# ANNUAL REPORT 2014

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

ShinMaywa
Brighten Your Future

**ShinMaywa Industries, Ltd.**

# Report of Independent Auditors

GrantThornton

## Report of Independent Auditors


Grant Thornton Taiyo ASG LLC

Umeda Center Bldg. 25F
2-4-12 Nakazakinishi, Kita-ku
Osaka, 530-0015, Japan

T +81 (0)6 6373 3030
F +81 (0)6 6373 3303
http://www.gtjapan.or.jp


The Board of Directors of
ShinMaywa Industries, Ltd.

We have audited the accompanying consolidated balance sheets of ShinMaywa Industries, Ltd. and consolidated subsidiaries as of March 31, 2014, and the related 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 yen.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ShinMaywa Industries, Ltd. and consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Osaka, Japan
June 25, 2014

Grant Thornton Taiyo ASG LLC

# Consolidated Balance Sheets

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 4) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and deposits (Notes 5 and 20) | ¥ 12,551 | ¥ 14,812 | $ 121,854 | $ 143,803 |
| Trade notes and accounts receivable (Note 20) | 68,184 | 58,916 | 661,986 | 572,004 |
| Allowance for doubtful receivables | (34) | (59) | (331) | (574) |
| Inventories (Note 6) | 36,231 | 35,560 | 351,754 | 345,247 |
| Deferred income taxes (Note 11) | 5,063 | 4,703 | 49,158 | 45,656 |
| Prepaid expenses and other current assets | 1,680 | 1,290 | 16,309 | 12,528 |
| Total current assets | 123,675 | 115,222 | 1,200,730 | 1,118,664 |
| **Property, plant and equipment (Note 7):** | | | | |
| Land (Note 13) | 7,018 | 6,665 | 68,140 | 64,706 |
| Buildings and structures | 42,911 | 41,715 | 416,608 | 404,998 |
| Machinery, equipment and vehicles | 42,914 | 41,673 | 416,643 | 404,596 |
| Construction in progress | 134 | 742 | 1,300 | 7,206 |
| | 92,977 | 90,795 | 902,691 | 881,506 |
| Less accumulated depreciation and impairment loss | (65,855) | (64,519) | (639,366) | (626,402) |
| Property, plant and equipment, net | 27,122 | 26,276 | 263,325 | 255,104 |
| **Investments and long-term loans receivable:** | | | | |
| Investments in an unconsolidated subsidiary and affiliates | 1,798 | 1,457 | 17,460 | 14,144 |
| Investment securities (Notes 8 and 20) | 4,677 | 3,501 | 45,403 | 33,985 |
| Long-term loans receivable | 270 | 286 | 2,624 | 2,780 |
| Total investments and long-term loans receivable | 6,745 | 5,244 | 65,487 | 50,909 |
| Deferred income taxes (Note 11) | 2,805 | 2,458 | 27,236 | 23,865 |
| Net defined benefit asset (Note 10) | 3,165 | – | 30,723 | – |
| Other assets | 3,948 | 6,049 | 38,327 | 58,727 |
| Total assets | ¥167,460 | ¥155,249 | $1,625,828 | $1,507,269 |

*The accompanying notes are an integral part of these statements.*

| | Millions of yen | | Thousands of U.S. dollars (Note 4) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Liabilities and net assets** | | | | |
| **Current liabilities:** | | | | |
| Trade notes and accounts payable (Note 20) | ¥ 28,021 | ¥ 25,901 | $ 272,051 | $ 251,464 |
| Current portion of long-term debt (Notes 9 and 20) | 2,000 | 2,000 | 19,417 | 19,417 |
| Accrued expenses | 8,872 | 8,199 | 86,138 | 79,598 |
| Accrued income taxes (Note 11) | 4,130 | 1,402 | 40,097 | 13,615 |
| Accrued bonuses for directors | 182 | 133 | 1,768 | 1,288 |
| Provision for product warranty | 58 | 18 | 560 | 179 |
| Provision for losses on construction contracts (Note 16) | 2,037 | 1,719 | 19,777 | 16,688 |
| Other current liabilities | 6,864 | 6,542 | 66,641 | 63,519 |
| Total current liabilities | 52,164 | 45,914 | 506,449 | 445,768 |
| **Long-term liabilities:** | | | | |
| Long-term debt (Notes 9 and 20) | 4,597 | 6,650 | 44,630 | 64,567 |
| Accrued retirement benefits for employees (Note 10) | – | 9,677 | – | 93,951 |
| Net defined benefit liability (Note 10) | 12,031 | – | 116,804 | – |
| Deferred income taxes (Note 11) | 158 | 233 | 1,536 | 2,259 |
| Deferred income taxes on land revaluation reserve (Note 13) | 55 | 55 | 532 | 532 |
| Other long-term liabilities | 3,232 | 3,685 | 31,379 | 35,774 |
| Total long-term liabilities | 20,073 | 20,300 | 194,881 | 197,083 |
| Total liabilities | 72,237 | 66,214 | 701,330 | 642,851 |
| Contingent liabilities | | | | |
| **Net assets:** | | | | |
| **Shareholders' equity (Note 14):** | | | | |
| Common stock | | | | |
| Authorized – 300,000,000 shares | | | | |
| Issued – 100,000,000 shares at March 31, 2014 and 2013 (Note 14) | 15,982 | 15,982 | 155,165 | 155,165 |
| Capital surplus | 15,737 | 15,737 | 152,790 | 152,790 |
| Retained earnings (Note 23) | 63,350 | 56,902 | 615,044 | 552,443 |
| Less treasury common stock, at cost; 309,053 shares at March 31, 2014 and 291,549 shares at March 31, 2013 (Note 14) | (135) | (120) | (1,308) | (1,169) |
| Total shareholders' equity | 94,934 | 88,501 | 921,691 | 859,229 |
| **Accumulated other comprehensive income (loss):** | | | | |
| Unrealized gain on securities (Note 8) | 1,387 | 877 | 13,467 | 8,512 |
| Land revaluation reserve (Note 13) | (384) | (384) | (3,726) | (3,726) |
| Translation adjustments | 308 | (52) | 2,986 | (507) |
| Remeasurements of defined benefit plans | (1,115) | – | (10,824) | – |
| Total accumulated other comprehensive income (loss) | 196 | 441 | 1,903 | 4,279 |
| Minority interests | 93 | 93 | 904 | 910 |
| Total net assets | 95,223 | 89,035 | 924,498 | 864,418 |
| Total liabilities and net assets | ¥167,460 | ¥155,249 | $1,625,828 | $1,507,269 |

*The accompanying notes are an integral part of these statements.*

# Consolidated Statements of Income

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 4) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net sales | ¥174,010 | ¥150,918 | $1,689,420 | $1,465,227 |
| Cost of sales (Notes 6, 16 and 17) | 142,253 | 125,216 | 1,381,101 | 1,215,694 |
| Gross profit | 31,757 | 25,702 | 308,319 | 249,533 |
| Selling, general and administrative expenses (Notes 15 and 17) | 20,884 | 19,861 | 202,757 | 192,825 |
| Operating income | 10,873 | 5,841 | 105,562 | 56,708 |
| Other income (expenses): | | | | |
| Interest and dividend income | 91 | 78 | 880 | 759 |
| Interest expense | (47) | (63) | (457) | (609) |
| Amortization of negative goodwill | – | 94 | – | 911 |
| Equity in earnings of an unconsolidated subsidiary and affiliates | 160 | 173 | 1,557 | 1,674 |
| Foreign exchange gains, net | 132 | 124 | 1,280 | 1,201 |
| Gain on negative goodwill | – | 5,344 | – | 51,883 |
| Gain on transfer of retirement benefit plan | 446 | – | 4,329 | – |
| Other, net | 36 | (67) | 354 | (648) |
| | 818 | 5,683 | 7,943 | 55,171 |
| Income before income taxes and minority interests | 11,691 | 11,524 | 113,505 | 111,879 |
| Income taxes (Note 11): | | | | |
| Current | 4,730 | 1,899 | 45,919 | 18,436 |
| Deferred | (465) | (1,718) | (4,512) | (16,682) |
| Income before minority interests | 7,426 | 11,343 | 72,098 | 110,125 |
| Minority interests in loss | (19) | (29) | (183) | (287) |
| Net income | ¥ 7,445 | ¥ 11,372 | $ 72,281 | $ 110,412 |

*The accompanying notes are an integral part of these statements.*

# Consolidated Statements of Comprehensive Income

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 4) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Income before minority interests | ¥7,426 | ¥11,343 | $72,098 | $110,125 |
| Other comprehensive income: | | | | |
| Unrealized gain on securities | 510 | 253 | 4,955 | 2,454 |
| Translation adjustments | 203 | 264 | 1,972 | 2,564 |
| Share of other comprehensive income of associates accounted for using equity method | 172 | 73 | 1,667 | 714 |
| Total other comprehensive income (Note 19) | 885 | 590 | 8,594 | 5,732 |
| Comprehensive income | ¥8,311 | ¥11,933 | $80,692 | $115,857 |
| Comprehensive income attributable to: | | | | |
| Owners of the parent company | 8,315 | 11,942 | 80,729 | 115,943 |
| Minority interests | (4) | (9) | (37) | (86) |

*The accompanying notes are an integral part of these statements.*

# Consolidated Statements of Changes in Net Assets

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

| | | Shareholders' Equity | | | | Accumulated other comprehensive income (loss) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury common stock, at cost | Unrealized gain on securities | Land revaluation reserve | Translation adjustments | Retirement benefits liability adjustments | Minority interests | Total net assets |
| Balance at March 31, 2012 | 119,727,565 | ¥15,982 | ¥15,737 | ¥54,633 | ¥(8,203) | ¥ 625 | ¥(384) | ¥(366) | ¥ – | ¥1,301 | ¥79,325 |
| Acquisition of treasury stock | – | – | – | – | (21) | – | – | – | – | – | (21) |
| Dividends paid | – | – | – | (997) | – | – | – | – | – | – | (997) |
| Net income for the year | – | – | – | 11,372 | – | – | – | – | – | – | 11,372 |
| Cancellation of treasury stock | (19,727,565) | – | – | (8,104) | 8,104 | – | – | – | – | – | – |
| Change of scope of equity method | – | – | – | (2) | – | – | – | – | – | – | (2) |
| Net changes in items other than those in shareholders' equity | – | – | – | – | – | 252 | – | 314 | – | (1,208) | (642) |
| Balance at March 31, 2013 | 100,000,000 | ¥15,982 | ¥15,737 | ¥56,902 | ¥ (120) | ¥ 877 | ¥(384) | ¥ (52) | ¥ – | ¥ 93 | ¥89,035 |
| Acquisition of treasury stock | – | – | – | – | (15) | – | – | – | – | – | (15) |
| Dividends paid | – | – | – | (997) | – | – | – | – | – | – | (997) |
| Net income for the year | – | – | – | 7,445 | – | – | – | – | – | – | 7,445 |
| Net changes in items other than those in shareholders' equity | – | – | – | – | – | 510 | – | 360 | (1,115) | (0) | (245) |
| Balance at March 31, 2014 | 100,000,000 | ¥15,982 | ¥15,737 | ¥65,350 | ¥ (135) | ¥1,387 | ¥(384) | ¥ 308 | ¥(1,115) | ¥ 93 | ¥95,223 |

Thousands of U.S. dollars (Note 4)

| | Shareholders' Equity | | | | Accumulated other comprehensive income (loss) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury common stock, at cost | Unrealized gain on securities | Land revaluation reserve | Translation adjustments | Retirement benefits liability adjustments | Minority interests | Total net assets |
| Balance at March 31, 2012 | $155,165 | $152,790 | $530,416 | $(79,650) | $ 6,066 | $(3,726) | $(3,550) | $ – | $12,634 | $770,145 |
| Acquisition of treasury stock | – | – | – | (201) | – | – | – | – | – | (201) |
| Dividends paid | – | – | (9,683) | – | – | – | – | – | – | (9,683) |
| Net income for the year | – | – | 110,412 | – | – | – | – | – | – | 110,412 |
| Cancellation of treasury stock | – | – | (78,682) | 78,682 | – | – | – | – | – | – |
| Change of scope of equity method | – | – | (20) | – | – | – | – | – | – | (20) |
| Net changes in items other than those in shareholders' equity | – | – | – | – | 2,446 | – | 3,043 | – | (11,724) | (6,235) |
| Balance at March 31, 2013 | $155,165 | $152,790 | $552,443 | $ (1,169) | $ 8,512 | $(3,726) | $ (507) | $ – | $ 910 | $864,418 |
| Acquisition of treasury stock | – | – | – | (139) | – | – | – | – | – | (139) |
| Dividends paid | – | – | (9,680) | – | – | – | – | – | – | (9,680) |
| Net income for the year | – | – | 72,281 | – | – | – | – | – | – | 72,281 |
| Net changes in items other than those in shareholders' equity | – | – | – | – | 4,955 | – | 3,493 | (10,824) | (6) | (2,382) |
| Balance at March 31, 2013 | $155,165 | $152,790 | $615,044 | $ (1,308) | $13,467 | $(3,726) | $ 2,986 | $(10,824) | $ 904 | $924,498 |

*The accompanying notes are an integral part of these statements.*

# Consolidated Statements of Cash Flows

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 4) | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Operating activities** | | | | |
| Income before income taxes and minority interests | **¥11,691** | ¥11,524 | **$113,505** | $111,879 |
| Depreciation and amortization | **3,979** | 3,609 | **38,625** | 35,040 |
| Gain on negative goodwill | **–** | (5,344) | **–** | (51,883) |
| Equity in earnings of an unconsolidated subsidiary and affiliates | **(160)** | (173) | **(1,557)** | (1,674) |
| (Decrease) in accrued retirement benefits for employees, directors and corporate auditors | **–** | (319) | **–** | (3,092) |
| Increase in net defined benefit liability | **386** | – | **3,746** | – |
| Interest and dividend income | **(91)** | (78) | **(880)** | (759) |
| Interest expense | **47** | 63 | **457** | 609 |
| (Increase) decrease in trade notes and accounts receivable | **(8,902)** | 1,567 | **(86,425)** | 15,219 |
| (Increase) in inventories | **(475)** | (667) | **(4,608)** | (6,477) |
| Increase in trade notes and accounts payable | **1,771** | 2,591 | **17,197** | 25,154 |
| Other, net | **115** | 361 | **1,115** | 3,503 |
| | **8,361** | 13,134 | **81,175** | 127,519 |
| Interest and dividends received | **168** | 150 | **1,628** | 1,459 |
| Interest paid | **(48)** | (64) | **(465)** | (622) |
| Income taxes paid | **(2,003)** | (1,462) | **(19,449)** | (14,196) |
| Net cash provided by operating activities | **6,478** | 11,758 | **62,889** | 114,160 |
| **Investing activities** | | | | |
| Purchases of property, plant and equipment | **(4,345)** | (4,360) | **(42,181)** | (42,330) |
| Purchases of intangible assets | **(721)** | (505) | **(7,004)** | (4,903) |
| Purchases of consolidated subsidiary's stock accompanied by changes in scope of consolidation | **–** | (108) | **–** | (1,048) |
| Purchases of stock from minority shareholders | **–** | (632) | **–** | (6,140) |
| Payments for transfer of business | **–** | (932) | **–** | (9,050) |
| Proceeds from sales of property, plant and equipment | **14** | 444 | **139** | 4,309 |
| Other, net | **(503)** | (409) | **(4,883)** | (3,967) |
| Net cash used in investing activities | **(5,555)** | (6,502) | **(53,929)** | (63,129) |
| **Financing activities** | | | | |
| Decrease in short-term loans payable | **–** | (7,050) | **–** | (68,447) |
| Proceeds from long-term loans payable | **–** | 20 | **–** | 190 |
| Repayment of long-term loans payable | **(2,000)** | (2,000) | **(19,417)** | (19,417) |
| Acquisition of treasury stock, net | **(14)** | (21) | **(139)** | (201) |
| Dividends paid | **(997)** | (997) | **(9,680)** | (9,683) |
| Dividends paid to minority shareholders | **–** | (11) | **–** | (102) |
| Repayments of finance lease obligations | **(382)** | (343) | **(3,708)** | (3,329) |
| Other, net | **3** | 37 | **31** | 359 |
| Net cash (used in) provided by financing activities | **(3,390)** | (10,365) | **(32,913)** | (100,630) |
| Effect of exchange rate changes on cash and cash equivalents | **231** | 188 | **2,245** | 1,820 |
| Net (decrease) in cash and cash equivalents | **(2,236)** | (4,921) | **(21,708)** | (47,779) |
| Cash and cash equivalents at beginning of the year | **14,791** | 19,856 | **143,600** | 192,776 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | **(4)** | (144) | **(38)** | (1,397) |
| Cash and cash equivalents at end of the year (Note 5) | **¥12,551** | ¥14,791 | **$121,854** | $143,600 |

*The accompanying notes are an integral part of these statements.*



# Notes to Consolidated Financial Statements

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

## 1. Summary of Significant Accounting Policies

### (a) Basis of presentation

ShinMaywa Industries, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and, therefore, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

### (b) Scope of Consolidation

The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 20 (20 in 2013) subsidiaries (together, the "Group"). Investments in 4 (4 in 2013) subsidiaries and 1 (1 in 2013) affiliate are accounted for by the equity method.

### (c) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

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

The balance sheet date of certain consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

### (d) Foreign currency translation

All monetary assets and liabilities, regardless of whether they are short-term or long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and the resulting gain and loss are included in income.

Balance sheet accounts and revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the exchange rates prevailing as of the fiscal year end, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Translation adjustments are presented as a component of valuation and translation adjustments and minority interests.

### (e) Cash equivalents

For the purpose of the consolidated statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(f) Securities

Securities are generally classified into three categories: trading, held-to-maturity or available-for-sale securities. Securities held by the Company and its consolidated subsidiaries are all classified as available-for-sale securities. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Inventories

Inventories are stated principally at the lower of cost, cost being determined by the moving average method, or net selling value.

(h) Property, plant and equipment

Depreciation of property, plant and equipment is computed by the declining-balance method, except that certain subsidiaries apply the straight-line method. The Company and its principal domestic consolidated subsidiaries apply useful lives and residual value of the respective assets as prescribed by the Corporation Tax Law for accounting purposes.

Leased assets under lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated over the respective lease periods by the straight-line method to a nil residual value. Finance leases commencing prior to April 1, 2008 that do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions as permitted by the revised accounting standard.

Property, plant and equipment and intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset and is measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the asset and from disposal of the asset after use.

Business assets of the Company and its consolidated subsidiaries are grouped at its management accounting units for impairment testing. However, the Company and its consolidated subsidiaries determine whether an asset is impaired on an individual asset basis for leased assets and when a business asset is deemed to be idle or it is scheduled to be disposed of.

(i) Allowance for doubtful receivables

An allowance for doubtful receivables is provided at an amount calculated based on historical experience, while specific allowances for doubtful receivables are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

(j) Accrued bonuses for directors

Accrued bonuses for directors are provided for payments of bonuses to directors based on estimated amounts.

(k) Provision for product warranty

For payments of the after-sales service expense of the product and the repair cost of the completed work, provision for product warranty is provided based on past experience.

(l) Provision for losses on construction contracts

With regard to construction contracts that have not yet been delivered and are with high probability of generating losses at the end of the fiscal year, and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred is provided as provision for losses on construction contracts.

(m) Retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 13 years which falls within the average remaining years of service of the eligible employees.

Prior service cost is amortized as incurred by the straight-line method over a period of 13 years which falls within the average remaining years of service of the eligible employees.

Certain domestic consolidated subsidiaries have adopted a simplified method for calculating their retirement benefit obligation which is permitted under the accounting standard for retirement benefits.

(n) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Significant revenue recognition

The Company applies the percentage-of-completion method to the construction contracts (estimated percentage of completion is calculated using the cost-to-cost method) for which the outcome of their activities at the end of the fiscal year is deemed certain, and the completed contract method to other construction contracts.

(p) Research and development costs

Research and development costs are charged to income as incurred and are included in cost of sales and selling, general and administrative expenses.

(q) Amounts per share

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

(r) Derivative financial instruments

Derivatives are stated at fair value.

(s) Consumption taxes

All amounts in the accompanying financial statements are stated exclusive of consumption tax.

## 2. Changes in Accounting Policy

Effective March 31, 2014, the Company and its consolidated subsidiaries applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter, the “Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter, the “Guidance”), except for the provisions prescribed in Article 35 of the Standard and Article 67 of the Guidance and recorded retirement benefit obligation, net of plan assets, as a liability for retirement benefits, and unrecognized actuarial gain or loss and unrecognized prior service cost are recognized as net defined benefit liability. If the amount of plan assets exceeds the amount of retirement benefit obligation, such excess is recorded as an asset for retirement benefits.

In applying the standard and the Guidance, pursuant to the transitional treatments prescribed in Article 37 of the Standard, the effects from the accounting changes are included in remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the current consolidated fiscal year. As a result, net defined benefit asset and net defined benefit liability are recorded in the amount of ¥3,165 million ($30,723 thousand) and ¥12,031 million ($116,804 thousand), respectively, as of March 31, 2014. In addition, accumulated other comprehensive income decreased by ¥1,115 million ($10,824 thousand).

The effect on per share information is described in Note 18.

## 3. Accounting standards issued but not yet effective

By the date of approval of the consolidated financial statements, new accounting standards and interpretations that have been issued, but not yet effective are as follows.

“Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 issued on May 17, 2012)

These accounting standards have been revised, in light of improving financial reporting and international accounting trends, mainly in terms of accounting methods for unrecognized actuarial gain or loss and unrecognized prior service cost, calculation methods for retirement benefit obligation and service cost, and enhancement of disclosure items.

The Company adopts the revised calculation methods for retirement benefit obligation and service cost from the beginning of the year ending March 31, 2015. In accordance with the transitional treatments prescribed in the Standard and the Guidance, the changes are not retrospectively applied to the past consolidated financial statements. The impact of the revised calculation methods for retirement benefit obligation and service cost is currently being examined as of the date of preparation of the consolidated financial statements.

## 4. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made for both 2014 and 2013, as a matter of arithmetic computation only, at the rate of ¥103 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2014. The translations 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.

## 5. Supplementary Cash Flow Information

Information related to cash and cash equivalents as of March 31, 2014 and 2013 is as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Cash and deposits | ¥12,551 | ¥14,812 | $121,854 | $143,803 |
| Time deposits with deposit terms of more than three months | – | (21) | – | (203) |
| Cash and cash equivalents at end of the year | ¥12,551 | ¥14,791 | $121,854 | $143,600 |

## 6. Inventories

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

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Finished goods | ¥ 2,325 | ¥ 2,560 | $ 22,573 | $ 24,854 |
| Work in process | 21,617 | 20,635 | 209,874 | 200,340 |
| Raw materials and supplies | 12,289 | 12,365 | 119,307 | 120,053 |
| | ¥36,231 | ¥35,560 | $351,754 | $345,247 |

Reversal of loss on devaluation of inventories in the amount of ¥231 million ($2,243 thousand) is recorded under cost of sales for the year ended March 31, 2014. A reversal of loss on devaluation of inventories in the amount of ¥35 million ($340 thousand) is recorded under cost of sales for the year ended March 31, 2013.

Inventories and provision for contract losses are not offset. The amount of provision for contract losses against the inventories (work in process) is ¥92 million ($893 thousand) and ¥15 million ($146 thousand) for the years ended March 31, 2014 and 2013, respectively.

## 7. Fair Value of Investment and Rental Properties

The Company and part of its consolidated subsidiaries own rental apartments in Hyogo and other areas. The net of rent income and operating expenses from such rental properties was ¥137 million ($1,330 thousand) and ¥154 million ($1,495 thousand) for the years ended March 31, 2014 and 2013.

The carrying amount and fair value of investment and rental properties at the end of the years ended March 31, 2014 and 2013 are as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Carrying amount | ¥1,828 | ¥1,811 | $17,748 | $17,583 |
| Fair Value | 3,629 | 3,606 | 35,233 | 35,010 |

Increase for the year ended March 31, 2014 was due mainly to increase in rental property due to conversion of ¥85 million ($824 thousand)

## 8. Securities

a) Information with respect to marketable securities classified as available-for-sale securities as of March 31, 2014 and 2013 are as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | March 31, 2014 | | | | | |
| | Acquisition cost | Carrying amount | Unrealized gain (loss) | Acquisition cost | Carrying amount | Unrealized gain (loss) |
| Securities whose fair value exceeds their acquisition cost: | | | | | | |
| Equity securities | ¥1,010 | ¥3,273 | ¥2,263 | $ 9,806 | $31,777 | $21,971 |
| Bonds and debentures | – | – | – | – | – | – |
| Other | – | – | – | – | – | – |
| | ¥1,010 | ¥3,273 | ¥2,263 | $ 9,806 | $31,777 | $21,971 |
| Securities whose acquisition cost exceeds their fair value: | | | | | | |
| Equity securities | ¥ 868 | ¥ 711 | ¥ (157) | $ 8,427 | $ 6,903 | $(1,524) |
| Bonds and debentures | – | – | – | – | – | – |
| Other | – | – | – | – | – | – |
| | ¥ 868 | ¥ 711 | ¥ (157) | $ 8,427 | $ 6,903 | $(1,524) |
| | ¥1,878 | ¥3,984 | ¥2,106 | $18,233 | $38,680 | $20,447 |

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | March 31, 2013 | | | | | |
| | Acquisition cost | Carrying amount | Unrealized gain (loss) | Acquisition cost | Carrying amount | Unrealized gain (loss) |
| Securities whose fair value exceeds their acquisition cost: | | | | | | |
| Equity securities | ¥ 797 | ¥2,258 | ¥1,461 | $ 7,738 | $21,922 | $14,184 |
| Bonds and debentures | – | – | – | – | – | – |
| Other | – | – | – | – | – | – |
| | ¥ 797 | ¥2,258 | ¥1,461 | $ 7,738 | $21,922 | $14,184 |
| Securities whose acquisition cost exceeds their fair value: | | | | | | |
| Equity securities | ¥ 703 | ¥ 548 | ¥ (155) | $ 6,825 | $ 5,321 | $(1,504) |
| Bonds and debentures | – | – | – | – | – | – |
| Other | – | – | – | – | – | – |
| | ¥ 703 | ¥ 548 | ¥ (155) | $ 6,825 | $ 5,321 | $(1,504) |
| | ¥1,500 | ¥2,806 | ¥1,306 | $14,563 | $27,243 | $12,680 |

The impairment losses associated with the fair market value determination of marketable securities classified as available-for-sale securities was ¥5 million ($49 thousand) for the year ended March 31, 2013.

Impairment losses are recorded for securities whose fair value has declined by 50% or more or for those which have declined within a range of 30% or more, but less than 50% if the decline is deemed to be irrecoverable.

b) The aggregate book value of securities with no available fair value as of March 31, 2014 and 2013 are as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Unlisted stocks | ¥693 | ¥695 | $6,728 | $6,748 |

## 9. Long-Term Debt

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

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Unsecured loans due through 2017 with weighted-average interest rates of 0.41% at March 31, 2014 and 0.45% at March 31, 2013 | ¥6,000 | ¥8,000 | $58,252 | $77,670 |
| Lease obligations due through 2020 | 597 | 650 | 5,795 | 6,314 |
| | 6,597 | 8,650 | 64,047 | 83,984 |
| Less current portion | (2,000) | (2,000) | (19,417) | (19,417) |
| | ¥4,597 | ¥6,650 | $44,630 | $64,567 |

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

| Years ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2015 | ¥2,236 | $21,709 |
| 2016 | 2,184 | 21,204 |
| 2017 | 2,124 | 20,621 |
| 2018 | 41 | 398 |
| 2019 and thereafter | 12 | 115 |
| Total | ¥6,597 | $64,047 |

Lease obligations of ¥236 million ($2,291 thousand) as of March 31, 2014 whose maturity dates are in the year ending March 31, 2015 are included in the long-term debt of ¥4,597 million ($44,630 thousand) presented in the consolidated balance sheet as of March 31, 2014.

## 10. Retirement Benefit Plans for Employees

For the year ended March 31, 2014

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension plans and lump-sum payment plans and also defined contribution plans, covering all their employees. Certain domestic consolidated subsidiaries participate in general type welfare pension funds under the multi-employer plans. If the plan assets corresponding to the participant's contribution cannot be reasonably calculated, such plans are accounted for in the same method as the defined contribution plans.
Certain domestic consolidated subsidiaries adopt a simplified method for calculating their retirement benefit obligation.

Defined benefit plans

**(a) The changes in retirement benefit obligation for the year ended March 31, 2014 are as follows (except for the plans which are described in (c)):**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Balance of retirement benefit obligation at beginning of the period | ¥26,555 | $257,816 |
| Service cost | 938 | 9,107 |
| Interest cost | 335 | 3,252 |
| Actuarial gain | (84) | (816) |
| Retirement benefits paid | (1,220) | (11,845) |
| Prior service cost | (9) | (87) |
| Decrease due to a transfer to defined contribution plans | (2,276) | (22,097) |
| Balance of retirement benefit obligation at end of the period | ¥24,239 | $235,330 |

**(b) The changes in plan assets for the year ended March 31, 2014 are as follows:**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Balance of plan assets at beginning of the period | ¥17,220 | $167,184 |
| Expected return on plan assets | 188 | 1,825 |
| Actuarial gain | 753 | 7,311 |
| Contribution from the employer | 748 | 7,262 |
| Retirement benefits paid | (776) | (7,534) |
| Decrease due to a transfer to defined contribution plans | (1,667) | (16,184) |
| Balance of retirement benefit obligation at end of the period | ¥16,466 | $159,864 |

**(c) The changes in net defined benefit liability under the plans which adopt a simplified method for the year ended March 31, 2014 are as follows:**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Balance of net defined benefit liability at beginning of the period | ¥1,156 | $11,223 |
| Retirement benefit expenses | 143 | 1,388 |
| Retirement benefits paid | (149) | (1,446) |
| Other | (56) | (544) |
| Balance of net defined benefit liability at end of the period | ¥1,094 | $10,621 |

**(d) Reconciliation of balance of retirement benefit obligation and plan assets and net defined benefit liability and asset recorded in the consolidated balance sheets**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Funded retirement benefit obligation | ¥ 13,301 | $ 129,136 |
| Plan assets | (16,466) | (159,859) |
| | (3,165) | (30,723) |
| Unfunded retirement benefit obligation | 12,031 | 116,804 |
| Net liability and asset recorded in the consolidated balance sheets | ¥ 8,866 | $ 86,081 |
| | | |
| Net defined benefit liability | 12,031 | 116,804 |
| Net defined benefit asset | (3,165) | (30,723) |
| Net liability and asset recorded in the consolidated balance sheets | ¥ 8,866 | $ 86,081 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Service cost | ¥ 938 | $ 9,107 |
| Interest cost | 335 | 3,252 |
| Expected return on plans assets | (188) | (1,825) |
| Amortization of actuarial loss | 576 | 5,592 |
| Amortization of prior service cost | 22 | 214 |
| Retirement benefit expenses calculated by a simplified method | 143 | 1,388 |
| Others | 54 | 524 |
| Retirement benefit expenses on defined benefit plans | ¥1,880 | $18,252 |

(Note) In addition to the above, the effects of the transfer of the defined benefit corporate pension plans to defined benefit plans of the Company and certain its consolidated subsidiaries in the amount of ¥446 million ($4,329 thousand) are recorded under "Other expenses."

**(f) Remeasurements of defined benefit plans**

The components of remeasurements of defined benefit plans (before tax effect) are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Unrecognized prior service cost | ¥ (80) | $ (777) |
| Unrecognized actuarial gain | 1,795 | 17,427 |
| Total | ¥1,715 | $16,650 |

**(g) Plan assets**

1) Plan assets consist of the following:

| | |
|---|---|
| Debt securities | 77% |
| Equity securities | 19% |
| Others | 4% |
| Total | 100% |

2) Method of determining long-term expected rate of return

The long-term expected rate of return on plan assets is determined considering the allocation of plan assets that are expected currently and in the future and long-term rates of return that are expected currently and in the future from the various components of plan assets.

**(h) Assumptions used for actuarial calculation**

Major assumptions used in the accounting for the above plans at March 31, 2014 are as follows:

| | |
|---|---|
| Discount rate | Primarily 1.4% |
| Long-term expected rate of return on plan assets | 1.2% |
| Selection ratio of lump-sum payment | 70.0% |

Defined contribution plans

The amount of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries was ¥209 million ($2,029 thousand).

Multi-employer plans

The amount of the required contribution to the multi-employer welfare pension fund plan which is accounted for in the same method as the defined contribution plans was ¥54 million ($524 thousand).

**(a) Funded status of the whole plan (as of March 31, 2013)**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Amount of plan assets | ¥ 69,155 | $ 671,408 |
| Amount of benefit obligation for the purpose of pension financing calculation | 98,620 | 957,476 |
| Net amount | ¥(29,465) | $(286,068) |

**(b) The contribution percentage of the Company and its subsidiaries for the multi-employer welfare pension fund plan (contribution for the year ended March 31, 2013) was 1.1%.**

(c) Supplementary explanation

Major factors for the above net amount are the outstanding balance of prior service cost for the purpose of pension financing calculation in the amount of ¥24,384 million ($236,738 thousand) and deficit in the amount of ¥5,081 million ($49,330 thousand).

Prior service cost under the plan is amortized on straight-line basis over a period of 20 years and the Company and its subsidiaries charged special premium in the amount of ¥23 million ($223 thousand) to income in the accompanying consolidated financial statements for the year ended March 31, 2014.

The contribution percentage noted in the above (b) does not agree with the actual share percentage of the Company and its subsidiaries to the pension plan.

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension plans and lump-sum payment plans, covering substantially all their employees. Eligible employees, upon termination of employment, are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The certain consolidated subsidiaries participate in the multi-employer welfare pension fund plan. They also have defined contribution pension plans.

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Retirement benefit obligation | ¥ (27,712) | $ (269,048) |
| Plan assets at fair value | 17,220 | 167,184 |
| Unfunded retirement benefit obligation | (10,492) | (101,864) |
| Unrecognized actuarial loss | 3,526 | 34,233 |
| Unrecognized prior service cost | (202) | (1,961) |
| Net retirement benefit obligation | (7,168) | (69,592) |
| Prepaid pension cost | 2,509 | 24,359 |
| Accrued retirement benefits | ¥ (9,677) | $ (93,951) |

Certain domestic consolidated subsidiaries have adopted a simplified method for calculating their retirement benefit obligation which is permitted under the accounting standard for retirement benefits.

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Service cost | ¥ 1,081 | $ 10,495 |
| Interest cost | 480 | 4,660 |
| Expected return on plan assets | (103) | (1,000) |
| Amortization of actuarial loss | 548 | 5,320 |
| Amortization of prior service cost | (0) | (0) |
| Contribution to a defined contribution plan | 75 | 729 |
| Total | ¥ 2,081 | $ 20,204 |

Retirement benefit expenses of certain domestic consolidated subsidiaries, which have been calculated by a simplified method, are included in service cost in the above table.

The assumptions used in the accounting for the above plans were as follows:

| | |
|---|---|
| Discount rate | Primarily 1.4% |
| Expected rates of return on plan assets | 0.7% |

Certain subsidiaries contributed ¥43 million ($417 thousand) to the multi-employer welfare pension fund plan for the years ended March 31, 2013, which was not included in the table of retirement benefit expenses above. The funded status of the multi-employer welfare pension fund plan as of March 31, 2013 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Plan assets | ¥ 62,064 | $ 602,563 |
| Projected benefit obligation recorded by pension fund | (94,134) | (913,922) |
| Unfunded status | ¥ (32,070) | $ (311,359) |

The Company's contribution percentage for the multi-employer welfare pension fund plan was 1.0% for the years March 31, 2013. This percentage does not agree with the actual share percentage of the consolidated subsidiaries to the pension plan.

The unfunded status of the multi-employer welfare plan mainly represented past service liabilities of ¥14,733 million ($143,039 thousand), and unfunded amounts of ¥17,337 million ($168,320 thousand) as of March 31, 2013. Past service liabilities are amortized with interest by the straight-line method over a period of 20 years. Special retirement benefit expenses of ¥14 million ($136 thousand) were charged to consolidated income for the years ended March 31, 2013.

## 11. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 38.0% for 2014 and 2013, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2014 and 2013 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Deferred tax assets: | | | | |
| Net operating loss carryforwards | ¥ 73 | ¥ 626 | $ 709 | $ 6,078 |
| Accrued retirement benefits for employees | – | 2,466 | – | 23,942 |
| Net defined benefit liability | 4,015 | – | 38,981 | – |
| Accrued bonuses | 1,618 | 1,374 | 15,709 | 13,340 |
| Loss on valuation of inventories | 475 | 561 | 4,612 | 5,447 |
| Depreciation and amortization | 287 | 268 | 2,786 | 2,602 |
| Impairment loss | 1,317 | 1,376 | 12,786 | 13,359 |
| Provision for losses on construction contracts | 726 | 658 | 7,049 | 6,388 |
| Other | 2,591 | 2,046 | 25,154 | 19,863 |
| | 11,102 | 9,375 | 107,786 | 91,019 |
| Valuation allowance | (1,285) | (1,672) | (12,476) | (16,233) |
| | 9,817 | 7,703 | 95,310 | 74,786 |
| Deferred tax liabilities: | | | | |
| Unrealized gain on securities | 713 | 431 | 6,923 | 4,184 |
| Negative goodwill | 228 | 317 | 2,214 | 3,078 |
| Net defined benefit asset | 1,129 | – | 10,961 | – |
| Other | 37 | 27 | 358 | 262 |
| | 2,107 | 775 | 20,456 | 7,524 |
| Net deferred tax assets | ¥ 7,710 | ¥ 6,928 | $ 74,854 | $ 67,262 |

The effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2014 and 2013 differs from the statutory tax rate for the following reasons:

| | 2014 | 2013 |
|---|---|---|
| Statutory tax rate | – % | 38.0 % |
| Expenses not deductible for tax purposes | – | 1.6 |
| Revenues not taxable for tax purposes | – | (0.2) |
| Per capital portion of inhabitants' taxes | – | 1.3 |
| Changes in valuation allowance | – | (21.8) |
| Amortization of negative goodwill | – | (0.3) |
| Gain on negative goodwill | – | (16.7) |
| Tax credit | – | (0.6) |
| Deferred income taxes on unrealized intercompany profits | – | (0.4) |
| Other | – | 0.7 |
| Effective tax rate | – % | 1.6 % |

In the fiscal year ended March 31, 2014 the difference between the statutory tax rate and the actual income tax rate after application of deferred tax accounting was negligible. Accordingly, disclosure has been omitted.

On March 31, 2014, "Partial Amendment of the Income Tax Act" (Act No.10 of 2014) was promulgated, according to which the Special Reconstruction Corporation Tax will no longer be imposed from the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014, the effective tax rate applied to the calculation of deferred tax assets and liabilities for current fiscal year, will be lowered from 38.0% in prior fiscal year to 35.6%. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥279 million ($2,709 thousand) and income taxes – deferred increased by the same amount.

## 12. Contingent Liabilities

At March 31, 2014, the Company and its consolidated subsidiaries were contingently liable as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| As guarantors of indebtedness, principally of customers | ¥177 | $1,718 |

## 13. Land Revaluation

Pursuant to the "Law Concerning the Revaluation of Land," land used for a consolidated subsidiary's business operations was revalued on March 31, 2000. The income tax effect of the difference between the book value and the revalued amounts have been presented under liabilities as "Deferred income taxes on land revaluation reserve" and the remaining balances have been presented under valuation and translation adjustments as "Land revaluation reserve" in the accompanying consolidated balance sheets.

Revaluation of the land was determined based on the property tax assessment values in accordance with Paragraph 3, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation."

The carrying value of the land after revaluation exceeded its fair value by ¥203 million ($1,971 thousand) and ¥203 million ($1,971 thousand) at March 31, 2014 and 2013, respectively.

## 14. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed 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 common 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, but neither the capital reserve nor the legal reserve is available for distributions.

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

| | Number of shares | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | March 31, 2013 | Increase | Decrease | March 31, 2014 |
| Treasury stock | 291,549 | 17,504 | – | 309,053 |

| | 2013 | | | |
|---|---|---|---|---|
| | March 31, 2012 | Increase | Decrease | March 31, 2013 |
| Treasury stock | 19,964,250 | 54,864 | 19,727,565 | 291,549 |

Increase in the number of treasury stock during the year ended March 31, 2014 is due to the increase of 17,504 shares through the purchase of fractional shares.

Increase in the number of treasury stock during the year ended March 31, 2013 is due to the increase of 47,290 shares through the purchase of shares from shareholders with unknown addresses pursuant to the resolution of the Board of Directors and the increase of 7,574 shares through the purchase of fractional shares. Decrease in the number of treasury stock is due to the decrease of 19,727,565 shares through the cancellation of treasury stock pursuant to the resolution of the Board of Directors.

Dividends paid in the years ended March 31, 2014 and 2013 are as follows:

| | Resolution | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Annual general meeting of shareholders June 25, 2013 | Board of directors meeting October 31, 2013 | Annual general meeting of shareholders June 26, 2012 | Board of directors meeting October 31, 2012 |
| Class of shares | Common stock | Common stock | Common stock | Common stock |
| Total cash dividends | | | | |
| (Millions of yen) | ¥ 499 | ¥ 499 | ¥ 499 | ¥ 499 |
| (Thousands of U.S. dollars) | $4,845 | $4,845 | $4,845 | $4,845 |
| Cash dividends per share | | | | |
| (Yen) | ¥ 5 | ¥ 5 | ¥ 5 | ¥ 5 |
| (U.S. dollars) | $ 0.05 | $ 0.05 | $ 0.05 | $ 0.05 |
| Record date | March 31, 2013 | September 30, 2013 | March 31, 2012 | September 30, 2012 |
| Effective date | June 26, 2013 | December 2, 2013 | June 27, 2012 | December 3, 2012 |

Dividends whose record date falls in the years ended March 31, 2014 or 2013, but whose effective date falls in the following year are as follows:

| | Resolution | |
|---|---|---|
| | 2014 | 2013 |
| | Annual general meeting of shareholders June 25, 2014 | Annual general meeting of shareholders June 25, 2013 |
| Class of shares | Common stock | Common stock |
| Total cash dividends | | |
| (Millions of yen) | ¥ 698 | ¥ 499 |
| (Thousands of U.S. dollars) | $6,777 | $4,845 |
| Cash dividends per share | | |
| (Yen) | ¥ 7 | ¥ 5 |
| (U.S. dollars) | $ 0.07 | $ 0.05 |
| Record date | March 31, 2014 | March 31, 2013 |
| Effective date | June 26, 2014 | June 26, 2013 |

## 15. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of the following for the years ended March 31, 2014 and 2013:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Employees salaries and allowances | ¥ 8,521 | ¥ 7,851 | $ 82,728 | $ 76,223 |
| Provision of allowance for doubtful receivable | (36) | 16 | (350) | 155 |
| Accrued bonuses for directors | 182 | 133 | 1,767 | 1,291 |
| Retirement benefit expenses | 617 | 577 | 5,990 | 5,602 |
| Provision for directors' and corporate auditors' retirement benefits | – | 42 | – | 408 |

## 16. Provision for Losses on Construction Contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2014 and 2013 amounted to ¥2,037 million ($19,777 thousand) and ¥1,719 million ($16,689 thousand), respectively.

## 17. Research and Development Expenses

Research and development expenses included in manufacturing cost and selling, general and administrative expenses for the years ended March 31, 2014 and 2013 amounted to ¥2,313 million ($22,456 thousand) and ¥2,118 million ($20,563 thousand), respectively.

## 18. Amounts per Share

Amounts per share are summarized as follows:

| | Yen | | U.S. dollars | |
|---|---|---|---|---|
| Years ended March 31, | 2014 | 2013 | 2014 | 2013 |
| Net income | ¥ 74.67 | ¥114.04 | $0.72 | $1.11 |
| Net assets: | | | | |
| Basic | 954.25 | 892.01 | 9.26 | 8.66 |
| Diluted | – | – | – | – |

Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2014 and 2013.

As noted in "Changes in Accounting Policy," the Company and its subsidiaries applied the Standard and the Guidance and follows the transitional treatments prescribed in Article 37 of the Standard.

As a result, net assets per share as of March 31, 2014 decreased by ¥11.18 ($0.11).

## 19. Other Comprehensive Income

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

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Unrealized gain on securities: | | | | |
| Amount arising during the year | ¥ 888 | ¥ 375 | $ 8,621 | $ 3,641 |
| Reclassification adjustments | (96) | 10 | (932) | 97 |
| Before tax effect | 792 | 385 | 7,689 | 3,738 |
| Tax effect | (282) | (132) | (2,734) | (1,284) |
| Total unrealized gain on securities | 510 | 253 | 4,955 | 2,454 |
| Translation adjustments: | | | | |
| Amount arising during the year | 159 | 267 | 1,544 | 2,592 |
| Reclassification adjustments | 44 | (3) | 428 | (28) |
| Before tax effect | 203 | 264 | 1,972 | 2,564 |
| Tax effect | – | – | – | – |
| Total Translation adjustments | 203 | 264 | 1,972 | 2,564 |
| Share of other comprehensive income of associates accounted for using equity method: | | | | |
| Amount arising during the year | 172 | 73 | 1,667 | 714 |
| Total other comprehensive income | ¥ 885 | ¥ 590 | $ 8,594 | $ 5,732 |

## 20. Financial Instruments

### (a) Policy for financial instruments

The Group raises its necessary funds mainly through bank loans, according to its capital expenditure plan especially for the manufacture and sales of special purpose trucks and aircraft. Temporary idle funds are invested in low risk financial assets and the Group finances its short-term operating funds mainly through bank loans. Derivatives contracts are used for the purpose of avoiding risks as described later, not for speculative purposes, limited to transactions associated with commercial needs.

### (b) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk.

Investment securities are shares in the companies with which the Group has business relationships. These shares are exposed to the risk associated with fluctuation in market prices.

The payment terms of trade notes and accounts payable, which are trade liabilities, are mostly within one year. Also, part of these liabilities are related to imported raw materials, denominated in foreign currencies; therefore they are exposed to foreign currency exchange fluctuation risk but their amounts are constantly less than those of accounts receivable balances quoted in the same currencies.

Long-term debt is financing mainly for operating transactions and property investment. The debt carry floating interest rates, thus they are exposed to the risk of interest rate fluctuations.

Derivative transactions mainly include forward foreign currency contracts, for the purpose of hedging the foreign currency exchange fluctuation risk to the Company's operating receivables denominated in foreign currencies. Forward foreign currency transactions are exposed to market price risk associated with the future fluctuation in exchange rates. They also pose risk arising from the possibility of counterparty financial institutions' default on their contracts.

(c) Risk management for financial instruments

1) Credit risk management (customers' default risk)

With regard to trade notes and accounts receivable, which are operating receivables, the sales and accounting departments of the Company aim to identify and mitigate the default risk of customers due to deterioration of their financial conditions or other factors in the early stage, by regularly monitoring customers' financial conditions and managing the payment dates and outstanding balances of each customer's liabilities in accordance with internally defined procedures. The Company's consolidated subsidiaries conduct the same procedures according the Company's rules.

The Group enters into derivative contracts only with high credit rated financial institutions, in order to reduce the risk of counterparty default on these contracts.

2) Market risk management (foreign currency exchange and interest rate fluctuation risks)

In principle, the Company uses forward foreign exchange contracts to hedge against the monthly recognized foreign currency exchange fluctuation risk of each currency, associated with operating receivables denominated in foreign currencies. In addition, the amount of operating receivables denominated in foreign currencies that is certainly expected to be generated from projected export transactions, after deduction of the amount of foreign currency denominated payments which regularly occur monthly, is hedged by forward foreign exchange contracts under the limited maximum contract term of one year.

With respect to investment securities, the Company periodically monitors the movement of their fair values and financial condition of related issuers (trading counterparties), continuously reviewing its holdings.

Each derivative transaction needs to be approved by authorized persons and conducted by the finance department, in accordance with internal control regulations. The department books transactions and checks balances with counterparties. Monthly transaction results are reported to the director of the finance department. Meanwhile, the Company's consolidated subsidiaries do not conduct derivative transactions.

3) Liquidity risk management on fund raising (risk for delinquency)

The Company manages its liquidity risk through its finance department's compilation and upgrading of cash flow projections, based on the reports submitted by each business unit.

4) Supplementary explanations concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions. The notional amounts and other information described in Note 21 do not indicate the amounts of market risk exposed to derivative transactions.

The carrying amount on the consolidated balance sheets and fair value of financial instruments as of March 31, 2014 and 2013 are as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2014 | | | | | |
| | Carrying amount | Fair value | Unrealized loss | Carrying amount | Fair value | Unrealized loss |
| Cash and deposits | ¥12,551 | ¥12,551 | ¥– | $121,854 | $121,854 | $– |
| Trade notes and accounts receivable | 68,184 | | | 661,986 | | |
| Allowance for doubtful receivables | (28) | | | (272) | | |
| Subtotal | 68,156 | 68,156 | – | 661,714 | 661,714 | – |
| Investment securities: | | | | | | |
| Available-for-sale securities | 3,984 | 3,984 | – | 38,684 | 38,684 | – |
| Total | ¥84,692 | ¥84,692 | ¥– | $822,252 | $822,252 | $– |
| Trade notes and accounts payable | 28,021 | 28,021 | – | 272,051 | 272,051 | – |
| Long-term debt | 6,000 | 6,000 | – | 58,252 | 58,252 | – |
| Total | ¥34,021 | ¥34,021 | ¥– | $330,303 | $330,303 | $– |
| Derivative transactions | (89) | (89) | – | (864) | (864) | – |

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2013 | | | | | |
| | Carrying amount | Fair value | Unrealized loss | Carrying amount | Fair value | Unrealized loss |
| Cash and deposits | ¥14,812 | ¥14,812 | ¥ – | $143,803 | $143,803 | $ – |
| Trade notes and accounts receivable | 58,916 | | | 572,004 | | |
| Allowance for doubtful receivables | (47) | | | (460) | | |
| Subtotal | 58,869 | 58,869 | (0) | 571,544 | 571,544 | (0) |
| Investment securities: | | | | | | |
| Available-for-sale securities | 2,805 | 2,805 | – | 27,233 | 27,233 | – |
| Total | ¥76,486 | ¥76,486 | ¥(0) | $742,583 | $742,583 | $(0) |
| Trade notes and accounts payable | 25,901 | 25,901 | – | 251,464 | 251,464 | – |
| Long-term debt | 8,000 | 8,000 | – | 77,670 | 77,670 | – |
| Total | ¥33,901 | ¥33,901 | ¥ – | $329,134 | $329,134 | $ – |
| Derivative transactions | (576) | (576) | – | (5,592) | (5,592) | – |

Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in parenthesis.

i) Methods used to calculate the fair value of financial instruments and details of securities and derivative instruments

Cash and deposits , Trade notes and accounts receivable
The book value approximates fair value because of the short maturity of these items.

Investment securities
The fair value of investment securities is determined using the quoted price at the stock exchange. For the notes to each classified securities by holding purpose, see Note 8.

Trade notes and accounts payable and Short-term bank loans
These assets are recorded using book values because fair values approximate book values because of their short-term maturities.

Long-term debt
The fair value of long-term debt is stated at its book value. Its fair value approximates its book value because the debt carries variable interest rates that reflect the market rate of interest in the short term and the Company's credit standing has not changed significantly since it implemented the debt.

Derivatives
The information of the fair value for derivatives is described in Note 21.

ii) The redemption schedule at March 31, 2014 and 2013 for monetary assets after the balance sheet date is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | March 31, 2014 | | | |
| | Due in one year or less | Due after one year | Due in one year or less | Due after one year |
| Cash and deposits | ¥12,551 | ¥– | $121,854 | $– |
| Trade notes and accounts receivable | 68,184 | – | 661,986 | – |
| Total | ¥80,735 | ¥– | $783,840 | $– |

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | March 31, 2013 | | | |
| | Due in one year or less | Due after one year | Due in one year or less | Due after one year |
| Cash and deposits | ¥14,812 | ¥– | $143,803 | $ – |
| Trade notes and accounts receivable | 58,915 | 1 | 571,993 | 10 |
| Total | ¥73,727 | ¥1 | $715,796 | $10 |

iii) The redemption schedule for long-term debt after the balance sheet date is described in Note 9.

## 21. Derivatives

The contract or notional amounts of the derivative financial instruments held at March 31, 2014 and 2013 are summarized as follows:

| | March 31, 2014 | | | |
|---|---|---|---|---|
| | Contracts due | | | |
| | Within one year | After one year | Fair value | (Loss) |
| | Millions of yen | | | |
| Forward foreign exchange contracts: | | | | |
| To sell foreign currencies U.S. dollars | ¥ 9,312 | ¥– | ¥ 9,401 | ¥ (89) |
| | Thousands of U.S. dollars | | | |
| Forward foreign exchange contracts: | | | | |
| To sell foreign currencies U.S. dollars | $90,408 | $– | $91,272 | $(864) |

| | March 31, 2013 | | | |
|---|---|---|---|---|
| | Contracts due | | | |
| | Within one year | After one year | Fair value | (Loss) |
| | Millions of yen | | | |
| Forward foreign exchange contracts: | | | | |
| To sell foreign currencies U.S. dollars | ¥ 9,054 | ¥– | ¥ 9,630 | ¥ (576) |
| | Thousands of U.S. dollars | | | |
| Forward foreign exchange contracts: | | | | |
| To sell foreign currencies U.S. dollars | $87,903 | $– | $93,495 | $(5,592) |

## 22. Segment Information

### (a) Outline of reportable segments

Reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results. The Company operates under the system whereby the organization that oversees the cross-sectional functions of the Company is defined as the headquarter structure, while the organizations responsible for production activities that are directly linked to the Company's businesses are controlled by being divided into business segments according to their product. Consequently, the Company is made up of segments based on products and services, which form the bases of its business divisions. The four reportable segments are "Aircraft Business," "Special Purpose Truck Business," "Industrial Machinery and Environmental Systems Business" and "Parking Systems Business."

The "Aircraft Business" manufactures and sells amphibian aircraft and aircraft parts to overseas aircraft manufacturers. The "Special Purpose Truck Business" manufactures and sells special purpose trucks including dump trucks, tail gate lifters and refuse compactors, as well as forestry machinery. The "Industrial Machinery and Environmental Systems Business" manufactures and sells pumps and water treatment equipment, automatic wire processors and refuse processing facilities and equipment. The “Parking Systems Business” manufactures, sells, maintains, and restores mechanical parking facilities and aircraft passenger boarding bridges.

**(b) Calculation method of the amount of net sales, income (loss), assets and other items by reportable segments**

The accounting method applied to reportable business segments is the same as that stated in “Summary of Significant Accounting Policies.” The segment profit is based on operating income. Intersegment sales or transfers are determined based on current market prices.

**(c) Information about net sales, profit, assets and other items by reportable segments for the years ended March 31, 2014 and 2013 are as follows:**

| | Year ended March 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | |
| | Aircraft | Special Purpose Trucks | Industrial Machinery and Environmental Systems | Parking Systems | Other | Total | Adjustments | Consolidated statements |
| | Millions of yen | | | | | | | |
| Net Sales: | | | | | | | | |
| Customers | ¥34,067 | ¥77,329 | ¥24,371 | ¥28,302 | ¥ 9,941 | ¥174,010 | ¥ – | ¥174,010 |
| Inter-segment | – | 8 | 4 | 10 | 2,980 | 3,002 | (3,002) | – |
| Total | 34,067 | 77,337 | 24,375 | 28,312 | 12,921 | 177,012 | (3,002) | 174,010 |
| Segment profit | 4,665 | 5,010 | 2,037 | 900 | 319 | 12,931 | (2,058) | 10,873 |
| Segment assets | 41,265 | 59,464 | 19,314 | 15,155 | 10,772 | 145,970 | 21,490 | 167,460 |
| Other: | | | | | | | | |
| Depreciation | ¥ 1,285 | ¥ 1,343 | ¥ 600 | ¥ 400 | ¥ 178 | ¥ 3,807 | ¥ 172 | ¥ 3,978 |
| Increase in property, plant and equipment and intangible assets | 1,419 | 3,136 | 479 | 452 | 255 | 5,741 | 93 | 5,834 |
| | Thousands of U.S. dollars | | | | | | | |
| Net Sales: | | | | | | | | |
| Customers | $330,748 | $750,767 | $236,612 | $274,777 | $96,516 | $1,689,420 | $ – | $1,689,420 |
| Inter-segment | – | 78 | 38 | 97 | 28,930 | 29,143 | (29,143) | – |
| Total | 330,748 | 750,845 | 236,650 | 274,874 | 125,446 | 1,718,563 | (29,143) | 1,689,420 |
| Segment profit | 45,291 | 48,641 | 19,777 | 8,738 | 3,097 | 125,544 | (19,982) | 105,562 |
| Segment assets | 400,631 | 577,320 | 187,515 | 147,136 | 104,582 | 1,417,184 | 208,644 | 1,625,828 |
| Other: | | | | | | | | |
| Depreciation | $ 12,476 | $ 13,039 | $ 5,825 | $ 3,883 | $ 1,738 | $ 36,961 | $ 1,660 | $ 38,621 |
| Increase in property, plant and equipment and intangible assets | 13,777 | 30,447 | 4,650 | 4,388 | 2,476 | 55,738 | 903 | 56,641 |

| | Year ended March 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | |
| | Aircraft | Special Purpose Trucks | Industrial Machinery and Environmental Systems | Parking Systems | Other | Total | Adjustments | Consolidated statements |
| | Millions of yen | | | | | | | |
| Net Sales: | | | | | | | | |
| Customers | ¥26,123 | ¥65,826 | ¥23,288 | ¥27,195 | ¥ 8,486 | ¥150,918 | ¥ – | ¥150,918 |
| Inter-segment | – | 38 | 8 | 10 | 3,137 | 3,193 | (3,193) | – |
| Total | 26,123 | 65,864 | 23,296 | 27,205 | 11,623 | 154,111 | (3,193) | 150,918 |
| Segment profit | 1,360 | 3,774 | 1,272 | 1,475 | 285 | 8,167 | (2,326) | 5,841 |
| Segment assets | 39,901 | 50,414 | 18,967 | 15,184 | 10,900 | 135,366 | 19,882 | 155,249 |
| Other: | | | | | | | | |
| Depreciation | ¥ 1,232 | ¥ 1,085 | ¥ 600 | ¥ 362 | ¥ 164 | ¥ 3,444 | ¥ 165 | ¥ 3,609 |
| Increase in property, plant and equipment and intangible assets | 2,161 | 1,927 | 385 | 290 | 144 | 4,907 | 210 | 5,117 |
| | Thousands of U.S. dollars | | | | | | | |
| Net Sales: | | | | | | | | |
| Customers | $253,621 | $639,087 | $226,097 | $264,029 | $ 82,393 | $1,465,227 | $ – | $1,465,227 |
| Inter-segment | – | 369 | 78 | 97 | 30,452 | 30,996 | (30,996) | – |
| Total | 253,621 | 639,456 | 226,175 | 264,126 | 112,845 | 1,496,223 | (30,996) | 1,465,227 |
| Segment profit | 13,204 | 36,641 | 12,350 | 14,320 | 2,776 | 79,291 | (22,583) | 56,708 |
| Segment assets | 387,388 | 489,456 | 184,146 | 147,417 | 105,826 | 1,314,233 | 193,036 | 1,507,269 |
| Other: | | | | | | | | |
| Depreciation | $ 11,961 | $ 10,534 | $ 5,825 | $ 3,515 | $ 1,602 | $ 33,437 | $ 1,602 | $ 35,039 |
| Increase in property, plant and equipment and intangible assets | 20,981 | 18,709 | 3,738 | 2,816 | 1,397 | 47,641 | 2,039 | 49,680 |

The “Other” consists of business not included in the reportable segments, such as construction, real estate and software development.

1) Information about geographic areas for the years ended March 31, 2014 and 2013 are as follows:

| | Year ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Japan | Asia | North America | Other areas | Total |
| | Millions of yen | | | | |
| Net Sales to Customers | ¥ 137,971 | ¥ 4,818 | ¥ 26,398 | ¥ 4,823 | ¥ 174,010 |
| | Thousands of U.S. dollars | | | | |
| Net Sales to Customers | $1,339,524 | $46,777 | $256,291 | $46,828 | $1,689,420 |

| | Year ended March 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Japan | Asia | North America | Other areas | Total |
| | Millions of yen | | | | |
| Net Sales to Customers | ¥ 120,466 | ¥ 6,809 | ¥ 19,460 | ¥ 4,183 | ¥ 150,918 |
| | Thousands of U.S. dollars | | | | |
| Net Sales to Customers | $1,169,573 | $66,107 | $188,932 | $40,615 | $1,465,227 |

2) Information about goodwill in reportable segments for the years ended March 31, 2013 are as follows:

| | Year ended March 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Aircraft | Special purpose trucks | Industrial machinery and environmental systems | Parking systems | Other | Adjustment | Total |
| | Millions of yen | | | | | | |
| (Negative goodwill) Amortization | ¥ – | ¥49 | ¥ – | ¥13 | ¥32 | ¥ – | ¥94 |
| Unamortized balance | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – |
| | Thousands of U.S. dollars | | | | | | |
| Amortization | $ – | $476 | $ – | $126 | $309 | $ – | $ 911 |
| Unamortized balance | $ – | $ – | $ – | $ – | $ – | $ – | $ – |

3) Information about gain on negative goodwill in reportable segments for the year ended March 31, 2013 are as follows:

In the Special Purpose Truck Business, gain on negative goodwill as a result of the acquisition of all shares of TOHO CAR CORPORATION and TOHO CAR SERVICE CORPORATION and the acquisition of the refuse compactor business from Fuji Heavy Industries Ltd. amounted to ¥4,462 million ($43,320 thousand). In the Parking Systems Business, gain on negative goodwill as a result of the acquisition of all shares of TOKYO ENGINEERING SYSTEMS CORPORATION and TOKYO PARKING SYSTEMS CORPORATION amounted to ¥308 million ($2,990 thousand). In other segments not included in reportable segments, gain on negative goodwill as a result of additional acquisition of the shares of Maywa Komuten, Ltd. amounted to ¥574 million ($5,573 thousand).



## 23. Subsequent Events

### (a) Appropriations of retained earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2014, was proposed upon resolution at the meeting of the Board of Directors held on May 21, 2014 and is subject to approval at a shareholders' meeting to be held on June 25, 2014:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Cash dividends (¥7.00 = U.S.$0.07 per share) | ¥698 | $6,777 |

# Company Overview (As of March 31, 2014)

## ● Company Profile

| | |
|---|---|
| Company Name | ShinMaywa Industries, Ltd. |
| Head Office | 1-1 Shinmeiwa-cho, Takarazuka, Hyogo 665-8550, Japan |
| Paid-in Capital | 15,981,967,991 yen |
| Founded | November 5, 1949 |
| President | Yoshihiro Onishi |
| Category of Business | Transportation Equipment |
| Number of Employees | Consolidated 4,528 / Non-consolidated 2,824 |
| Number of Affiliated Companies | 20 |

## ● Directors, Officers and Audit & Supervisory Board Members (As of June 25, 2014)

| | |
|---|---|
| President and Chief Executive Officer | Yoshihiro Onishi |
| Director, Member of the Board Vice President and Executive Officer | Mikiaki Kato |
| Director, Member of the Board Senior Executive Officer | Keisuke Endo<br>Kanji Ishimaru |
| Director, Member of the Board Executive Officer | Hiroichi Sano<br>Shouichi Kanaida |
| Director, Member of the Board | Nobutane Yamamoto *1<br>Kazuo Hiramatsu *1 |
| Officer | Tatsuyuki Isogawa<br>Takashi Kunihara<br>Takahiro Asano<br>Akira Nishioka<br>Koji Fukai<br>Atsushi Itami |
| Audit & Supervisory Board Member | Yoshifumi Fujiwara<br>Masao Mizuta<br>Yuka Shimokobe *2<br>Shunsaku Yagi *2<br>Yasushi Manabe *2 |

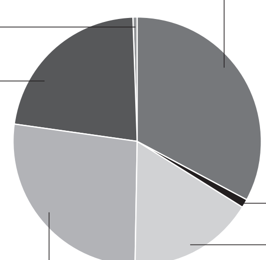
*1 Outside Director *2 Outside Audit & Supervisory Board Member

## ● Stock Information

| | |
|---|---|
| Total Number of Shares Authorized | 300,000,000 shares |
| Total Number of Shares Issued | 100,000,000 shares |
| Number of Shares per Unit | 1,000 shares |
| Number of Shareholders | 8,756 |

Note: Figures in parentheses ( ) represent the number of respective shareholders.

### Breakdown of Shareholders



Treasury Stocks* 0.31% (1) 309,053 shares

Japanese Individuals and Others 22.24% (8,398) 22,243,102 shares

Financial Institutions 32.79% (39) 32,794,968 shares

Financial Instruments Firms 1.31% (43) 1,306,583 shares

Other Companies 16.40% (95) 16,399,664 shares

Foreign Institutions and Individuals 26.95% (180) 26,946,630 shares

## ● Major Shareholders

| Order | Name of Shareholders | Number of Shares Held | Shareholding Ratio (%) |
|---|---|---|---|
| 1 | Japan Trustee Services Bank, Ltd. (Trust Account) | 10,314,000 | 10.35 |
| 2 | SANSHIN CO., LTD. | 9,293,065 | 9.32 |
| 3 | The Master Trust Bank of Japan, Ltd. (Trust Account) | 8,255,000 | 8.28 |
| 4 | Hitachi, Ltd. | 4,000,337 | 4.01 |
| 5 | Japan Trustee Services Bank, Ltd. (Trust Account 9) | 2,836,000 | 2.84 |
| 6 | CBNY DFA INTL SMALL Cap Value Portfolio | 2,766,000 | 2.77 |
| 7 | ShinMaywa Employees' Stock Ownership | 2,548,472 | 2.56 |
| 8 | RBC ISB A /C DUB NON RESIDENT - TREATY RATE | 2,400,000 | 2.41 |
| 9 | The Nomura Trust and Banking Co., Ltd. (Trust Account) | 2,251,000 | 2.26 |
| 10 | The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account | 2,174,593 | 2.18 |

Note: The Company holds 309,053 treasury stocks, but it has been excluded from the above list of major shareholders.

ShinMaywa

www.shinmaywa.co.jp

14.09