Consolidated Financial Statements

Yodogawa Steel Works, Ltd.
and Consolidated Subsidiaries

March 31, 2015
with Independent Auditor's Report

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

March 31, 2015

Contents

Independent Auditor's Report

The Board of Directors
Yodogawa Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of Yodogawa Steel Works, Ltd. 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 Yodogawa Steel Works, Ltd. and its consolidated subsidiaries as 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 3.

Ernst & Young Shinnihon LLC

June 24, 2015
Osaka, Japan

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2015

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2014	**2015**	**2015**
Assets			
Current assets:			
Cash and deposits *(Notes 4, 5 and 12)*	¥ 26,877	¥ 35,176	$ 292,719
Marketable securities *(Notes 4, 5 and 6)*	5,404	505	4,202
Notes and accounts receivable *(Note 5)*:			
Unconsolidated subsidiaries and affiliates *(Note 23)*	14,364	14,644	121,861
Trade	26,023	26,595	221,311
Less allowance for doubtful receivables	(229)	(189)	(1,573)
Inventories *(Note 7)*	29,901	32,706	272,164
Deferred income taxes *(Note 15)*	606	381	3,171
Other current assets *(Note 4)*	6,600	5,626	46,817
Total current assets	109,546	115,444	960,672
Property, plant and equipment:			
Land *(Notes 8, 18 and 24)*	19,182	18,979	157,935
Buildings and structures *(Notes 8 and 24)*	57,720	58,925	490,347
Machinery, equipment and vehicles *(Note 8)*	138,912	147,823	1,230,115
Leased assets *(Note 20)*	1,441	1,644	13,681
Construction in progress	3,482	537	4,469
Less accumulated depreciation	(161,940)	(168,739)	(1,404,169)
Property, plant and equipment, net *(Note 25)*	58,797	59,169	492,378
Investments and other assets:			
Investments in securities *(Notes 5, 6 and 12)*	31,361	37,011	307,989
Investments in unconsolidated subsidiaries and affiliates *(Note 25)*	4,603	4,875	40,568
Goodwill *(Note 25)*	–	198	1,648
Deferred income taxes *(Note 15)*	650	699	5,817
Intangible assets *(Note 25)*	972	1,145	9,528
Other assets *(Note 12)*	1,847	1,530	12,731
Total investments and other assets	39,433	45,458	378,281
Total assets *(Note 25)*	¥ 207,776	¥ 220,071	$ 1,831,331

	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars (Note 3) 2015
Liabilities and net assets			
Current liabilities:			
Current portion of finance lease obligations	¥ 146	¥ 182	$ 1,515
Notes and accounts payable *(Note 5)*:			
Unconsolidated subsidiaries and affiliates	539	450	3,745
Trade	18,805	17,450	145,211
Construction	3,236	1,665	13,855
Short-term loans *(Note 10)*	960	7,104	59,116
Accrued expenses	3,345	2,382	19,822
Income tax payable *(Note 15)*	2,294	1,161	9,661
Provision for bonuses to employees	902	829	6,899
Other current liabilities *(Note 12)*	2,307	2,589	21,544
Total current liabilities	32,534	33,812	281,368
Long-term liabilities:			
Liability for retirement benefits (*Note 14*)	9,615	9,642	80,236
Provision for retirement benefits for directors and audit & supervisory board members	73	93	774
Guarantee deposits *(Note 10)*	3,120	3,005	25,006
Finance lease obligations, less current portion *(Notes 10 and 20)*	1,150	1,193	9,928
Negative goodwill *(Note 25)*	7	–	–
Deferred income taxes *(Note 15)*	2,471	4,899	40,767
Deferred income taxes on land revaluation reserve *(Note 15)*	917	853	7,098
Other long-term liabilities	1,356	1,674	13,931
Total long-term liabilities	18,709	21,359	177,740
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 17)*:			
Common stock:			
Authorized: 753,814,067 shares in 2014 and 2015			
Issued: 184,186,153 shares in 2014 and 179,186,153 shares in 2015	23,221	23,221	193,235
Capital surplus	23,460	21,210	176,500
Retained earnings *(Note 26)*	93,846	94,908	789,781
Treasury stock, at cost – 26,530,317 shares in 2014 and 24,475,276 shares in 2015	(10,104)	(9,186)	(76,442)
Total shareholders' equity	130,423	130,153	1,083,074
Accumulated other comprehensive income:			
Unrealized holding gain on securities *(Note 6)*	8,923	14,150	117,750
Unrealized loss from hedging instruments	(0)	–	–
Land revaluation reserve *(Note 18)*	1,545	1,615	13,439
Translation adjustments	933	2,554	21,253
Retirement benefit liability adjustments *(Note 14)*	(1,511)	(1,260)	(10,485)
Total accumulated other comprehensive income	9,890	17,059	141,957
Stock acquisition rights *(Note 17)*	156	166	1,382
Minority interests	16,064	17,522	145,810
Total net assets	156,533	164,900	1,372,223
Total liabilities and net assets	¥ 207,776	¥ 220,071	$ 1,831,331

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2015

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2014	**2015**	**2015**
Net sales *(Notes 23, 24 and 25)*	¥ 157,552	¥ 175,890	$ 1,463,676
Cost of sales *(Notes 7 and 24)*	134,872	154,782	1,288,025
Gross profit	22,680	21,108	175,651
Selling, general and administrative expenses *(Notes 17, 19 and 24)*	16,557	17,680	147,125
Operating income *(Note 25)*	6,123	3,428	28,526
Other income (expenses):			
Interest and dividend income	762	971	8,080
Interest expense	(112)	(158)	(1,315)
Dividend income of life insurance	93	95	791
Foreign exchange gain, net	400	1,460	12,149
Amortization of negative goodwill *(Note 25)*	10	7	58
Equity in earnings of an affiliate	142	377	3,137
Gain on revaluation of derivatives	44	23	191
Gain on sales of investments in securities, net *(Note 6)*	283	1,091	9,079
Expenses related to employees seconded to overseas unconsolidated subsidiaries	(231)	(256)	(2,130)
Loss on sales or disposal of property, plant and equipment, net	(85)	(83)	(691)
Loss on impairment of investments in securities *(Note 6)*	(266)	(133)	(1,107)
Loss on impairment of fixed assets *(Notes 8, 24 and 25)*	(7)	(588)	(4,893)
Gain on recognition of negative goodwill *(Note 25)*	50	47	391
Gain on insurance claim *(Note 9)*	914	12	100
Loss on disaster *(Note 9)*	(948)	–	–
Other, net *(Notes 6, 24 and 25)*	77	133	1,108
Income before income taxes and minority interests	7,249	6,426	53,474
Income taxes *(Note 15)*:			
Current	3,083	2,599	21,628
Deferred	256	583	4,851
	3,339	3,182	26,479
Income before minority interests	3,910	3,244	26,995
Minority interests	(640)	(627)	(5,218)
Net income	¥ 3,270	¥ 2,617	$ 21,777

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2015

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2014	**2015**	**2015**
Income before minority interests	¥ 3,910	¥ 3,244	$ 26,995
Other comprehensive income *(Note 16)*:			
Unrealized holding gain on securities	2,363	5,207	43,330
Unrealized gain from hedging instruments	1	0	0
Land revaluation reserve	–	64	533
Translation adjustments	6,719	2,589	21,544
Retirement benefit liability adjustments	–	162	1,348
Share of other comprehensive income of an affiliate accounted for by the equity method	18	70	583
Total other comprehensive income	9,101	8,092	67,338
Comprehensive income	¥ 13,011	¥ 11,336	$ 94,333
Total comprehensive income attributable to:			
Shareholders of the Company	¥ 9,991	¥ 9,802	$ 81,568
Minority interests of consolidated subsidiaries	3,020	1,534	12,765

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2015

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	184,186,153	¥ 23,221	¥ 23,497	¥ 92,135	¥ (10,132)	¥ 128,721
Cash dividends	–	–	–	(1,571)	–	(1,571)
Net income	–	–	–	3,270	–	3,270
Acquisition of treasury stock	–	–	–	–	(1,331)	(1,331)
Disposition of treasury stock	–	–	(37)	–	1,359	1,322
Reversal of land revaluation reserve	–	–	–	12	–	12
Other changes	–	–	–	–	–	–
Balance at April 1, 2014	184,186,153	¥ 23,221	¥ 23,460	¥ 93,846	¥ (10,104)	¥ 130,423
Cash dividends	–	–	–	(1,571)	–	(1,571)
Net income	–	–	–	2,617	–	2,617
Acquisition of treasury stock	–	–	–	–	(1,348)	(1,348)
Disposition of treasury stock	–	–	(5)	–	21	16
Retirement of treasury stock	(5,000,000)	–	(2,245)	–	2,245	–
Reversal of land revaluation reserve	–	–	–	16	–	16
Other changes	–	–	–	–	–	–
Balance at March 31, 2015	179,186,153	¥ 23,221	¥ 21,210	¥ 94,908	¥ (9,186)	¥ 130,153

				Millions of yen					
	Unrealized holding gain on securities	Unrealized loss from hedging instruments	Land revaluation reserve	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	¥ 6,568	¥ (1)	¥ 1,557	¥ (3,431)	¥ –	¥ 4,693	¥ 134	¥ 13,502	¥ 147,050
Cash dividends	–	–	–	–	–	–	–	–	(1,571)
Net income	–	–	–	–	–	–	–	–	3,270
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(1,331)
Disposition of treasury stock	–	–	–	–	–	–	–	–	1,322
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	12
Other changes	2,355	1	(12)	4,364	(1,511)	5,197	22	2,562	7,781
Balance at April 1, 2014	¥ 8,923	¥ (0)	¥ 1,545	¥ 933	¥ (1,511)	¥ 9,890	¥ 156	¥ 16,064	¥ 156,533
Cash dividends	–	–	–	–	–	–	–	–	(1,571)
Net income	–	–	–	–	–	–	–	–	2,617
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(1,348)
Disposition of treasury stock	–	–	–	–	–	–	–	–	16
Retirement of treasury stock	–	–	–	–	–	–	–	–	–
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	16
Other changes	5,227	0	70	1,621	251	7,169	10	1,458	8,637
Balance at March 31, 2015	¥ 14,150	¥ –	¥ 1,615	¥ 2,554	¥ (1,260)	¥ 17,059	¥ 166	¥ 17,522	¥ 164,900

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2015

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	$ 193,235	$ 195,223	$ 780,944	$ (84,081)	$ 1,085,321
Cash dividends	–	–	(13,073)	–	(13,073)
Net income	–	–	21,777	–	21,777
Acquisition of treasury stock	–	–	–	(11,217)	(11,217)
Disposition of treasury stock	–	(41)	–	174	133
Retirement of treasury stock	–	(18,682)	–	18,682	–
Reversal of land revaluation reserve	–	–	133	–	133
Other changes	–	–	–	–	–
Balance at March 31, 2015	$ 193,235	$ 176,500	$ 789,781	$ (76,442)	$ 1,083,074

Thousands of U.S. dollars (Note 3)

	Unrealized holding gain on securities	Unrealized loss from hedging instruments	Land revaluation reserve	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2014	$ 74,253	$ (0)	$ 12,857	$ 7,764	$ (12,574)	$ 82,300	$ 1,298	$ 133,677	$ 1,302,596
Cash dividends	–	–	–	–	–	–	–	–	(13,073)
Net income	–	–	–	–	–	–	–	–	21,777
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(11,217)
Disposition of treasury stock	–	–	–	–	–	–	–	–	133
Retirement of treasury stock	–	–	–	–	–	–	–	–	–
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	133
Other changes	43,497	0	582	13,489	2,089	59,657	84	12,133	71,874
Balance at March 31, 2015	$117,750	$ –	$ 13,439	$ 21,253	$ (10,485)	$ 141,957	$ 1,382	$ 145,810	$ 1,372,223

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2015

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2014	**2015**	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 7,249	¥ 6,426	$ 53,474
Adjustments for:			
Depreciation and amortization	4,352	5,155	42,898
Amortization of negative goodwill	(10)	(7)	(58)
Equity in earnings of an affiliate	(142)	(377)	(3,137)
(Decrease) increase in provision for retirement benefits for directors and audit & supervisory board members	(12)	20	166
(Decrease) increase in liability for retirement benefits	(189)	182	1,515
Increase (decrease) in provision for bonuses to employees	78	(73)	(607)
Increase (decrease) in allowance for doubtful receivables	2	(59)	(491)
Interest and dividend income	(762)	(971)	(8,080)
Interest expense	112	158	1,315
Insurance income	(1,007)	(107)	(891)
Gain on recognition of negative goodwill	(50)	(47)	(391)
Gain on revaluation of derivatives	(44)	(23)	(191)
Gain on sales of investments in securities, net	(283)	(1,091)	(9,079)
Loss on impairment of investments in securities	266	133	1,107
Loss on sales or disposal of property, plant and equipment, net	85	83	691
Loss on impairment of fixed assets	7	588	4,893
Increase in notes and accounts receivable	(4,951)	(576)	(4,793)
Increase in inventories	(4,753)	(1,814)	(15,095)
Increase (decrease) in notes and accounts payable	3,532	(1,652)	(13,747)
Other, net	(1,239)	(325)	(2,707)
Subtotal	2,241	5,623	46,792
Insurance dividends and claims received	1,007	107	891
Interest and dividends received	820	1,025	8,529
Interest paid	(114)	(153)	(1,273)
Income taxes paid	(2,102)	(3,774)	(31,406)
Net cash provided by operating activities	¥ 1,852	¥ 2,828	$ 23,533

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2015

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2014	**2015**	**2015**
Cash flows from investing activities:			
Investments in time deposits	¥ (5,999)	¥ (1,847)	$ (15,370)
Proceeds from time deposits	4,469	3,881	32,296
Proceeds from sales of marketable securities	10	–	–
Purchases of property, plant and equipment	(7,320)	(5,458)	(45,419)
Proceeds from sales of property, plant and equipment	80	3	25
Purchases of intangible fixed assets	(80)	(112)	(932)
Purchases of investments in securities	(1,531)	(27)	(225)
Proceeds from sales of investments in securities	1,096	2,235	18,599
Payment for loans receivable	(661)	(175)	(1,456)
Collection of loans receivable	465	241	2,005
Proceeds from subsidy income	425	–	–
Other	(7)	(97)	(807)
Net cash used in investing activities	(9,053)	(1,356)	(11,284)
Cash flows from financing activities:			
Short-term bank loans, net	946	5,353	44,545
Proceeds from sales of treasury stock	1,317	0	0
Purchases of treasury stock	(1,328)	(1,200)	(9,986)
Cash dividends paid to the Company’s shareholders	(1,583)	(1,582)	(13,165)
Proceeds from stock issuances to minority shareholders of consolidated subsidiaries	–	401	3,337
Cash dividends paid to minority shareholders of consolidated subsidiaries	(191)	(615)	(5,118)
Proceeds from sale and leaseback transactions	1,466	–	–
Repayment of lease obligations	(248)	(163)	(1,356)
Net cash provided by financing activities	379	2,194	18,257
Effect of exchange rate changes on cash and cash equivalents	1,764	252	2,098
Net (decrease) increase in cash and cash equivalents	(5,058)	3,918	32,604
Cash and cash equivalents at the beginning of the year	36,338	31,280	260,298
Cash and cash equivalents at the end of the year *(Note 4)*	¥ 31,280	¥ 35,198	$ 292,902

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2015

1. Summary of Significant Accounting Policies

(a) Basis of preparation

Yodogawa Steel Works, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and records in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively, the "Group") 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 preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net assets.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

An investment in one affiliate (a company over which the Company has the ability to exercise significant influence) is stated at cost plus equity in its undistributed earnings or undisposed loss. Consolidated net income or loss includes the Company's equity in the current net income or loss of this company after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. The difference between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of 5 years on a straight-line basis. Negative goodwill arising from transactions that occurred on or after April 1, 2010 is credited to income when incurred.

1. Summary of Significant Accounting Policies (continued)

(b) Basis of consolidation (continued)

The financial statements of certain consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year after making the necessary adjustments for significant transactions during the period from their fiscal year end to the Company's balance sheet date.

(c) 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. Other assets and liabilities denominated in foreign currencies are translated at their historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The balance sheet accounts of the overseas consolidated subsidiaries (except for net assets excluding minority interests) are translated into yen at the rate of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their respective historical rates of exchange. Revenue and expense accounts are translated into yen at the average rate of exchange in effect during the year.

Translation adjustments have been presented as a component of net assets and minority interests in the accompanying consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

1. Summary of Significant Accounting Policies (continued)

(e) Securities

The accounting standard for financial instruments requires that securities other than those of subsidiaries and affiliates be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this standard, trading securities are carried at fair value and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at 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 net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(f) Derivatives

Derivatives are measured at fair value.

(g) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are principally stated at the lower of cost or net selling value, cost being determined by the average method. Inventories of overseas consolidated subsidiaries are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(h) Property, plant and equipment and depreciation (except for leased assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998.

Depreciation of property, plant and equipment at overseas consolidated subsidiaries is calculated by the straight-line method.

The useful lives adopted for calculating depreciation are principally as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	3 to 36 years

1. Summary of Significant Accounting Policies (continued)

(i) Intangible assets (except for leased assets)

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

Expenditures related to computer software development for internal use are charged to income as incurred, unless these contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of 5 years.

(j) Research and development costs

Research and development costs are charged to income as incurred.

(k) Leases

Leased assets under finance lease transactions that transfer ownership to the lessee are depreciated by the same method used for owned fixed assets.

Leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life. Among the finance lease transactions which do not transfer ownership of the leased assets to the lessees, those that started on or before March 31, 2008 are accounted for in the same manner as operating leases.

(l) Allowance for doubtful receivables

The Group provides an allowance for doubtful receivables 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.

(m) Provision for bonuses to employees

The Company and its domestic consolidated subsidiaries provide for payments of bonuses to employees based on the estimated amount to be paid to employees after the balance sheet date, which is attributable to the current fiscal year. There are no bonuses to employees at overseas consolidated subsidiaries to be provided.

1. Summary of Significant Accounting Policies (continued)

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

The directors and audit & supervisory board members of the Company's domestic consolidated subsidiaries have customarily been entitled to lump-sum payments under the unfunded retirement benefit plans. Provision for retirement benefits for these directors and audit & supervisory board members has been provided at an estimated amount based on each consolidated subsidiary's internal rules.

(o) Retirement benefits

The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over a period of principally 10 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of principally 10 years, which is within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily ("simplified method").

(p) Income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities for financial reporting purposes and the corresponding balances for tax reporting purposes.

(q) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes and local consumption taxes paid not offset by consumption taxes and local consumption taxes received in accordance with Consumption Tax Act of Japan are charged to income when incurred.

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(s) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Receivables or payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates ("Allocation method"). The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company and certain consolidated subsidiaries assume that movements of cash flows are completely offset.

(t) Accounting standards issued but not yet effective

<u>Accounting standards for business combinations</u>

On September 13, 2013, the Accounting Standard Board of Japan ("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).

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.

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

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

2. Accounting Change

The Company and its domestic consolidated subsidiaries adopted the main clause of Section 35 of "Accounting Standard for Retirement Benefits" (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 method for calculating the discount rate has been changed to using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The adoption of these standards had no effect on liability for retirement benefits and retained earnings at April 1, 2014 or on income before income taxes and minority interests for the year ended March 31, 2015.

3. U.S. Dollar Amounts

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 the rate of ¥120.17 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2015. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the accompanying consolidated balance sheet as of March 31, 2014 and 2015 to cash and cash equivalents shown in the accompanying consolidated statement of cash flows for the years ended March 31, 2014 and 2015 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Cash and deposits	¥ 26,877	¥ 35,176	$ 292,719
Investment trust beneficiary securities included in "Marketable securities"	5,404	204	1,698
Trust beneficiary right included in "Other current assets"	1,000	–	–
Time deposits with a maturity of more than three months	(2,001)	(182)	(1,515)
Cash and cash equivalents	¥ 31,280	¥ 35,198	$ 292,902

5. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for capital investment, the Group primarily utilizes its own funds. In case its own funds are insufficient, the Group raises funds by bank borrowings or bond issuances. The Group manages temporary cash surpluses through low-risk financial assets. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables, notes and accounts receivables, are exposed to credit risk of customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies.

Investments in securities and marketable securities are exposed to market risk. The former is composed mainly of the shares of common stock of certain companies with which the Group has business relationships, held-to-maturity debt securities and hybrid financial instruments containing embedded derivatives. The latter is composed mainly of commercial paper and negotiable certificates of deposits.

Trade payables, notes and accounts payable, have payment due dates within six months. The Group is exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade receivables, trade payables and loans receivable denominated in foreign currencies for the purpose of efficient risk management.

Information regarding the method of hedge accounting is provided in Note 1 (s).

5. Financial Instruments (continued)

Overview (continued)

(c) Risk management for financial instruments

For trade receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Company and its domestic consolidated subsidiaries are making efforts to identify at an early point and mitigate risks of bad debts from customers who have financial difficulties. The overseas consolidated subsidiaries request customers to issue non-cancelable letters of credit to hedge credit risk.

The Group only acquires held-to-maturity debt securities and commercial paper issued by companies with high credit ratings or sound credit profiles. Accordingly, the Group believes that the credit risk deriving from such securities is insignificant. The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

For trade receivables and trade payables denominated in foreign currencies, the Group enters into forward foreign exchange contracts to hedge the risks arising from fluctuations in foreign exchanges rates.

For marketable securities and investments in securities, the Group periodically reviews the fair value of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether or not securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair value and relationships with the issuers.

The Group enters into derivative transactions based on internal regulations and establishes the reporting and approval system which set forth the purpose, contents, counterparties, holding risk, maximum upper limit of loss amount and risk amounts.

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis and maintains sufficient solvency to manage liquidity risk. In order to provide for unexpected cash requirements, the Company has entered into line-of-credit agreements with certain financial institutions and its overseas consolidated subsidiaries are able to obtain short-term borrowings from certain financial institutions.

5. Financial Instruments (continued)

Overview (continued)

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

The fair value of financial instruments is based on their quoted market prices, if available. When there are no quoted market prices 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.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and unrealized loss as of March 31, 2014 and 2015 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		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 26,877	¥ 26,877	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	14,364	14,364	–
Trade	26,023	26,023	–
Marketable securities and investments in securities	35,500	35,434	(66)
Total assets	¥ 102,764	¥ 102,698	¥ (66)
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 539	¥ 539	¥ –
Trade	18,805	18,805	–
Total liabilities	¥ 19,344	¥ 19,344	¥ –
Derivative transactions(*)	¥ (210)	¥ (210)	¥ –

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 35,176	¥ 35,176	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	14,644	14,644	–
Trade	26,595	26,595	–
Marketable securities and investments in securities	36,271	36,348	77
Total assets	¥ 112,686	¥ 112,763	¥ 77
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 450	¥ 450	¥ –
Trade	17,450	17,450	–
Total liabilities	¥ 17,900	¥ 17,900	¥ –
Derivatives(*)	¥ (539)	¥ (539)	¥ –

	Thousands of U.S. dollars		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	$ 292,719	$ 292,719	$ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	121,861	121,861	–
Trade	221,311	221,311	–
Marketable securities and investments in securities	301,831	302,471	640
Total assets	$ 937,722	$ 938,362	$ 640
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	$ 3,745	$ 3,745	$ –
Trade	145,211	145,211	–
Total liabilities	$ 148,956	$ 148,956	$ –
Derivatives(*)	$ (4,485)	$ (4,485)	$ –

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Calculation method of estimated fair value of financial instruments is as follows:

Cash and deposits, notes and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates the fair value.

Marketable securities and investments in securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 6.

Notes and accounts payable
Since this item is settled in a short period of time, its carrying value approximates the fair value.

Derivative transactions
Please refer to Note 21.

The carrying value of financial instruments without determinable market value as of March 31, 2014 and 2015 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Unlisted stocks	¥ 432	¥ 470	$ 3,911
Investments in limited liability partnership	186	114	949
Preferred stocks	647	661	5,500
Total	¥ 1,265	¥ 1,245	$ 10,360

Because no quoted market price is available, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as part of the amounts presented in the preceding fair value of financial instruments table.

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

The redemption schedule for monetary assets and investments by maturity dates as of March 31, 2014 and 2015 is as follows:

	Millions of yen			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 26,811	¥ –	¥ –	¥ –
Notes and accounts receivable	40,387	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	–	10	40	–
Corporate bonds	–	–	500	1,800
Other securities with maturities				
Bonds	–	300	200	–
Other	4,700	–	–	–
Total	¥ 71,898	¥ 310	¥ 740	¥ 1,800

	Millions of yen			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 35,129	¥ –	¥ –	¥ –
Notes and accounts receivable	41,239	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	–	10	58	–
Corporate bonds	–	–	500	1,500
Other securities with maturities				
Bonds	300	–	200	–
Total	¥ 76,668	¥ 10	¥ 758	¥ 1,500

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Thousands of U.S. dollars			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 292,328	$ –	$ –	$ –
Notes and accounts receivable	343,172	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	–	83	483	–
Corporate bonds	–	–	4,161	12,482
Other securities with maturities				
Bonds	2,496	–	1,664	–
Total	$ 637,996	$ 83	$ 6,308	$ 12,482

6. Securities

Marketable securities classified as held-to-maturity debt securities as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		
	2014		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 50	¥ 51	¥ 1
Corporate bonds	443	500	57
	493	551	58
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	1,724	1,601	(123)
Total	¥ 2,217	¥ 2,152	¥ (65)

6. Securities (continued)

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 68	¥ 70	¥ 2
Corporate bonds	448	525	77
	516	595	79
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	1,446	1,444	(2)
Total	¥ 1,962	¥ 2,039	¥ 77

	Thousands of U.S. dollars		
	2015		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	$ 566	$ 583	$ 17
Corporate bonds	3,728	4,368	640
	4,294	4,951	657
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	12,033	12,017	(16)
Total	$ 16,327	$ 16,968	$ 641

Hybrid financial instruments containing an embedded derivative that cannot be separated are stated at fair value in corporate bonds whose estimated fair value does not exceed their carrying value in the above table and the resulting gains or losses are included in other, net as a part of other income (expense) in consolidated statement of income.

6. Securities (continued)

Other securities with determinable market value as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		
	2014		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 23,356	¥ 9,681	¥ 13,675
Corporate bonds	1,012	1,001	11
Other	110	97	13
	24,478	10,779	13,699
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,401	3,867	(466)
Corporate bonds	5,404	5,404	–
	8,805	9,271	(466)
Total	¥ 33,283	¥ 20,050	¥ 13,233

	Millions of yen		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 31,662	¥ 11,319	¥ 20,343
Corporate bonds	1,006	1,001	5
Other	119	97	22
	32,787	12,417	20,370
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,318	1,474	(156)
Other	204	204	–
	1,522	1,678	(156)
Total	¥ 34,309	¥ 14,095	¥ 20,214

6. Securities (continued)

	Thousands of U.S. dollars		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 263,477	$ 94,192	$ 169,285
Corporate bonds	8,371	8,330	41
Other	990	807	183
	272,838	103,329	169,509
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	10,968	12,265	(1,297)
Other	1,698	1,698	–
	12,666	13,963	(1,297)
Total	$ 285,504	$ 117,292	$ 168,212

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥1,265 million and ¥1,245 million ($10,360 thousand) as of March 31, 2014 and 2015, respectively, are not included in the above table.

Sales of securities classified as other securities for the years ended March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Sales	¥ 354	¥ 1,876	$ 15,611
Aggregate gain	289	1,106	9,204

The Group recorded loss on impairment of investments in securities with determinable market value of ¥45 million for the year ended March 31, 2014. Loss on impairment is recorded at the amount deemed necessary on securities whose fair value has declined by 50% on more, or whose fair value has declined by 30% on more, but less than 50%, if the decline is deemed to be irrecoverable considering the movements of individual stock prices and recoverability.

7. Inventories

The following is a summary of inventories as of March 31, 2014 and 2015:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Merchandise and finished goods	¥ 14,396	¥ 14,278	$ 118,814
Work in process	3,976	4,278	35,600
Raw materials and supplies	11,529	14,150	117,750
	¥ 29,901	¥ 32,706	$ 272,164

Gain on reversal of devaluation of inventories is included in cost of sales of ¥434 million for the year ended March 31, 2014 and loss on devaluation of inventories is included in cost of sales of ¥93 million ($774 thousand) for the year ended March 31, 2015.

8. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized loss on impairment of fixed assets for the years ended March 31, 2014 and 2015 as follows:

			Millions of yen		*Thousands of U.S. dollars*
Location	Use	Classification	**2014**	**2015**	**2015**
Nishiwaki City, Hyogo Prefecture	Golf course	Land, buildings and structures and machinery, equipment and vehicles	¥ –	¥ 511	$ 4,252
Miyazaki City, Miyazaki Prefecture	Idle assets	Land	7	7	58
Village of Hakuba Nagano Prefecture	Idle assets	Land	–	0	0
Suzaka City, Nagano Prefecture	Idle assets	Land	0	–	–
Thailand Chon Buri	Manufacturing facilities	Machinery and equipment	–	70	583
Total			¥ 7	¥ 588	$ 4,893

8. Loss on Impairment of Fixed Assets (continued)

The Company and its consolidated subsidiaries group fixed assets by management segment, each of which continuously records cash receipts and payments.

Consequently, the Company and its consolidated subsidiaries have written down the carrying values of the golf course and its asset group whose operating income has been continuously negative to their respective net recoverable values, and have recorded a related loss on impairment of fixed assets of ¥511 million ($4,252 thousand) for the year ended March 31, 2015, which consisted of land of ¥379 million ($3,153 thousand), building and structures of ¥100 million ($832 thousand), machinery, equipment and vehicles of ¥21 million ($175 thousand) and others of ¥11 million ($92 thousand).

In addition, the Company and its consolidated subsidiaries have written down the carrying values of the idle assets of land owned by the Company and its consolidated subsidiaries for the years ended March 31, 2014 and 2015, which are not expected to be utilized in the future, to their respective net recoverable values, and have recorded a related loss on impairment of fixed assets of ¥7million and ¥7 million ($58 thousand) for the years ended March 31, 2014 and 2015.

The recoverable amounts of these assets are measured at estimated net selling value based on appraisals conducted by real estate appraisers and the values assessed for property tax purposes.

The impairment loss on machinery resulting from the decision to dispose of a portion of a production line was measured at estimated net selling value in the amount of ¥70 million ($583 thousand) for the year ended March 31, 2015.

9. Gain on insurance claim and Loss on Disaster

In connection with a fire at the Ichikawa Plant in July 2013, the Company recorded a loss on disaster of ¥948 million including fixed production costs incurred during the suspension of operations and repair expenses, mainly for machinery and equipment for the year ended March 31, 2014. The Company recognized the corresponding gain on insurance claim of ¥914 million and ¥12 million ($100 thousand) for the years ended March 31, 2014 and 2015, respectively.

10. Short-Term Bank Loans, Guarantee Deposits and Finance Lease Obligations

The average annual interest rate on short-term bank loans were 2.63% and 1.34% as of March 31, 2014 and 2015.

Guarantee deposits consisted of interest-free deposits, most of which were golf-club membership deposits, and interest-bearing deposits, which were principally deposits from customers at average annual interest rates of 0.80% and 0.79% as of March 31, 2014 and 2015, respectively.

Interest-free deposits and interest-bearing deposits as of March 31, 2014 and 2015 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Interest-free deposits	¥ 2,352	¥ 2,177	$ 18,116
Interest-bearing deposits	768	828	6,890
	¥ 3,120	¥ 3,005	$ 25,006

The average annual interest rate on finance lease obligations was 4.48% as of March 31, 2014 and 2015.

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2015 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Years ending March 31,	**2015**	**2015**
2016	¥ 182	$ 1,515
2017	185	1,539
2018	192	1,598
2019	814	6,774
2020	2	17
	¥ 1,375	$ 11,443

11. Line-of-credit Agreements

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit as of March 31, 2014 and 2015 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Lines of credit	¥ 19,450	¥ 19,450	$ 161,854
Credit utilized	–	–	–
Available credit	¥ 19,450	¥ 19,450	$ 161,854

12. Pledged Assets

Assets pledged as collateral for indebtedness as of March 31, 2015 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2015	**2015**
Cash and deposits	¥ 60	$ 499
Investments in securities	17	142
Other assets	228	1,897
	¥ 305	$ 2,538

Indebtedness secured by these assets as collateral was ¥50 million ($416 thousand), a component of other current liabilities as of March 31, 2015.

13. Contingent Liabilities

The Company was contingently liable for guarantees of borrowings from financial institutions and others of unconsolidated subsidiaries in the aggregate amount of ¥74 million ($616 thousand) as of March 31, 2015.

In addition, the Company is repairing machinery supplied to a customer located in Africa due to a product defect, damages during the shipment and other reasons. The Company was contingently liable for additional repair costs in the amount of approximately ¥300 million ($2,496 thousand) as of March 31, 2015. The total amount to be paid by the Company will depend on future negotiations with the manufacturer of the machinery.

14. Retirement Benefits Plans

The Company and its domestic consolidated subsidiaries have two types of defined benefit retirement plans: a defined benefit pension plan and a lump sum payment plan. Moreover, two overseas consolidated subsidiaries have a defined benefit pension plan and defined contribution plans. Furthermore, the Company has adopted a retirement benefit trust.

Certain consolidated domestic subsidiaries are accounted for using the "simplified method" for calculating liability for retirement benefits and retirement benefit expenses.

The changes in the retirement benefit obligation for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Retirement benefit obligation at the beginning of the year	¥ 14,156	¥ 14,415	$ 119,955
Service cost(*)	641	625	5,201
Interest cost	176	189	1,573
Actuarial differences	(209)	210	1,747
Retirement benefit paid	(914)	(987)	(8,213)
Prior service cost	565	311	2,588
Retirement benefit obligation at the end of the year	¥ 14,415	¥ 14,763	$ 122,851

(*) Retirement benefit expenses for certain consolidated subsidiaries, whose benefit obligation is calculated by the simplified method, have been included in service cost.

14. Retirement Benefits Plans (continued)

The changes in plan assets at fair value for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Plan assets at fair value at the beginning of the year	¥ 4,208	¥ 4,800	$ 39,943
Expected return on plan assets	75	88	732
Actuarial differences	246	355	2,954
Contributions by the employers	598	368	3,062
Retirement benefit paid	(387)	(539)	(4,485)
Other(*)	60	49	409
Plan assets at fair value at the end of the year	¥ 4,800	¥ 5,121	$ 42,615

(*) "Other" mainly consists of the effect of foreign currency exchange translation adjustments on pension plan assets at fair value attributable to an overseas subsidiary and the difference of actual and expected returns on plan assets at fair value from the retirement benefit plans of consolidated subsidiary to which the simplified method applied.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Funded retirement benefit obligation	¥ 14,402	¥ 14,743	$ 122,685
Plan assets at fair value	(4,800)	(5,121)	(42,615)
	9,602	9,622	80,070
Unfunded retirement benefit obligation	13	20	166
Liability for retirement benefits in the consolidated balance sheet, net	9,615	9,642	80,236
Liability for retirement benefits	9,615	9,642	80,236
Liability for retirement benefits in the consolidated balance sheet, net	¥ 9,615	¥ 9,642	$ 80,236

Note: The above includes retirement benefit plans calculated under the simplified method.

14. Retirement Benefits Plans (continued)

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

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Service cost	¥ 641	¥ 625	$ 5,201
Interest cost	176	189	1,573
Expected return on plan assets	(75)	(88)	(732)
Amortization of actuarial differences	223	311	2,588
Amortization of prior service cost	(2)	(2)	(17)
Retirement benefit expenses	¥ 963	¥ 1,035	$ 8,613

The components of retirement benefit liability adjustments recognized in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Prior service cost	¥ –	¥ 2	$ 17
Actuarial differences	–	(402)	(3,346)
Total	¥ –	¥ (400)	$ (3,329)

Unrecognized prior service cost and unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Unrecognized prior service cost	¥ (11)	¥ (9)	$ (75)
Unrecognized actuarial differences	2,523	2,121	17,650
Total	¥ 2,512	¥ 2,112	$ 17,725

14. Retirement Benefits Plans (continued)

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

	2014	2015
Bonds	28%	27%
Stocks	42	45
General account at insurance companies	17	15
Other	13	13
Total	100%	100%

Note: 15% and 16% of the total plan assets are held in a retirement benefit trust for defined benefit pension plan and a lump sum payment plan as of March 31, 2014 and 2015, respectively.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation of plan assets 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 the actuarial calculation for the above defined benefit pension plans for the years ended March 31, 2014 and 2015 are as follows:

	2014	2015
Discount rate	1.3%	1.3%
Expected long-term rates of return on plan assets (weighted average)	1.9%	2.0%
Expected rates of future salary increase (weighted average)	0.5%	0.6%

The contributions paid by consolidated subsidiaries to the defined contribution pension plans amounted to ¥34 million and ¥41 million ($341 thousand) for the years ended March 31, 2014 and 2015, respectively.

15. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 37.9% and 35.5% for the years ended March 31, 2014 and 2015, respectively.

Reconciliations of the statutory tax rates and the effective tax rate for the years ended March 31, 2014 and 2015 as a percentage of income before income taxes and minority interests are as follows:

	2014	**2015**
Statutory tax rates	37.9 %	35.5 %
Permanently non-deductible expenses	0.6	0.6
Per capita portion of inhabitants' taxes	0.7	0.9
Differences in tax rates applicable to the overseas consolidated subsidiaries	(3.4)	(9.1)
Cash dividends received from the overseas consolidated subsidiary	1.4	0.2
Adjustments of accounting standards applied by the overseas consolidated subsidiary	1.5	0.1
Foreign tax credit	0.5	2.0
Tax loss carryforwards of consolidated subsidiaries	5.2	24.0
Increase in valuation allowance	2.5	(2.1)
Permanently non-taxable income	(1.2)	(1.6)
Tax credit for research and development costs	(0.3)	(0.4)
Equity in earnings of an affiliate	(0.8)	(1.9)
Decrease in deferred tax assets resulting from change in the statutory tax rate applicable to the fiscal years beginning on or after April 1, 2014	0.7	0.2
Other	0.8	1.1
Effective tax rates	46.1 %	49.5 %

15. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Group as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Deferred tax assets:			
Liability for retirement benefits	¥ 2,993	¥ 2,657	$ 22,110
Allowance for doubtful receivables	83	59	491
Accrued enterprise taxes	136	70	583
Provision for bonuses to employees	318	272	2,263
Loss on devaluation of inventories	247	230	1,914
Tax loss carryforwards	520	626	5,209
Loss on impairment of investments in securities and golf-club memberships	770	687	5,717
Loss on impairment of fixed assets	216	368	3,062
Unrealized loss from hedging instruments	0	–	–
Other	1,031	914	7,607
Gross deferred tax assets	6,314	5,883	48,956
Less valuation allowance	(2,176)	(2,453)	(20,413)
Total deferred tax assets	4,138	3,430	28,543
Deferred tax liabilities:			
Dividends from an overseas consolidated subsidiary	(142)	(160)	(1,332)
Unrealized holding gain on securities	(4,279)	(6,107)	(50,820)
Land revaluation reserve	(917)	(853)	(7,098)
Deferred gain on property for tax purposes	(643)	(559)	(4,652)
Reserve for special depreciation	(119)	(423)	(3,520)
Other	(170)	–	–
Total deferred tax liabilities	(6,270)	(8,102)	(67,422)
Net deferred tax liabilities	¥ (2,132)	¥ (4,672)	$ (38,879)

15. Income Taxes (continued)

Note: Net deferred tax liabilities as of March 31, 2014 and 2015 are reflected in the following accounts in the consolidated balance sheet:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Current assets	¥ 606	¥ 381	$ 3,171
Investments and other assets	650	699	5,817
Long-term liabilities:			
Deferred income taxes	(2,471)	(4,899)	(40,767)
Deferred income taxes on land revaluation reserve	(917)	(853)	(7,098)

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 35.5% to 32.9% and 32.1% 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 effects of the announced reduction of the effective statutory tax rate were to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥576 million ($4,793 thousand), retirement benefit liability adjustments by ¥47 million ($391 thousand), increase deferred income tax expense by ¥170 million ($1,415 thousand), unrealized holding gain on securities by ¥729 million ($6,066 thousand) and land revaluation reserve by ¥64 million ($533 thousand) as of and for the year ended March 31, 2015.

16. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income for the years ended March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Unrealized holding gain on securities:			
Amount arising during the year	¥ 3,652	¥ 8,126	$ 67,621
Reclassification adjustments	(17)	(1,091)	(9,079)
Before tax effect	3,635	7,035	58,542
Tax effect	(1,272)	(1,828)	(15,212)
Unrealized holding gain on securities	2,363	5,207	43,330
Unrealized gain from hedging instruments:			
Amount arising during the year	1	0	0
Reclassification adjustments	–	–	–
Before tax effect	1	0	0
Tax effect	(0)	(0)	(0)
Unrealized gain from hedging instruments	1	0	0
Land revaluation reserve			
Tax effect	–	64	533
Land revaluation reserve	–	64	533
Translation adjustments:			
Amount arising during the year	6,719	2,589	21,544
Reclassification adjustments	–	–	–
Translation adjustments	6,719	2,589	21,544
Retirement benefits liability adjustments			
Amount arising during the year	–	145	1,207
Reclassification adjustments	–	255	2,122
Before tax effect	–	400	3,329
Tax effect	–	(238)	(1,981)
Retirement benefits liability adjustments	–	162	1,348
Share of other comprehensive income of an affiliate accounted for by the equity method:			
Amount arising during the year	18	70	583
Reclassification adjustments	–	–	–
Share of other comprehensive income of an affiliate accounted for by the equity method	18	70	583
Total other comprehensive income	¥ 9,101	¥ 8,092	$ 67,338

17. Shareholders' Equity

The Companies Act of Japan (the "Act") 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 legal reserve of the Company was nil as of March 31, 2014 and 2015.

Stock options

The Company has stock option plans. The following stock option plans for certain directors and executive officers of the Company were approved at annual general meetings of the shareholders for the 2004 and the 2005 plans in accordance with the former Commercial Code of Japan and meetings of the Board of Directors for the 2006 plan through to the 2014 plan in accordance with the Act.

Stock option expenses, included in selling, general and administrative expenses, charged to income for the years ended March 31, 2014 and 2015 amounted to ¥27 million and ¥26 million ($216 thousand), respectively.

17. Shareholders' Equity (continued)

The stock option plans of the Company as of March 31, 2015 are summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan
Date of approval	June 29, 2004	June 29, 2005	July 14, 2006
Individuals covered by the plan	5 Directors 10 Executive officers (other than directors who concurrently serve as executive officers	6 Directors 9 Executive officers (other than directors who concurrently serve as executive officers	5 Directors 8 Executive officers (other than directors who concurrently serve as executive officers
Class and number of options granted	Common stock 81,000 shares	Common stock 62,000 shares	Common stock 53,000 shares
Grant date	July 12, 2004	July 14, 2005	July 31, 2006
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2023 if the grantee does not resign from the Company until June 29, 2023.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2024 if the grantee does not resign from the Company until June 29, 2024.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2025 if the grantee does not resign from the Company until June 29, 2025.
Vesting period for services received	From July 12, 2004 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2005	From July 14, 2005 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2006	From July 31, 2006 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2007
Exercisable period	From July 13, 2004 to June 29, 2024	From July 15, 2005 to June 29, 2025	From August 31, 2006 to June 29, 2026

17. Shareholders' Equity (continued)

	The 2007 plan	The 2008 plan	The 2009 plan
Date of approval	July 17, 2007	July 15, 2008	July 15, 2009
Individuals covered by the plan	4 Directors 8 Executive officers (other than directors who concurrently serve as executive officers)	4 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 43,000 shares	Common stock 60,000 shares	Common stock 69,000 shares
Grant date	August 1, 2007	July 30, 2008	July 30, 2009
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2026 if the grantee does not resign from the Company until June 29, 2026.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2027 if the grantee does not resign from the Company until June 29, 2027.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2028 if the grantee does not resign from the Company until June 29, 2028.
Vesting period for services received	From August 1, 2007 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2008	From August 1, 2008 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2009	From August 1, 2009 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2010
Exercisable period	From August 2, 2007 to June 29, 2027	From July 31, 2008 to June 29, 2028	From July 31, 2009 to June 29, 2029

17. Shareholders' Equity (continued)

	The 2010 plan	The 2011 plan	The 2012 plan
Date of approval	July 14, 2010	July 15, 2011	July 17, 2012
Individuals covered by the plan	5 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 6 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 9 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 102,000 shares	Common stock 98,000 shares	Common stock 77,000 shares
Grant date	July 29, 2010	August 1, 2011	August 1, 2012
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2029 if the grantee does not resign from the Company until June 29, 2029.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2030 if the grantee does not resign from the Company until June 29, 2030.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2031 if the grantee does not resign from the Company until June 29, 2031.
Vesting period for services received	From July 29, 2010 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2011	From August 2, 2011 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2012	From August 2, 2012 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2013
Exercisable period	From July 30, 2010 to June 29, 2030	From August 2, 2011 to June 29, 2031	From August 2, 2012 to June 29, 2032

17. Shareholders' Equity (continued)

	The 2013 plan	The 2014 plan
Date of approval	January 16, 2014	July 16, 2014
Individuals covered by the plan	5 Directors 9 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 8 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 72,000 shares	Common stock 70,000 shares
Grant date	January 31, 2014	July 31, 2014
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2032 if the grantee does not resign from the Company until June 29, 2032.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2033 if the grantee does not resign from the Company until June 29, 2033.
Vesting period for services received	From July 29, 2013 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2014	From August1, 2014 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2015
Exercisable period	From February 1, 2014 to June 29, 2033	From August 1, 2014 to June 29, 2034

17. Shareholders' Equity (continued)

Stock option activity plans are summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan
Number of stock options which are not yet vested:											
Outstanding at April 1, 2014	15,000	12,000	19,000	21,000	31,000	48,000	61,000	59,000	77,000	72,000	–
Granted	–	–	–	–	–	–	–	–	–	–	70,000
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	2,000	3,000	6,000	10,000	8,000	6,000	5,000	–
Outstanding at March 31, 2015	15,000	12,000	19,000	19,000	28,000	42,000	51,000	51,000	71,000	67,000	70,000
Number of stock options which have already been vested:											
Outstanding at April 1, 2014	3,000	2,000	6,000	8,000	12,000	21,000	23,000	19,000	–	–	–
Vested	–	–	–	2,000	3,000	6,000	10,000	8,000	6,000	5,000	–
Exercised	3,000	2,000	4,000	6,000	9,000	11,000	7,000	6,000	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Outstanding at March 31, 2015	–	–	2,000	4,000	6,000	16,000	26,000	21,000	6,000	5,000	–

The unit price of the stock option for the stock potion plan of the Company during the year ended March 31, 2015 is summarized as follows:

	Yen										
	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average fair value per stock at the exercise date	440	440	442	443	443	442	438	438	–	–	–
Fair value of stock options as of the grant date	–	–	478	546	416	365	280	240	204	375	373

	U.S. dollars										
	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan
Exercise price	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Weighted average fair value per stock at the exercise date	4	4	4	4	4	4	4	4	–	–	–
Fair value of stock options as of the grant date	–	–	4	5	3	3	2	2	2	3	3

17. Shareholders' Equity (continued)

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used are as follows:

Major assumptions	Note	The 2014 plan
Expected volatility	(a)	25.752%
Expected holding period		10 years
Expected dividend	(b)	¥10 per share
Risk-free rate	(c)	0.532%

(a) Expected volatility was computed by the closing stock price of the Company in the last trading day of each month during the period from July 2004 to June 2014.

(b) The expected dividend was calculated at the actual amounts paid for the year ended March 31, 2014.

(c) The risk-free rate was determined based on Japanese government bonds whose redemption period corresponds to the expected holding period described above.

Because it is difficult to reasonably estimate the number of stock options that will expire, the estimation reflects only the actual number of expired stock options.

Common stock and treasury stock

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

	Number of shares			
	2014			
	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock	184,186,153	–	–	184,186,153
Treasury stock (*1)	26,402,891	3,145,426	3,018,000	26,530,317

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock (*2)	184,186,153	–	5,000,000	179,186,153
Treasury stock (*3)	26,530,317	2,992,959	5,048,000	24,475,276

17. Shareholders' Equity (continued)

(*1) The increase in the number of shares of treasury stock consists of 3,118,000 shares due to the purchase of shares based on the resolution of the Board of Directors meeting, 20,303 shares due to the purchase of fractional shares of less than one voting unit and 7,123 shares attributable to the Company acquired by its affiliate under the equity method.

The decrease in the number of shares of treasury stock consists of 3,000,000 shares due to a third-party allotment based on the resolution of the Board of Directors meeting and 18,000 shares due to the exercise of stock options.

(*2) The decrease in the number of shares of common stock consists of 5,000,000 shares due to the retirement of treasury stock.

(*3) The increase in the number of shares of treasury stock consists of 2,661,000 shares due to purchase of shares based on the resolution of the Board of Directors meeting, 13,981 shares due to the purchase of fractional shares of less than one voting unit, 223,406 shares attributable to the Company acquired by its affiliate under the equity method, and 94,572 shares due to the repurchase of shares held by untraceable shareholders.

The decrease in the number of shares of treasury stock consists of 5,000,000 shares due to the retirement of treasury stock and 48,000 shares due to the exercise of stock options.

18. Land Revaluation

As of March 31, 2000 and 2002, certain consolidated subsidiaries and an affiliate revalued their land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as land revaluation reserve under net assets and are stated at the Company's share of the net amount of the relevant tax effect. The method followed for land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation."

The fair value of the land revalued as of March 31, 2000 and 2002 was less than the corresponding carrying value by the following amounts as of March 31, 2014 and 2015:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Land revalued as of March 31, 2000	¥ (312)	¥ (328)	$ (2,729)
Land revalued as of March 31, 2002	(662)	(653)	(5,434)
	¥ (974)	¥ (981)	$ (8,163)

18. Land Revaluation (continued)

A certain portion of land revalued as of March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties as of March 31, 2014 in the amounts of ¥13 million and ¥271 million, respectively.

A certain portion of land revalued as of March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties as of March 31, 2015 in the amounts of ¥12 million ($100 thousand) and ¥280 million ($2,330 thousand), respectively.

19. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥538 million and ¥568 million ($4,727 thousand) for the years ended March 31, 2014 and 2015, respectively.

20. Leases

(a) Finance leases

The Company and its consolidated subsidiaries lease mainly machinery, vehicles and others (machinery and equipment) as leased assets under finance lease transactions which transfer ownership to the Group and mainly, information processing systems (machinery and equipment) as leased assets under finance lease transactions which do not transfer ownership to the Group.

The depreciation method for leased assets is provided in Note 1. Summary of Significant Accounting Policies (k) Leases.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2014, 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 Group, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	Millions of yen		
	2014		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 6	¥ 6	¥ 0

20. Leases (continued)

(a) Finance leases (continued)

The related lease payments and depreciation for the year ended March 31, 2014 were as follows:

	Millions of yen
	2014
Lease payments	¥ 1
Depreciation	1

Depreciation is calculated by the straight-line method over the respective lease terms assuming a nil residual value.

There are no finance lease transactions which do not transfer ownership to the Group starting on or before March 31, 2008 (which are currently accounted for as operating leases) for the year ended March 31, 2015.

(b) Operating leases

Future minimum lease receipts subsequent to March 31, 2015 under non-cancelable operating leases are as follows:

Years ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2016	¥ 17	$ 142
2017 and thereafter	119	990
	¥ 136	$ 1,132

21. Derivatives

The outstanding currency-related derivatives positions not designated as hedging instruments as of March 31, 2014 and 2015 are as follows:

	Thousands of New Taiwan dollars		*Millions of yen*	
	2014			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling USD	TWD 141,711	TWD –	¥ (2)	¥ (2)

	Millions of yen			
	2014			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling Chinese Yuan	¥ 1,733	¥ 1,733	¥ (208)	¥ (208)

	Millions of yen			
	2015			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling Chinese Yuan	¥ 2,674	¥ 1,733	¥ (539)	¥ (539)

	Thousands of U.S. dollars			
	2015			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling Chinese Yuan	$ 22,252	$ 14,421	$ (4,485)	$ (4,485)

Fair value is based on the prices obtained from financial institutions.

21. Derivatives (continued)

The outstanding currency-related derivatives positions designated as hedging instruments as of March 31, 2014 and 2015 are as follows:

		Millions of yen		
		2014		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Deferral hedge accounting	Forecasted transactions in foreign currencies: Selling USD, Accounts receivable	¥ 22	¥ –	¥ 0
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 217	¥ –	(*)
	Forward foreign exchange contracts: Buying USD, Accounts payable	¥ 205	¥ –	(*)

		Millions of yen		
		2015		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 154	¥ –	(*)
	Forward foreign exchange contracts: Buying USD, Accounts payable	¥ 135	¥ –	(*)

		Thousands of U.S. dollars		
		2015		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	$ 1,282	$ –	(*)
	Forward foreign exchange contracts: Buying USD, Accounts payable	$ 1,123	$ –	(*)

(*) The fair value of forward foreign exchange contracts that qualify for allocation method is included in the carrying value of hedged accounts receivable and payable.

22. Amounts per Share

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

	Yen		*U.S. dollars*
	2014	**2015**	**2015**
Net assets	¥ 890.00	¥ 951.53	$ 7.92
Net income:			
Basic	20.76	16.73	0.14
Diluted	20.70	16.67	0.14
Cash dividends	10.00	10.00	0.08

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock acquisition rights.

The average number of shares of common stock used to compute basic net income per share for the years ended March 31, 2014 and 2015 were 157,500 thousand and 156,439 thousand, respectively. The dilutive potential of shares of common stock for the years ended March 31, 2014 and 2015 were 462 thousand and 536 thousand, respectively.

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.

23. Transactions with Related Parties

Transactions and balances with related parties as of and for the years ended March 31, 2014 and 2015 are summarized as follows:

Transactions

Name of affiliated company	Type of transaction	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars 2015
Sadoshima Corporation	Sales	¥ 34,206	¥ 32,900	$ 273,779

Balances

Name of affiliated company	Account name	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars 2015
Sadoshima Corporation	Notes and accounts receivable	¥ 13,149	¥ 12,713	$ 105,792

The Company owns 50.0% of the voting rights of Sadoshima Corporation, a steel product wholesaler for the Company. Certain board members of Sadoshima Corporation serve concurrently as board members of the Company. Selling prices of products are determined based on price negotiations each fiscal year, after considering market prices, overall costs and the Company's proposals regarding desired prices.

24. Investment, Rental and Idle Properties

The Company and certain consolidated subsidiaries own office buildings, land, and parking lots as rental properties and idle properties mainly in Osaka Prefecture, other domestic areas and Taiwan. Certain portions of real estate, such as office buildings are used by the Company and certain consolidated subsidiaries.

The carrying value in the consolidated balance sheet as of March 31, 2014 and 2015 and the corresponding fair value of rental properties and idle properties and real estate including certain portions used as rental property are as follows:

	Millions of yen			
	Carrying value			Fair value
	2013	**Net change**	**2014**	**2014**
Rental properties and idle properties	¥ 4,391	¥ 132	¥ 4,523	¥ 7,835
Real estate including certain portions used as rental property	4,754	(65)	4,689	11,157

24. Investment, Rental and Idle Properties (continued)

	Millions of yen			
	Carrying value			Fair value
	2014	**Net change**	**2015**	**2015**
Rental properties and idle properties	¥ 4,523	¥ 94	¥ 4,617	¥ 9,078
Real estate including certain portions used as rental property	4,689	(61)	4,628	11,599

	Thousands of U.S. dollars			
	Carrying value			Fair value
	2014	**Net change**	**2015**	**2015**
Rental properties and idle properties	$ 37,638	$ 783	$ 38,421	$ 75,543
Real estate including certain portions used as rental property	39,020	(508)	38,512	96,522

The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

The components of net change in carrying value for the year ended March 31, 2014 included increases mainly due to translation adjustments in the amount of ¥235 million and decreases mainly due to depreciation of buildings in the amount of ¥149 million.

The components of net change in carrying value for the year ended March 31, 2015 included increases mainly due to translation adjustments in the amount of ¥114 million ($949 thousand) and reclassification from real estate for sales purpose to investment assets in the amount of ¥45 million ($374 million) and decreases mainly due to depreciation of buildings in the amount of ¥133 million ($1,107 thousand).

Fair value of domestic rental properties are principally measured based on the real-estate appraisal assessed by the external real-estate appraiser. However, unless the appraisal or indicators that are regarded to reflect the fair value of the properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Company and certain domestic consolidated subsidiaries measure the fair value of the properties based on such appraisal or indicators obtained previously and adjusted as appropriately.

24. Investment, Rental and Idle Properties (continued)

Fair value of rental properties in Taiwan is measured based on the property prices announced by the government.

Revenues, costs and expenses relevant to investment, rental, idle properties and real estate including certain portions used as result property for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen			
2014			
Rental revenues	Rental costs	Difference	Other gain, net on sales and others
¥ 823	¥ 557	¥ 266	¥ 3

Millions of yen			
2015			
Rental revenues	Rental costs	Difference	Other loss, net on sales and others
¥ 760	¥ 529	¥ 231	¥ 8

Thousands of U.S. dollars			
2015			
Rental revenues	Rental costs	Difference	Other loss, net on sales and others
$ 6,324	$ 4,402	$ 1,922	$ 67

The rental revenues and rental costs for certain properties of which only a part are used as rental properties are not included in the above table because the Company and certain consolidated subsidiaries use a portion of these properties for the purposes of rendering services and conducting management activities. The rental revenues are recorded under net sales or other net, as part of other income (expenses) and the rental costs are recorded under cost of sales, selling, general and administrative expenses or other, net, as part of other income (expenses), in the consolidated statement of income.

25. Segment Information

(a) Outline of segment information

The reportable segments of the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company in order to make decisions about resource allocation and to assess business performance.

The Group's business units are divided by the similarity of the products or services sold by each business unit. Each business unit develops its own strategies and operates its businesses independently.

Therefore, the Group consists four reportable segments based on business units: "Steel Sheet Segment," "Roll Segment," "Grating Segment" and "Real Estate Segment."

The "Steel Sheet Segment" engages in the manufacture and sale of cold rolled steel, polished hoop steel, hot dip galvanizing steel sheets, painted hot dip galvanizing steel sheets, other construction materials, building materials and exterior products and others and in designing and engineering of construction work. The "Roll Segment" engages in the manufacture and sale of rolls for iron, steel and non-ferrous products and others. The "Grating Segment" engages in the manufacture and sales of gratings. The "Real Estate Segment" engages in the sale, purchase and lease of real estate such as buildings, car parking lots and other.

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. In addition, segment income is adjusted to be consistent with operating income in the consolidated statement of income.

25. Segment Information (continued)

(c) Information on net sales, income or loss, assets and other items of each reportable segment

Information by reportable segment for the years ended March 31, 2014 and 2015 are summarized as follows:

	Millions of yen								
	Year ended March 31, 2014								
	Reportable Segments								
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total	Adjustments and eliminations	Consolidated
Net sales									
Sales to third parties	¥ 146,791	¥ 2,508	¥ 3,599	¥ 872	¥ 153,770	¥ 3,782	¥ 157,552	¥ –	¥ 157,552
Inter-segment sales and transfers	–	–	–	443	443	2,897	3,340	(3,340)	–
Total	¥ 146,791	¥ 2,508	¥ 3,599	¥ 1,315	¥ 154,213	¥ 6,679	¥ 160,892	¥ (3,340)	¥ 157,552
Segment income (loss)	¥ 6,702	¥ (720)	¥ 93	¥ 625	¥ 6,700	¥ 343	¥ 7,043	¥ (920) (*2)	¥ 6,123
Segment assets	¥ 129,388	¥ 3,413	¥ 3,825	¥ 8,366	¥ 144,992	¥ 8,313	¥ 153,305	¥ 54,471 (*4)	¥ 207,776
Other items									
Depreciation and amortization	¥ 3,677	¥ 275	¥ 74	¥ 69	¥ 4,095	¥ 203	¥ 4,298	¥ 54	¥ 4,352
Investment in an affiliate accounted for by the equity method	3,304	–	318	2	3,624	–	3,624	–	3,624
Increase in property, plant and equipment and intangible assets	7,119	184	17	4	7,324	804	8,128	24 (*5)	8,152

25. Segment Information (continued)

(c) Information on net sales, income or loss, assets and other items of each reportable segment (continued)

	Millions of yen								
	Year ended March 31, 2015								
	Reportable Segments								
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total	Adjustments and eliminations	Consolidated
Net sales									
Sales to third parties	¥ 163,174	¥ 3,477	¥ 3,511	¥ 906	¥ 171,068	¥ 4,822	¥ 175,890	¥ –	¥ 175,890
Inter-segment sales and transfers	–	–	–	443	443	2,555	2,998	(2,998)	–
Total	¥ 163,174	¥ 3,477	¥ 3,511	¥ 1,349	¥ 171,511	¥ 7,377	¥ 178,888	¥ (2,998)	¥ 175,890
Segment income	¥ 3,450	¥ 20	¥ 87	¥ 519	¥ 4,076	¥ 495	¥ 4,571	¥ (1,143) (*2)	¥ 3,428
Segment assets	¥ 140,062	¥ 3,496	¥ 4,059	¥ 8,301	¥ 155,918	¥ 10,041	¥ 165,959	¥ 54,112 (*4)	¥ 220,071
Other items									
Depreciation and amortization	¥ 4,397	¥ 240	¥ 73	¥ 62	¥ 4,772	¥ 331	¥ 5,103	¥ 52	¥ 5,155
Investment in an affiliate accounted for by the equity method	3,581	–	341	2	3,924	–	3,924	–	3,924
Increase in property, plant and equipment and intangible assets	2,561	83	182	97	2,923	1,100	4,023	10 (*5)	4,033

	Thousands of U.S. dollars								
	Year ended March 31, 2015								
	Reportable Segments								
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total	Adjustments and eliminations	Consolidated
Net sales									
Sales to third parties	$ 1,357,860	$ 28,934	$ 29,217	$ 7,539	$ 1,423,550	$ 40,126	$ 1,463,676	$ –	$ 1,463,676
Inter-segment sales and transfers	–	–	–	3,686	3,686	21,262	24,948	(24,948)	–
Total	$ 1,357,860	$ 28,934	$ 29,217	$ 11,225	$ 1,427,236	$ 61,388	$ 1,488,624	$ (24,948)	$ 1,463,676
Segment income	$ 28,709	$ 167	$ 724	$ 4,319	$ 33,919	$ 4,119	$ 38,038	$ (9,512) (*2)	$ 28,526
Segment assets	$ 1,165,532	$ 29,093	$ 33,777	$ 69,077	$ 1,297,479	$ 83,556	$ 1,381,035	$ 450,296 (*4)	$ 1,831,331
Other items									
Depreciation and amortization	$ 36,590	$ 1,997	$ 607	$ 516	$ 39,710	$ 2,755	$ 42,465	$ 433	$ 42,898
Investment in an affiliate accounted for by the equity method	29,799	–	2,838	17	32,654	–	32,654	–	32,654
Increase in property, plant and equipment and intangible assets	21,311	691	1,515	807	24,324	9,154	33,478	83 (*5)	33,561

25. Segment Information (continued)

(c) Information on net sales, income or loss, assets and other items of each reportable segment (continued)

(*1) The "Other" segment consists of business segments not classified into the aforementioned reportable segments, including transportation and warehouse business, golf courses, plant machines, supply of electric power (solar power generation) and other.

(*2) The adjustments and eliminations of segment income or loss include corporate expenses, which are not allocated to specific segments of ¥1,116 million and ¥1,169 million ($9,728 thousand) and intersegment profit eliminations of ¥196 million and ¥26 million ($216 thousand) for the years ended March 31, 2014 and 2015.

(*3) Segment income or loss is reconciled to operating income on the consolidated statement of income.

(*4) The adjustments and eliminations of segment assets include corporate assets of the Company of ¥54,806 million and ¥54,409 million ($452,767 thousand) and eliminations of intersegment transaction of ¥335 million and ¥297 million ($2,471 thousand) for the years ended March 31, 2014 and 2015.

(*5) The adjustments and eliminations of increase in property, plant and equipment and intangible assets include the increase in software in corporate assets not allocated to the reportable segment of ¥24 million and the increase in tools, furniture and fixtures in corporate assets not allocated to the reportable segment of ¥10 million ($83 thousand).

25. Segment Information (continued)

Net sales categorized by country and region based on locations of customers within the Group for the years ended March 31, 2014 and 2015 are summarized as follows:

Millions of yen				
2014				
Japan	Taiwan	USA	Other	Total
¥ 102,795	¥ 24,470	¥ 9,769	¥ 20,518	¥ 157,552

Millions of yen				
2015				
Japan	Taiwan	USA	Other	Total
¥ 106,698	¥ 25,033	¥ 19,208	¥ 24,951	¥ 175,890

Thousands of U.S. dollars				
2015				
Japan	Taiwan	USA	Other	Total
$ 887,892	$ 208,313	¥ 159,840	$ 207,631	$ 1,463,676

Property, plant and equipment, net, categorized by geographical area as of March 31, 2014 and 2015 are summarized as follows:

Millions of yen				
2014				
Japan	Taiwan	China	Other	Total
¥ 34,055	¥ 11,189	¥ 10,166	¥ 3,387	¥ 58,797

Millions of yen				
2015				
Japan	Taiwan	China	Other	Total
¥ 33,351	¥ 11,495	¥ 10,854	¥ 3,469	¥ 59,169

Thousands of U.S. dollars				
2015				
Japan	Taiwan	China	Other	Total
$ 277,532	$ 95,656	$ 90,322	$ 28,868	$ 492,378

25. Segment Information (continued)

Net sales to major customers for the years ended March 31, 2014 and 2015 are as follows:

Customer name	*Millions of yen* 2014	*Millions of yen* 2015	*Thousands of U.S. dollars* 2015	Related Segments
Sadoshima Corporation	¥ 34,206	¥ 32,900	$ 273,779	"Steel Sheet Segment," "Grating Segment," "Real Estate Segment" and "Other"

Loss on impairment of fixed assets by reportable segment for the years ended March 31, 2014 and 2015 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2014						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ 0	¥ 7	¥ 7

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ 70	¥ –	¥ –	¥ –	¥ 511	¥ 7	¥ 588

	Thousands of U.S. dollars						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	$ 583	$ –	$ –	$ –	$ 4,252	$ 58	$ 4,893

25. Segment Information (continued)

The amortization and balance of negative goodwill by reportable segment as of and for the years ended March 31, 2014 and 2015 related to business combinations prior to April 1, 2010 are summarized as follows:

	Millions of yen						
	Year ended March 31, 2014						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥ 7	¥ –	¥ 0	¥ –	¥ 1	¥ 2	¥ 10
Balance at the year end	5	–	0	–	1	1	7

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥ 5	¥ –	¥ 0	¥ –	¥ 1	¥ 1	¥ 7
Balance at the year end	–	–	–	–	–	–	–

	Thousands of U.S. dollars						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	$ 42	$ –	$ 0	$ –	$ 8	$ 8	$ 58
Balance at the year end	–	–	–	–	–	–	–

The balance of goodwill by reportable segment as of March 31, 2015 related to capital increase of consolidated subsidiary is summarized as follows:

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Balance at the year end	¥ 198	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 198

	Thousands of U.S. dollars						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Balance at the year end	$ 1,648	$ –	$ –	$ –	$ –	$ –	$ 1,648

25. Segment Information (continued)

Negative goodwill credited to income by reportable segment for the years ended March 31, 2014 and 2015 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2014						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	¥ 36	¥ –	¥ 1	¥ –	¥ 4	¥ 9	¥ 50

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	¥ 32	¥ –	¥ 1	¥ –	¥ 6	¥ 8	¥ 47

	Thousands of U.S. dollars						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	$ 266	$ –	$ 8	$ –	$ 50	$ 67	$ 391

26. Subsequent Events

(a) Cash dividends

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 a meeting of the Board of Directors held on May 12, 2015.

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥5 ($0.05) per share	¥ 781	$ 6,499

(b) Purchase of treasury stock

At the meeting of the Board of Directors of the Company held on May 12, 2015, in accordance with the Article 459 (1) of the Act and Article 35 of the Company's articles of incorporation, the Company approved the purchase of up to 1,000,000 shares of treasury stock for an aggregate acquisition cost not exceeding ¥600 million ($4,993 thousand) during the period from May 13, 2015 through June 23, 2015, to support the execution of a flexible capital management policy in response to changes in the business environments.
As a result, the Company purchased 1,000,000 shares of treasury stock for a total amount of ¥566 million ($4,710 thousand) at Tokyo Stock Exchange.

(c) Share consolidation, change in number of shares constituting our unit and change in a portion of the Company's articles of incorporation

The Company decided at a meeting of its Board of Directors held on May 24, 2015 that a proposal for share consolidation and a change in the number of shares constituting one unit would be submitted to the 116th annual general meeting of shareholders to be held on June 24, 2015, and which was subsequently approved as proposed at the annual general meeting of shareholders.

i) Purpose of share consolidation

All the domestic stock exchanges in Japan jointly announced the "Action Plan for Consolidating Trading Units" with the final goal to change the minimum trading unit for ordinary shares of all domestic companies listed on securities markets in Japan to 100 shares. As a company listed on the Tokyo Stock Exchange, the Company respects the purpose of the action plan and will change its trading unit to 100 shares from 1,000 shares. In addition, the Company will consolidate its shares (one for every five shares) in order to make the trading unit of the Company's shares at a level considered appropriate from ¥50,000 ($416) or more and less than ¥500,000 ($4,161) and optimize the total number of shares issued by the Company.

26. Subsequent Events (continued)

(c) Share consolidation and change in number of shares constituting our unit (continued)

ii) Specific details of the share consolidation

The class of shares to be consolidated: Common stock

Method and share consolidation ratio

As of October 1, 2015, shares owned by shareholders who are registered or recorded in the final register of shareholders as of September 30, 2015 will be consolidated on the basis of one for every five shares.

Decrease in number of shares due to share consolidation

Total number of outstanding shares before the share consolidation (as of March 31, 2015)	179,186,153 shares
Decrease in number of shares due to the share consolidation	143,348,923 shares
Total number of outstanding share after the share consolidation	35,837,230 shares

Note: The decrease in the number of shares due to the share consolidation is a theoretical number calculated on the basis of the total number of outstanding shares before the share consolidation and the share consolidation ratio ratio.

iii) Treatment of any fractional units less than one share

If there are any fractional units less than one share resulted from the share consolidation, such shares will be collectively sold or purchased by the Company to be held as treasury stock and the proceeds from such sale will be delivered to the shareholders in proportion to the fraction at amounts attributable to them, in accordance with the provisions of the Act.

iv) Schedule of share consolidation and change in number of shares constituting one unit

Date of the resolution by the Board of Directors	May 12, 2015
Date of the approval by the annual general meeting of shareholders	June 24, 2015
Effective date of share consolidation	October 1, 2015 (Planned)
Effective date of change in number of shares constituting one unit	October 1, 2015 (Planned)

26. Subsequent Events (continued)

(c) Share consolidation and change in number of shares constituting our unit (continued)

v) Per share information

Per share information for the years ended December 31, 2014 and 2015 under the assumption that the share consolidation had been implemented on April 1, 2014 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2015**	**2015**
Net assets per share	¥ 4,449.99	¥ 4,757.67	$ 39.59
Net income per share	103.82	83.65	0.70
Diluted net income per share	103.52	83.36	0.69