a transaction with minority shareholders under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

As a result, ¥412 million ($4,009 thousand) of goodwill was recognized, which represents the excess of the purchase price over the fair value of the minority interest. The goodwill is amortized over a period of 5 years on a straight-line basis.

(2) Acquisition of Tsubakimoto Nishinihon Co., Ltd. shares from minority shareholder

On March 27, 2014, the Company acquired additional shares of voting rights of Tsubakimoto Nishinihon Co., Ltd. for ¥297 million ($2,894 thousand) in cash and made it a wholly-owned subsidiary. Tsubakimoto Nishinihon Co., Ltd. is engaged in sales of Tsubakimoto Chain products. The Company determined to undertake this acquisition to improve the efficiency of group management by enhancing the ability to respond to changes in the business environment quickly and flexibly. The name of the acquired company after the business combination remains the same.

The Company accounted for this business combination as a transaction with minority shareholders under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

As a result, ¥181 million ($1,762 thousand) of goodwill was recognized, which represents the excess of the purchase price over the fair value of the minority interest. The goodwill is amortized over a period of 5 years on a straight-line basis.

24. SEGMENT INFORMATION

(1) Outline of 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 the reportable 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. Inter-segment 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, 2014 and 2013 is as follows:

Millions of yen

2014

	Reportable Segments								
	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	¥54,564	¥21,325	¥60,674	¥39,503	¥176,067	¥1,955	¥178,022	¥ —	¥178,022
Inter-segment sales and transfers	1,264	286	—	62	1,613	764	2,378	(2,378)	—
Total	¥55,828	¥21,612	¥60,674	¥39,565	¥177,681	¥2,719	¥180,401	¥ (2,378)	¥178,022
Operating income	¥ 3,763	¥ 2,273	¥10,119	¥ 1,192	¥ 17,348	¥ 63	¥ 17,411	¥ (56)	¥ 17,354
Assets	69,615	30,981	56,702	43,389	200,688	3,429	204,118	24,721	228,840
Other items:									
Depreciation and amortization	2,513	828	4,313	1,081	8,736	9	8,745	—	8,745
Investments in affiliates accounted for by the equity method	—	—	—	347	347	—	347	—	347
Increase in property, plant and equipment and intangible assets	4,479	835	5,336	716	11,368	4	11,372	—	11,372

Millions of yen

2013

	Reportable Segments								
	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	14	11,833	—	11,833

	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other	Total	Adjustments and eliminations	Consolidated
	Thousands of U.S. dollars								
	2014								
	Reportable Segments								
Sales, operating income, and assets:									
Sales to third parties	$530,367	$207,285	$589,760	$383,972	$1,711,385	$19,004	$1,730,390	$ —	$1,730,390
Inter-segment sales and transfers	12,290	2,788	—	608	15,687	7,433	23,120	(23,120)	—
Total	$542,657	$210,073	$589,760	$384,581	$1,727,073	$26,437	$1,753,510	$ (23,120)	$1,730,390
Operating income	$ 36,580	$ 22,094	$ 98,364	$ 11,589	$ 168,628	$ 613	$ 169,241	$ (550)	$ 168,690
Assets	676,665	301,143	551,149	421,748	1,950,707	33,338	1,984,045	240,294	2,224,340
Other items:									
Depreciation and amortization	24,426	8,055	41,926	10,507	84,916	92	85,009	—	85,009
Investments in affiliates accounted for by the equity method	—	—	—	3,381	3,381	—	3,381	—	3,381
Increase in property, plant and equipment and intangible assets	43,543	8,120	51,870	6,965	110,499	45	110,545	—	110,545

(4) Geographical information

Sales to third parties by country or geographical area for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japan	¥ 83,335	¥ 84,602	$ 810,026
U.S.A.	36,446	25,590	354,266
Europe	20,687	13,830	201,079
Asia and Oceania	30,403	21,357	295,525
Other	7,149	4,621	69,492
Total	¥178,022	¥150,002	$1,730,390

Property, plant and equipment by country or geographical area at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japan	¥69,126	¥70,579	$671,915
U.S.A.	9,706	7,488	94,346
Europe	4,589	3,498	44,609
Asia and Oceania	12,920	8,358	125,592
Other	508	556	4,942
Total	¥96,852	¥90,481	$941,407

Information by major customer for the years ended March 31, 2014 and 2013 is summarized as follows:

Customer	Related segment	Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Automotive Parts, and Materials Handling Systems	¥22,343	¥22,228	$217,184

(5) Impairment loss on property, plant and equipment per reportable segment for the year ended March 31, 2013

	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

There was no impairment loss on property, plant and equipment for the year ended March 31, 2014.

(6) Information on goodwill per reportable segment and the balance as of and for the years ended March 31, 2014 and 2013

	Millions of yen						
	2014						
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	**¥11**	**¥ 41**	**¥—**	**¥ 330**	**¥—**	**¥—**	**¥ 383**
Balance at March 31, 2014	**91**	**378**	**—**	**1,425**	**—**	**—**	**1,895**

	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

	Thousands of U.S. dollars						
	2014						
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	**$112**	**$ 400**	**$—**	**$ 3,215**	**$—**	**$—**	**$ 3,728**
Balance at March 31, 2014	**885**	**3,675**	**—**	**13,860**	**—**	**—**	**18,420**

25. SUBSEQUENT EVENTS

(1) Distribution of retained earnings

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, 2014, was approved at the annual general meeting of the shareholders held on June 27, 2014:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥6.0 ($0.05) per share)	**¥1,122**	**$10,912**

(2) Issuance of bonds

The Company issued its 9th unsecured straight bonds (with a limited inter-bond pari passu clause) on April 25, 2014. The details are as follows:

(a) Total amount of issuance	¥10,000 million ($97,200 thousand)
(b) Issue price	¥100 ($0.97) per a face value of ¥100 ($0.97)
(c) Interest rate	0.394% per annum
(d) Issue date	April 25, 2014
(e) Maturity date	April 25, 2019
(f) Use of funds	Repayment of loans

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, 2014, 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, 2014, 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 ShinNihon LLC

June 30, 2014
Osaka, Japan

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