Innovation in Motion
TSUBAKI

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2015 and 2014,
with Report of Independent Auditors

Consolidated Balance Sheet

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2015**	2014	**2015**
Current assets:			
Cash and deposits (Notes 5 and 19)	¥ 17,504	¥ 13,518	$ 145,685
Short-term investments (Notes 5, 6 and 19)	12,020	7,877	100,044
Trade notes and accounts receivable (Note 5)	47,338	44,337	393,994
Inventories (Note 7)	33,574	29,625	279,434
Deferred tax assets (Note 9)	3,306	2,933	27,515
Other current assets	3,292	2,774	27,403
Allowance for doubtful accounts (Note 5)	(416)	(440)	(3,464)
Total current assets	116,619	100,626	970,614
Property, plant and equipment, at cost:			
Land (Notes 8 and 12)	37,700	37,472	313,776
Buildings and structures (Note 8)	64,154	61,664	533,954
Machinery, equipment and vehicles	104,597	95,581	870,556
Tools, furniture and fixtures	24,296	22,604	202,215
Construction in progress	5,778	4,430	48,092
Subtotal	236,526	221,753	1,968,594
Less accumulated depreciation	(134,913)	(124,901)	(1,122,872)
Property, plant and equipment, net (Note 23)	101,613	96,852	845,722
Investments and other assets:			
Investments in securities (Notes 5 and 6)	24,619	18,048	204,902
Investments in unconsolidated subsidiaries and affiliates (Note 5)	4,876	1,866	40,587
Long-term loans receivable	18	71	154
Deferred tax assets (Note 9)	2,364	2,206	19,680
Intangible assets	5,132	5,807	42,716
Other assets	3,637	3,494	30,275
Allowance for doubtful accounts	(139)	(132)	(1,162)
Total investments and other assets	40,509	31,361	337,154
Total assets (Note 23)	¥ 258,742	¥ 228,840	$ 2,153,492

See accompanying notes to consolidated financial statements.

Liabilities and net assets	2015 (Millions of yen)	2014 (Millions of yen)	2015 (Thousands of U.S. dollars (Note 1))
Current liabilities:			
Short-term loans (Notes 5 and 8)	¥ 9,722	¥ 8,422	$ 80,921
Current portion of long-term debt and finance lease obligations (Notes 5 and 8)	2,176	10,597	18,115
Trade notes and accounts payable (Note 5)	25,902	25,269	215,587
Income taxes payable (Note 9)	4,158	2,944	34,610
Accrued bonuses to employees	3,983	3,591	33,157
Accrued expenses	2,982	2,756	24,824
Provision for loss on construction contracts	81	28	677
Other current liabilities (Note 8)	10,427	8,393	86,786
Total current liabilities	59,435	62,003	494,681
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 5 and 8)	25,342	17,930	210,922
Long-term accounts payable (Note 8)	82	109	683
Liability for retirement benefits (Note 10)	12,269	10,910	102,118
Provision for retirement benefits for directors and audit & supervisory board members	132	213	1,105
Deferred tax liabilities (Note 9)	11,165	9,483	92,930
Deferred tax liabilities on land revaluation (Note 12)	5,279	5,864	43,938
Asset retirement obligations	245	239	2,045
Other long-term liabilities	497	456	4,140
Total long-term liabilities	55,014	45,208	457,885
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock:			
Authorized—299,000,000 shares in 2015 and 2014			
Issued—191,406,969 shares in 2015 and 2014	17,076	17,076	142,128
Capital surplus	12,658	12,658	105,354
Retained earnings (Note 24)	103,183	92,072	858,788
Treasury stock, at cost:			
4,311,895 shares in 2015 and 4,292,184 shares in 2014	(2,055)	(2,037)	(17,109)
Total shareholders' equity	130,862	119,769	1,089,161
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 6)	10,882	6,427	90,576
Net unrealized deferred gain on derivative instruments (Note 21)	25	15	211
Net unrealized loss on land revaluation (Note 12)	(10,892)	(11,348)	(90,655)
Translation adjustments	10,101	4,182	84,070
Retirement benefits liability adjustments (Note 10)	(540)	(613)	(4,496)
Total accumulated other comprehensive income (loss)	9,576	(1,336)	79,707
Minority interests	3,851	3,194	32,056
Total net assets	144,291	121,628	1,200,925
Total liabilities and net assets	¥258,742	¥228,840	$2,153,492

Consolidated Statement of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales (Note 23)	**¥196,738**	¥178,022	**$1,637,437**
Cost of sales (Notes 14 and 15)	**137,014**	126,130	**1,140,358**
Gross profit	**59,724**	51,891	**497,079**
Selling, general and administrative expenses (Note 15)	**38,296**	34,536	**318,738**
Operating income (Note 23)	**21,427**	17,354	**178,340**
Other income (expenses):			
Interest and dividend income	**625**	551	**5,207**
Interest expense	**(365)**	(461)	**(3,039)**
Equity in earnings of affiliates	**33**	34	**277**
Foreign exchange gain, net	**15**	114	**127**
Insurance income (Note 16)	**355**	—	**2,958**
Loss on devaluation of investments in affiliate (Note 5)	**(44)**	—	**(372)**
Loss on devaluation of investments in securities (Note 6)	**—**	(61)	**—**
Loss on sales or disposal of property, plant and equipment, net	**(111)**	(189)	**(928)**
Loss on disaster (Note 17)	**—**	(365)	**—**
Other, net	**648**	594	**5,393**
Income before income taxes and minority interests	**22,583**	17,572	**187,964**
Income taxes (Note 9):			
Current	**8,334**	6,643	**69,369**
Deferred	**(171)**	212	**(1,427)**
	8,163	6,856	**67,941**
Income before minority interests	**14,420**	10,716	**120,022**
Minority interests	**(267)**	(503)	**(2,223)**
Net income	**¥ 14,153**	¥ 10,213	**$ 117,799**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income before minority interests	**¥14,420**	¥10,716	**$120,022**
Other comprehensive income:			
Net unrealized holding gain on securities	**4,456**	1,715	**37,093**
Net unrealized deferred gain on derivative instruments	**10**	88	**83**
Net unrealized gain on land revaluation	**539**	—	**4,489**
Translation adjustments	**6,118**	6,768	**50,920**
Retirement benefits liability adjustments	**73**	—	**610**
Share of other comprehensive income of affiliates accounted for by the equity method	**40**	185	**338**
Total other comprehensive income, net (Note 18)	**11,238**	8,757	**93,536**
Comprehensive income	**¥25,659**	¥19,474	**$213,559**
Comprehensive income attributable to:			
Shareholders of the Company	**¥25,150**	¥18,506	**$209,325**
Minority interests	**508**	968	**4,233**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2015

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, 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 April 1, 2014, as originally reported	¥17,076	¥12,658	¥92,072	¥(2,037)	¥6,427	¥15	¥(11,348)	¥4,182	¥(613)	¥ 3,194	¥121,628
Cumulative effect of change in accounting principle (Note 3)	—	—	(774)	—	—	—	—	—	—	(0)	(774)
Balance at April 1, 2014, as adjusted	**17,076**	**12,658**	**91,298**	**(2,037)**	**6,427**	**15**	**(11,348)**	**4,182**	**(613)**	**3,194**	**120,853**
Cash dividends paid	**—**	**—**	**(2,432)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,432)**
Net income	**—**	**—**	**14,153**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**14,153**
Reversal of land revaluation	**—**	**—**	**83**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**83**
Purchases of treasury stock	**—**	**—**	**—**	**(18)**	**—**	**—**	**—**	**—**	**—**	**—**	**(18)**
Sales of treasury stock	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Increase resulting from initial consolidation of a subsidiary	**—**	**—**	**80**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**80**
Other net changes during the year	**—**	**—**	**—**	**—**	**4,455**	**10**	**455**	**5,918**	**73**	**656**	**11,570**
Balance at March 31, 2015	**¥17,076**	**¥12,658**	**¥103,183**	**¥(2,055)**	**¥10,882**	**¥25**	**¥(10,892)**	**¥10,101**	**¥(540)**	**¥ 3,851**	**¥144,291**

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, 2014, as originally reported	$142,128	$105,352	$766,314	$(16,959)	$53,491	$127	$(94,449)	$34,811	$(5,106)	$26,591	$1,012,301
Cumulative effect of change in accounting principle (Note 3)	—	—	(6,442)	—	—	—	—	—	—	(1)	(6,444)
Balance at April 1, 2014, as adjusted	**142,128**	**105,352**	**759,871**	**(16,959)**	**53,491**	**127**	**(94,449)**	**34,811**	**(5,106)**	**26,589**	**1,005,857**
Cash dividends paid	**—**	**—**	**(20,244)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(20,244)**
Net income	**—**	**—**	**117,799**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**117,799**
Reversal of land revaluation	**—**	**—**	**694**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**694**
Purchases of treasury stock	**—**	**—**	**—**	**(154)**	**—**	**—**	**—**	**—**	**—**	**—**	**(154)**
Sales of treasury stock	**—**	**2**	**—**	**3**	**—**	**—**	**—**	**—**	**—**	**—**	**6**
Increase resulting from initial consolidation of a subsidiary	**—**	**—**	**667**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**667**
Other net changes during the year	**—**	**—**	**—**	**—**	**37,084**	**83**	**3,794**	**49,259**	**609**	**5,467**	**96,299**
Balance at March 31, 2015	**$142,128**	**$105,354**	**$858,788**	**$(17,109)**	**$90,576**	**$211**	**$(90,655)**	**$84,070**	**$(4,496)**	**$32,056**	**$1,200,925**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years Ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 22,583**	¥ 17,572	**¥ 187,964**
Adjustments for:			
Depreciation and amortization (Note 23)	**9,476**	8,745	**78,869**
Amortization of goodwill	**488**	383	**4,064**
Loss on sales or disposal of property, plant and equipment, net	**111**	238	**928**
Loss on devaluation of investments in affiliate	**44**	—	**372**
Loss on devaluation of investments in securities	**—**	61	**—**
(Decrease) increase in allowance for doubtful accounts	**(40)**	5	**(336)**
Increase in liability for retirement benefits	**203**	334	**1,696**
Decrease in obligation on transfer to defined contribution pension plans included in other current liabilities and other long-term liabilities	**—**	(37)	**—**
Increase in trade notes and accounts receivable	**(1,008)**	(513)	**(8,390)**
(Increase) decrease in inventories	**(2,107)**	2,225	**(17,536)**
Decrease in trade notes and accounts payable	**(995)**	(1,932)	**(8,283)**
Other, net	**3**	(1,318)	**28**
Subtotal	**28,761**	25,765	**239,377**
Interest and dividends received	**632**	573	**5,268**
Interest paid	**(367)**	(478)	**(3,059)**
Proceeds from insurance income	**355**	—	**2,958**
Income taxes paid	**(7,193)**	(6,099)	**(59,867)**
Net cash provided by operating activities	**22,189**	19,761	**184,677**
Cash flows from investing activities:			
Increase in time deposits	**(1,845)**	(56)	**(15,359)**
Purchases of investments in securities	**(548)**	(223)	**(4,563)**
Proceeds from sales and redemption of investments in securities	**—**	665	**—**
Payment for investments in unconsolidated subsidiaries and affiliates	**(2,924)**	(4,371)	**(24,344)**
Decrease (increase) in short-term loans receivable, net	**37**	(48)	**311**
Decrease (increase) in long-term loans receivable	**2**	(0)	**19**
Purchases of property, plant and equipment	**(9,384)**	(13,232)	**(78,103)**
Proceeds from sales of property, plant and equipment	**356**	104	**2,964**
Payments for settlement of asset retirement obligations	**—**	(4)	**—**
Net cash used in investing activities	**(14,306)**	(17,166)	**(119,075)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**1,135**	(175)	**9,449**
Proceeds from long-term loans	**—**	3,700	**—**
Repayment of long-term loans	**(11,182)**	(4,342)	**(93,072)**
Proceeds from issuance of bonds	**9,943**	—	**82,759**
Repayment of finance lease obligations	**(233)**	(179)	**(1,941)**
Payments for installment payables	**(8)**	(4)	**(72)**
Proceeds from issuance of new shares to minority shareholders	**267**	—	**2,229**
Cash dividends paid	**(2,432)**	(1,497)	**(20,244)**
Cash dividends paid to minority interests	**(119)**	(678)	**(995)**
Purchases of treasury stock	**(18)**	(21)	**(154)**
Proceeds from sales of treasury stock	**0**	0	**6**
Net cash used in financing activities	**(2,647)**	(3,196)	**(22,036)**
Effect of exchange rate changes on cash and cash equivalents	**741**	1,378	**6,175**
Net increase in cash and cash equivalents	**5,976**	776	**49,741**
Cash and cash equivalents at beginning of the year	**21,291**	20,194	**177,209**
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	**92**	320	**765**
Cash and cash equivalents at end of the year (Note 19)	**¥ 27,360**	¥ 21,291	**$ 227,716**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2015

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 ¥120.15 = U.S. $1.00, the exchange rate prevailing on March 31, 2015. 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, 2015 and 2014 is summarized below:

	2015	2014
Domestic subsidiaries	**10**	11
Overseas subsidiaries	**46**	45
Overseas affiliates	**1**	1

(b) Cash and cash equivalents

For the preparation of the consolidated statement 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 and hedge activities

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 "Special treatment". 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, payables and loans denominated in foreign currencies are translated at the corresponding contract rates.

The hedge effectiveness of derivative transactions is assessed by comparing the cumulative changes in cash flows or fair values of the underlying hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an assessment of hedge effectiveness is omitted for forward foreign exchange contracts meeting certain conditions for applying the allocation method and interest-rate swaps meeting certain conditions for applying the special treatment.

(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.

(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) Provision for retirement benefits for directors and audit & supervisory board members

Directors and audit & supervisory board members of domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. Provision for retirement benefits for directors and audit & supervisory board members 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) Intangible assets and research and development costs

Amortization of intangible assets other than software capitalized is calculated by the straight-line method over the estimated useful lives of the respective assets.

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 gain 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) and as "Minority interest" 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

The Company and its domestic consolidated subsidiaries adopted the main clause of Section 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for determining the discount rate has been changed from using a discount rate similar to estimated remaining years of service of the eligible employees to using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits. As a result, the liability for retirement benefits increased by ¥1,202 million ($10,006 thousand) and retained earnings decreased by ¥774 million ($6,442 thousand) at April 1, 2014. The impacts on the consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2015 as a result of this change are immaterial. Also, net assets per share at March 31, 2015 decreased by ¥4.14 ($0.03).

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 accounting treatment for adjustments to provisional amounts was also changed.

(b) Scheduled date of adoption

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

(c) Impact of adopting revised accounting standard and guidance

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

5. FINANCIAL INSTRUMENTS

(1) Overview

(a) Policies for financial instruments

The Company and its consolidated subsidiaries obtain necessary funding principally by bank borrowings and bonds 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 and bonds are utilized for necessary financing of operating funds and capital expenditures. Certain portions of loans 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 rates 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, 2015 and 2014 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					
	2015			2014		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 17,504	¥ 17,504	¥ —	¥13,518	¥13,518	¥ —
Trade notes and accounts receivable	47,338	—	—	44,337	—	—
Allowance for doubtful accounts*1	(416)	—	—	(440)	—	—
	46,922	46,922	—	43,896	43,896	—
Short-term investments and investments in securities*2	36,280	36,280	—	25,495	25,495	—
Total assets	¥100,707	¥ 100,707	¥ —	¥82,911	¥82,911	¥ —
Liabilities:						
Trade notes and accounts payable	¥ 25,902	¥25,902	¥ —	¥25,269	¥25,269	¥ —
Short-term loans	9,722	9,722	—	8,422	8,422	—
Long-term debt*3	27,184	27,207	(22)	28,116	28,719	(603)
Total liabilities	¥ 62,810	¥ 62,833	¥(22)	¥61,807	¥62,411	¥(603)
Derivatives, net*4	¥ (257)	¥ (257)	¥ —	¥ (127)	¥ (127)	¥ —

	Thousands of U.S. dollars		
	2015		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	$145,685	$145,685	$ —
Trade notes and accounts receivable	393,994	—	—
Allowance for doubtful accounts*1	(3,464)	—	—
	390,530	390,530	—
Short-term investments and investments in securities*2	301,961	301,961	—
Total assets	$838,177	$838,177	$ —
Liabilities:			
Trade notes and accounts payable	$215,587	$215,587	$ —
Short-term loans	80,921	80,921	—
Long-term debt*3	226,257	226,449	(191)
Total liabilities	$522,767	$522,958	$(191)
Derivatives, net*4	$ (2,144)	$ (2,144)	$ —

*1 Allowances for doubtful accounts on specific bad debts are deducted from "Trade notes and accounts receivable."
*2 This account includes a certain portion of "Investment in unconsolidated subsidiaries and affiliates."
*3 Long-term debt includes the current portion of long-term debt and bonds payable.
*4 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.

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, 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 loan 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 loan 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 loan 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.

The fair value of bonds payable is based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

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
	2015	2014	**2015**
Unlisted securities	**¥2,985**	¥1,589	**$24,844**

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.

Certain subsidiaries recorded losses on devaluation of investments in affiliate of ¥44 million ($372 thousand) for the year ended March 31, 2015.

The redemption schedule for monetary assets and securities with maturities subsequent to March 31, 2015 and 2014 are as follows:

	Millions of yen			
	2015			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash deposits	**¥17,463**	**¥ —**	**¥—**	**¥—**
Trade notes and accounts receivable	**47,338**	**—**	**—**	**—**
Short-term investments and investments in securities:				
Debt securities with maturity dates:				
Bonds	**—**	**364**	**—**	**—**
Other	**12,020**	**—**	**—**	**—**
	¥76,822	**¥364**	**¥—**	**¥—**

	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 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	—	—	—
	¥65,692	¥205	¥—	¥—

	Thousands of U.S. dollars			
	2015			
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash deposits	**$145,349**	**$ —**	**$—**	**$—**
Trade notes and accounts receivable	**393,994**	**—**	**—**	**—**
Short-term investments and investments in securities:				
Debt securities with maturity dates:				
Bonds	**—**	**3,035**	**—**	**—**
Other	**100,044**	**—**	**—**	**—**
	$639,388	**$3,035**	**$—**	**$—**

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, 2015 and 2014 are summarized as follows:

						Millions of yen
			2015			2014
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥23,850**	**¥ 7,922**	**¥15,928**	¥17,339	¥7,474	¥9,864
Subtotal	**23,850**	**7,922**	**15,928**	17,339	7,474	9,864
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**44**	**55**	**(10)**	68	90	(22)
Bonds	**364**	**372**	**(7)**	209	215	(5)
Other	**12,020**	**12,020**	**—**	7,877	7,877	—
Subtotal	**12,429**	**12,448**	**(18)**	8,156	8,184	(27)
Total	**¥36,280**	**¥20,370**	**¥15,910**	¥25,495	¥15,659	¥9,836

			Thousands of U.S. dollars
			2015
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$198,510**	**$65,935**	**$132,574**
Subtotal	**198,510**	**65,935**	**132,574**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**372**	**462**	**(90)**
Bonds	**3,035**	**3,098**	**(63)**
Other	**100,044**	**100,044**	**—**
Subtotal	**103,451**	**103,605**	**(154)**
Total	**$301,961**	**$169,540**	**$132,420**

(b) Sales of other securities for the year ended March 31, 2014 is summarized as follows:

	Millions of yen
	2014
Sales	¥29
Gross realized gain	6

There were no sales of other securities for the year ended March 31, 2015.

(c) The Company recorded losses on devaluation of investments in securities of ¥61 million for the year ended March 31, 2014, 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.

There were no losses on devaluation of investments in securities for the year ended March 31, 2015.

7. INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished goods	**¥15,320**	¥13,028	**$127,511**
Work in process	**10,342**	9,150	**86,078**
Raw materials and supplies	**7,911**	7,446	**65,844**
	¥33,574	¥29,625	**$279,434**

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 0.7% and 0.6% at March 31, 2015 and 2014, respectively.

Long-term debt and finance lease obligations at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans, principally from banks and insurance companies, due through 2020 at an average annual interest rate of 0.82%:			
Secured	**¥ 498**	¥ 524	**$ 4,149**
Unsecured	**16,686**	27,591	**138,879**
Straight bonds payable due 2019 at an interest rate of 0.41%	**10,000**	—	**83,229**
Lease obligations due through 2020	**334**	412	**2,780**
	27,518	28,528	**229,038**
Less current portion	**2,176**	10,597	**18,115**
Total	**¥25,342**	¥17,930	**$210,922**

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, 2015 and 2014.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 2,176	$ 18,115
2017	495	4,124
2018	11,363	94,581
2019	269	2,242
2020	10,007	83,288
2021 and thereafter	3,206	26,686
Total	¥27,518	$229,038

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 8	$ 72
2017	8	72
Total	¥17	$145

Assets pledged as collateral for short-term loans of ¥130 million ($1,081 thousand) and ¥130 million, the current portion of long-term debt of ¥74 million ($616 thousand) and ¥75 million and long-term debt of ¥424 million ($3,532 thousand) and ¥449 million at March 31, 2015 and 2014 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥ 999**	¥ 922	**$ 8,318**
Land	**1,366**	1,350	**11,373**
	¥2,366	¥2,273	**$19,692**

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, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lines of credit	**¥15,000**	¥15,000	**$124,843**
Credit utilized	**—**	—	**—**
Available credit	**¥15,000**	¥15,000	**$124,843**

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 35.6% and 38.0% for the years ended March 31, 2015 and 2014 respectively.

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

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

Disclosure of a reconciliation between the statutory and effective tax rate for the year ended March 31, 2015 has been omitted as such difference was immaterial.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Liability for retirement benefits	**¥ 3,882**	¥ 3,747	**$ 32,310**
Accrued bonuses	**953**	986	**7,936**
Unrealized losses on inventories	**727**	597	**6,052**
Accrued enterprise taxes	**287**	216	**2,396**
Other	**5,656**	4,839	**47,074**
Gross deferred tax assets	**11,506**	10,387	**95,771**
Less: valuation allowance	**(1,184)**	(945)	**(9,860)**
Total deferred tax assets	**10,322**	9,442	**85,910**
Deferred tax liabilities:			
Unrealized holding gain on securities	**(5,013)**	(3,385)	**(41,725)**
Deferred gain on replacement of property	**(4,284)**	(4,682)	**(35,656)**
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	**(2,201)**	(2,127)	**(18,320)**
Undistributed earnings of overseas subsidiaries	**(2,041)**	(1,643)	**(16,994)**
Other	**(2,276)**	(1,946)	**(18,948)**
Total deferred tax liabilities	**(15,817)**	(13,785)	**(131,645)**
Net deferred tax liabilities	**¥ (5,495)**	¥ (4,343)	**$ (45,735)**

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.0% and 32.3% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥560 million ($4,666 thousand), income taxes-deferred by ¥47 million ($398 thousand) and deferred tax liabilities on land revaluation by ¥539 million ($4,489 thousand) and increase unrealized holding gain on securities by ¥511 million ($4,260 thousand) and unrealized loss on land revaluation by ¥539 million ($4,489 thousand) as of and for the year ended March 31, 2015.

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.

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 (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 for the years ended March 31, 2015 and 2014 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year, as originally reported	**¥10,708**	¥10,241	**$89,128**
Cumulative effect of change in accounting principle	**1,202**	—	**10,006**
Balance at the beginning of the year, as adjusted	**11,911**	10,241	**99,135**
Service cost	**610**	536	**5,081**
Interest cost	**142**	223	**1,184**
Actuarial loss	**191**	154	**1,594**
Retirement benefit paid	**(684)**	(613)	**(5,700)**
Other	**(46)**	165	**(384)**
Balance at the end of the year	**¥12,124**	¥10,708	**$100,910**

The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year	**¥ 968**	¥835	**$8,063**
Expected return on plan assets	**23**	22	**198**
Actuarial gain	**45**	45	**375**
Contributions by the Company	**94**	129	**787**
Retirement benefit paid	**(31)**	(116)	**(262)**
Other	**(36)**	52	**(305)**
Balance at the end of the year	**¥1,064**	¥968	**$8,856**

The changes in the liability for retirement benefits calculated by the simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year	**¥1,170**	¥1,142	**$ 9,742**
Retirement benefit expenses	**149**	175	**1,244**
Retirement benefits paid	**(82)**	(119)	**(689)**
Contributions to the plans	**(28)**	(27)	**(233)**
Balance at the end of the year	**¥1,209**	¥1,170	**$10,063**

A reconciliation of the ending balance of retirement benefit obligation and plan assets and liability for retirement benefits recorded in the consolidated balance sheets at March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligation	**¥ 9,469**	¥ 8,346	**$ 78,812**
Plan assets at fair value	**(1,395)**	(1,309)	**(11,617)**
	8,073	7,037	**67,195**
Unfunded retirement benefit obligation	**4,195**	3,873	**34,922**
Net liability for retirement benefits in the balance sheet	**12,269**	10,910	**102,118**
Liability for retirement benefit obligation	**12,269**	10,910	**102,118**
Net liability for retirement benefits in the balance sheet	**¥12,269**	¥10,910	**$102,118**

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

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 607**	¥ 536	**$5,059**
Interest cost	**142**	223	**1,184**
Expected return on plan assets	**(23)**	(22)	**(198)**
Amortization of unrecognized actuarial loss	**300**	197	**2,498**
Retirement benefit expense calculated by the simplified method	**167**	175	**1,397**
Other	**0**	2	**5**
Retirement benefit expenses	**¥1,195**	¥1,113	**$9,948**

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial loss	**¥154**	¥—	**$1,288**

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized actuarial loss	**¥797**	¥952	**$6,640**

The composition of plan assets by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 is as follows:

	2015	2014
Bonds	**67%**	70%
Stocks	**16%**	14%
General accounts at life insurance companies	**17%**	16%
Total	**100%**	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 years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rates	**Principally 0.92%**	Principally 2.0%
Expected rate of return on plan assets	**Principally 2.0%**	Principally 2.0%

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥491 million ($4,086 thousand) and ¥504 million for the years ended March 31, 2015 and 2014, respectively.

11. CONTINGENT LIABILITIES

At March 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Notes receivable discounted	**¥ 58**	¥55	**$ 483**
Guarantees of home mortgage loans by employees	**60**	77	**501**
Guarantees of loans made by unconsolidated subsidiaries	**128**	79	**1,073**

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 ($99,875 thousand) at March 31, 2015 and 2014.

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 ($28,105 thousand) at March 31, 2015 and 2014.

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2015 and 2014 are summarized as follows:

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Issued shares of common stock	**191,406,969**	**—**	**—**	**191,406,969**
Treasury stock	**4,292,184**	**20,631**	**920**	**4,311,895**

	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.

14. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for and reversal of loss on construction contracts included in cost of sales for the years ended March 31, 2015 and 2014 amounted to ¥52 million ($439 thousand) and ¥52 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, 2015 and 2014 amounted to ¥4,048 million ($33,694 thousand) and ¥4,061 million, respectively.

16. INSURANCE INCOME

Insurance income recorded in the consolidated statement of income for the year ended March 31, 2015 consisted of insurance proceeds in the amount of ¥335 million ($2,958 thousand) related to a loss caused by heavy snow. Please refer to Note 17 "Loss on Disaster."

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, 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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized holding gain on securities:			
Gain arising during the year	**¥ 6,094**	¥2,578	**$50,720**
Reclassification adjustments	**—**	56	**—**
Before tax effect	**6,094**	2,635	**50,720**
Tax effect	**(1,637)**	(919)	**(13,626)**
Net unrealized holding gain on securities	**4,456**	1,715	**37,093**
Net unrealized deferred gain on derivative instruments:			
Gain arising during the year	**14**	140	**118**
Tax effect	**(4)**	(52)	**(34)**
Net unrealized deferred gain on derivative instruments	**10**	88	**83**
Net unrealized loss on land revaluation:			
Tax effect	**539**	—	**4,489**
Translation adjustments:			
Amount arising during the year	**6,118**	6,768	**50,920**
Reclassification adjustments	**—**	—	**—**
Translation adjustments:	**6,118**	6,768	**50,920**
Retirement benefits liability adjustments:			
Amount arising during the year	**(145)**	—	**(1,209)**
Reclassification adjustments	**300**	—	**2,498**
Before tax effect	**154**	—	**1,288**
Tax effect	**(81)**	—	**(677)**
Retirement benefits liability adjustments	**73**	—	**610**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Gain arising during the year	**40**	105	**338**
Reclassification adjustments	**—**	79	**—**
Share of other comprehensive income of affiliates accounted for by the equity method	**40**	185	**338**
Other comprehensive income	**¥11,238**	¥8,757	**$93,536**

19. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliations of cash and deposits shown in the consolidated balance sheets at March 31, 2015 and 2014 and cash and cash equivalents shown in the consolidated statements of cash flows for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥17,504**	¥13,518	**$145,685**
Deposits with maturities exceeding three months	**(2,164)**	(105)	**(18,013)**
Short-term investments	**12,020**	7,877	**100,044**
Cash and cash equivalents	**¥27,360**	¥21,291	**$227,716**

20. LEASES

Future minimum lease payments subsequent to March 31, 2015 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥272	$2,264
2017 and thereafter	413	3,437
	¥685	$5,701

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) gain at March 31, 2015 and 2014 are summarized as follows:

						Millions of yen
			2015			2014
	Notional amount	Estimated fair value*	Unrealized (loss) gain	Notional amount	Estimated fair value*	Unrealized (loss) gain
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	**¥2,825**	**¥(176)**	**¥(176)**	¥4,160	¥(118)	¥(118)
Euros	**667**	**40**	**40**	578	(24)	(24)
Canadian dollars	**144**	**3**	**3**	115	0	0
Australian dollars	**123**	**3**	**3**	72	(4)	(4)
Chinese yuan	**1,361**	**(154)**	**(154)**	—	—	—
Buy:						
Japanese yen	**710**	**(12)**	**(12)**	227	(1)	(1)
U.S. dollars	**—**	**—**	**—**	28	(1)	(1)
Canadian dollars	**—**	**—**	**—**	16	(1)	(1)
Total	**¥5,831**	**¥(295)**	**¥(295)**	¥5,198	¥(150)	¥(150)

			Thousands of U.S. dollars
			2015
	Notional amount	Estimated fair value*	Unrealized (loss) gain
Forward foreign exchange contracts:			
Sell:			
U.S. dollars	**$23,517**	**$(1,465)**	**$(1,465)**
Euros	**5,555**	**338**	**338**
Canadian dollars	**1,200**	**31**	**31**
Australian dollars	**1,026**	**31**	**31**
Buy:	**11,328**	**(1,287)**	**(1,287)**
Japanese yen			
Total	**5,910**	**(106)**	**(106)**
	$48,539	**$ 2,459**	**$ 2,459**

* 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, 2015 and 2014 are summarized as follows:

									Millions of yen
					2015				2014
	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 loan	**¥343**	**¥343**	**¥7**	**¥7**	¥300	¥300	¥5	¥5

					Thousands of U.S. dollars
					2015
	Hedged items	Notional amount	Due after one year	Estimated fair value*	Unrealized gain
Interest-rate swap agreements:					
Fixed paid/floating received	Long-term loan	**$2,859**	**$2,859**	**$64**	**$64**

* 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, 2015 and 2014 are summarized as follows:

							Millions of yen
				2015			2014
	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 (Forecasted transactions)	**¥2,485**	**¥—**	**¥ (2)**	¥3,591	¥—	¥26
Euros		**684**	**—**	**34**	606	—	3
Australian dollars		**123**	**—**	**2**	91	—	(0)
Canadian dollars		**124**	**—**	**4**	104	—	3
Thai baht		**—**	**—**	**—**	409	—	(8)
Chinese yuan		**1,147**	**—**	**(4)**	—	—	—
Total		**¥4,566**	**¥—**	**¥34**	¥4,803	¥—	¥23
Buy:							
U.S. dollars	Accounts payable (Forecasted transactions)	**¥283**	**¥—**	**¥3**	¥—	¥—	¥—
Total		**¥283**	**¥—**	**¥3**	¥—	¥—	¥—

				Thousands of U.S. dollars
				2015
	Hedged items	Notional amount	Due after one year	Estimated fair value*1
Forward foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable (Forecasted transactions)	**$20,687**	**$—**	**$ (18)**
Euros		**5,701**	**—**	**287**
Australian dollars		**1,030**	**—**	**19**
Canadian dollars		**1,034**	**—**	**38**
Chinese yuan		**9,549**	**—**	**(40)**
Total		**$38,004**	**$—**	**$286**
Buy:				
U.S. dollars	Accounts payable (Forecasted transactions)	**$ 2,363**	**$—**	**$ 29**
Total		**$ 2,363**	**$—**	**$ 29**

* 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, 2015 and 2014 are summarized as follows:

							Millions of yen
				2015			2014
	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 loans	**¥8,200**	**¥8,200**	**¥—**	¥8,200	¥8,200	¥—

				Thousands of U.S. dollars
				2015
	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 loans	**$68,248**	**$68,248**	**$—**

*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, 2015 and 2014 are summarized as follows:

							Millions of yen
				2015			2014
	Hedged items	Notional amount	Due after one year	Estimated fair value*1	Notional amount	Due after one year	Estimated fair value*1
Interest-rate swaps:							
Fixed paid/floating received (Special treatment*1)	Long-term loans	**¥ 670**	**¥ 670**	**¥—**	¥5,170	¥670	¥—
Fixed paid/fixed received*2 (Special treatment*1)	Bonds payable	**10,000**	**10,000**	**—**	—	—	—

				Thousands of U.S. dollars
				2015
	Hedged items	Notional amount	Due after one year	Estimated fair value*1
Interest-rate swaps:				
Fixed paid/floating received (Special treatment*1)	Long-term loans	**$ 5,576**	**$ 5,576**	**$—**
Fixed paid/fixed received*2 (Special treatment*1)	Bonds payable	**83,229**	**83,229**	**—**

*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."

*2 These derivative transactions are used to hedge the fluctuation risk of interest rates during the transition period until interest rate on the bond payable is determined .

22. AMOUNTS PER SHARE

Amounts per share at March 31, 2015 and 2014 and for the years then ended were as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net assets	**¥750.63**	¥632.94	**$6.24**
Net income	**75.65**	54.58	**0.62**
Cash dividends	**16.00**	10.00	**0.13**

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, 2015 and 2014 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
	2015	2014	**2015**
Net income	**¥14,153**	¥10,213	**$117,799**
Net income not available for distribution to shareholders of common stock	**—**	—	**—**
Net income on which basic net income per share is calculated	**¥14,153**	¥10,213	**$117,799**

	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock on which net income per share is calculated	**187,103**	187,129

23. 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, 2015 and 2014 is as follows:

Millions of yen

	2015								
	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	**¥60,354**	**¥22,126**	**¥66,978**	**¥45,117**	**¥194,577**	**¥2,160**	**¥196,738**	**¥ —**	**¥196,738**
Inter-segment sales and transfers	**1,367**	**430**	**—**	**52**	**1,850**	**807**	**2,658**	**(2,658)**	**—**
Total	**¥61,721**	**¥22,557**	**¥66,978**	**¥45,169**	**¥196,427**	**¥2,968**	**¥199,396**	**¥ (2,658)**	**¥196,738**
Operating income	**¥ 5,002**	**¥ 2,400**	**¥11,916**	**¥ 1,940**	**¥ 21,259**	**¥ 123**	**¥ 21,382**	**¥ 44**	**¥ 21,427**
Assets	**72,295**	**31,489**	**68,083**	**46,520**	**218,388**	**3,634**	**222,022**	**36,719**	**258,742**
Other items:									
Depreciation and amortization	**¥ 2,876**	**¥ 855**	**¥ 4,579**	**¥ 1,155**	**¥ 9,466**	**¥ 9**	**¥ 9,476**	**¥ —**	**¥ 9,476**
Investments in affiliates accounted for by the equity method	**—**	**—**	**—**	**398**	**398**	**—**	**398**	**—**	**398**
Increase in property, plant and equipment and intangible assets	**2,582**	**604**	**6,408**	**868**	**10,464**	**1**	**10,466**	**—**	**10,466**

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

	Thousands of U.S. dollars								
	2015								
	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	$502,327	$184,158	$557,457	$375,508	$1,619,452	$17,984	$1,637,437	$ —	$1,637,437
Inter-segment sales and transfers	11,378	3,586	—	435	15,399	6,723	22,123	(22,123)	—
Total	$513,705	$187,745	$557,457	$375,943	$1,634,852	$24,708	$1,659,560	$ (22,123)	$1,637,437
Operating income	$ 41,631	$ 19,980	$ 99,176	$ 16,151	$ 176,939	$ 1,028	$ 177,967	$ 372	$ 178,340
Assets	601,707	262,082	566,655	387,187	1,817,633	30,246	1,847,879	305,612	2,153,492
Other items:									
Depreciation and amortization	$ 23,941	$ 7,116	$ 38,118	$ 9,616	$ 78,792	$ 76	$ 78,869	$ —	$ 78,869
Investments in affiliates accounted for by the equity method	—	—	—	3,316	3,316	—	3,316	—	3,316
Increase in property, plant and equipment and intangible assets	21,493	5,033	53,333	7,231	87,092	16	87,108	—	87,108

(4) Geographical information

Geographical segments have changed from five segments to seven segments by dividing the Asia and Oceania segment into the Indian-Ocean Rim segment, the China segment and the Korea and Taiwan segment. Geographical information by area for the year ended March 31, 2014 has been recalculated based on new geographical area segments.

Sales to third parties by country or geographical area for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 90,440	¥ 83,335	$ 752,731
U.S.A.	40,348	36,446	335,817
Europe	24,021	21,434	199,926
Indian-Ocean Rim	12,851	12,237	106,965
China	13,868	12,612	115,426
Korea and Taiwan	7,550	5,553	62,845
Other	7,656	6,401	63,723
Total	¥196,738	¥178,022	$1,637,437

Property, plant and equipment by country or geographical area at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 68,411	¥69,126	$569,383
U.S.A.	11,943	9,706	99,403
Europe	4,667	4,589	38,849
Indian-Ocean Rim	4,457	3,563	37,097
China	8,463	6,508	70,439
Korea and Taiwan	3,175	2,848	26,433
Other	494	508	4,116
Total	¥101,613	¥96,852	$845,722

The information by major customer for the years ended March 31, 2015 and 2014 is summarized as follows:

Customer	Related segment	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Automotive Parts, and Materials Handling Systems	¥24,547	¥22,343	$204,307

(5) Impairment loss on property, plant and equipment per reportable segments
There was no impairment loss on property, plant and equipment for the years ended March 31, 2015 and 2014.

(6) Information on amortization of goodwill per reportable segments and the balances as of and for the years ended March 31, 2015 and 2014

Millions of yen 2015	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥22	¥ 83	¥—	¥ 381	¥—	¥—	¥ 488
Balance at March 31, 2015	68	294	—	1,182	—	—	1,545

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

Thousands of U.S. dollars 2015	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	$189	$ 698	$—	$3,176	$—	$—	$ 4,064
Balance at March 31, 2015	568	2,448	—	9,844	—	—	12,861

24. SUBSEQUENT EVENT

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, 2015, was approved at the annual general meeting of the shareholders held on June 26, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.0 ($0.07) per share)	¥1,683	$14,014

Independent Auditor's Report

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, 2015, 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, 2015, 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 29, 2015
Osaka, Japan

Printed in Japan