

# ANNUAL REPORT 2016

Years ended March 31, 2016 and 2015  
with Report of Independent Auditors

**ShinMaywa**  
*Brighten Your Future*

## Company Profile

Corporate Name	<b>ShinMaywa Industries, Ltd.</b>
Founded	<b>November 5, 1949</b>
President	<b>Yoshihiro Onishi</b>
Head Office	<b>1-1 Shinmeiwa-cho, Takarazuka, Hyogo, Japan Phone: +81-798-56-5000 / Fax: +81-798-56-5001</b>
Paid-up Capital	<b>15,981,967,991 yen (as of March 31, 2016)</b>
Number of Employees	<b>Consolidated 4,695 Non-consolidated 2,937 (as of March 31, 2016)</b>
Business Category	<b>Transportation Equipment</b>

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## Report of Independent Auditors

### Grant Thornton Taiyo LLC

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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, 2016, 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, 2016, 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.

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 22 "Subsequent Events" to the consolidated financial statements, which describes that ShinMaywa Industries, Ltd. passed a resolution at the Board of Directors meeting on May 11, 2016 related to a share purchase plan and acquired its own shares on May 12, 2016.

**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 3 to the consolidated financial statements.

*Grant Thornton Taiyo LLC*

Osaka, Japan  
June 29, 2016

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheets

	<b>March 31,</b>			
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
<b>Assets</b>				
Current assets:				
Cash and deposits <i>(Notes 4 and 19)</i>	¥ 17,086	¥ 12,920	\$ 151,203	\$ 114,337
Trade notes and accounts receivable <i>(Note 19)</i>	76,642	77,520	678,248	686,016
Allowance for doubtful receivables	(19)	(39)	(168)	(344)
Inventories <i>(Note 5)</i>	38,635	38,865	341,904	343,933
Deferred income taxes <i>(Note 10)</i>	5,437	5,227	48,112	46,260
Prepaid expenses and other current assets	2,585	2,172	22,881	19,222
<b>Total current assets</b>	<u>140,366</u>	<u>136,665</u>	<u>1,242,180</u>	<u>1,209,424</u>
Property, plant and equipment <i>(Note 6)</i> :				
Land <i>(Note 12)</i>	7,080	7,032	62,654	62,229
Buildings and structures	44,208	43,498	391,218	384,938
Machinery, equipment and vehicles	45,570	43,828	403,272	387,860
Construction in progress	1,667	761	14,756	6,732
	<u>98,525</u>	<u>95,119</u>	<u>871,900</u>	<u>841,759</u>
Less accumulated depreciation and impairment loss	(69,393)	(67,277)	(614,098)	(595,371)
<b>Property, plant and equipment, net</b>	<u>29,132</u>	<u>27,842</u>	<u>257,802</u>	<u>246,388</u>
Investments and long-term loans receivable:				
Investments in an unconsolidated subsidiary and affiliates	2,136	2,005	18,906	17,741
Investment securities <i>(Notes 7 and 19)</i>	4,963	5,611	43,919	49,655
Long-term loans receivable	245	270	2,169	2,396
<b>Total investments and long-term loans receivable</b>	<u>7,344</u>	<u>7,886</u>	<u>64,994</u>	<u>69,792</u>
Deferred income taxes <i>(Note 10)</i>	2,529	1,779	22,381	15,741
Net defined benefit asset <i>(Note 9)</i>	2,642	3,569	23,376	31,581
Other assets	4,767	4,426	42,190	39,172
<b>Total assets</b>	<u>¥ 186,780</u>	<u>¥ 182,167</u>	<u>\$ 1,652,923</u>	<u>\$ 1,612,098</u>

**March 31,**

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
<b>Liabilities and net assets</b>				
Current liabilities:				
Trade notes and accounts payable <i>(Note 19)</i>	¥ 31,472	¥ 32,215	\$ 278,516	\$ 285,088
Short-term bank loans <i>(Note 8)</i>	–	189	–	1,670
Current portion of long-term debt <i>(Notes 8 and 19)</i>	2,000	2,000	17,699	17,699
Accrued expenses	12,482	10,918	110,456	96,614
Accrued income taxes <i>(Note 10)</i>	3,070	4,254	27,172	37,646
Accrued bonuses for directors	240	211	2,122	1,869
Provision for product warranty	27	45	241	402
Provision for losses on construction contracts <i>(Note 15)</i>	3,201	2,628	28,323	23,260
Other current liabilities	7,112	7,997	62,935	70,771
Total current liabilities	<u>59,604</u>	<u>60,457</u>	<u>527,464</u>	<u>535,019</u>
Long-term liabilities:				
Long-term debt <i>(Notes 8 and 19)</i>	369	2,473	3,268	21,882
Net defined benefit liability <i>(Note 9)</i>	11,063	10,166	97,903	89,969
Deferred income taxes <i>(Note 10)</i>	26	96	230	849
Deferred income taxes on land revaluation reserve <i>(Note 12)</i>	47	50	417	439
Other long-term liabilities	2,592	2,966	22,938	26,250
Total long-term liabilities	<u>14,097</u>	<u>15,751</u>	<u>124,756</u>	<u>139,389</u>
Total liabilities	<u>73,701</u>	<u>76,208</u>	<u>652,220</u>	<u>674,408</u>
Contingent liabilities				
Net assets:				
Shareholders' equity <i>(Note 13)</i> :				
Common stock				
Authorized – 300,000,000 shares				
Issued – 100,000,000 shares at March 31, 2016 and 2015 <i>(Note 13)</i>	15,982	15,982	141,433	141,433
Capital surplus	15,737	15,737	139,270	139,268
Retained earnings <i>(Note 22)</i>	81,523	72,737	721,442	643,686
Less treasury common stock, at cost; 327,136 shares at March 31, 2016 and 319,254 shares at March 31, 2015 <i>(Note 13)</i>	(154)	(145)	(1,364)	(1,285)
Total shareholders' equity	<u>113,088</u>	<u>104,311</u>	<u>1,000,781</u>	<u>923,102</u>
Accumulated other comprehensive income (loss):				
Unrealized gain on securities <i>(Note 7)</i>	1,718	2,095	15,200	18,543
Land revaluation reserve <i>(Note 12)</i>	(376)	(379)	(3,328)	(3,350)
Translation adjustments	420	693	3,719	6,131
Remeasurements of defined benefit plans	(1,856)	(855)	(16,426)	(7,566)
Total accumulated other comprehensive income (loss)	<u>(94)</u>	<u>1,554</u>	<u>(835)</u>	<u>13,758</u>
Non-controlling interests	85	94	757	830
Total net assets	<u>113,079</u>	<u>105,959</u>	<u>1,000,703</u>	<u>937,690</u>
Total liabilities and net assets	<u>¥ 186,780</u>	<u>¥ 182,167</u>	<u>\$ 1,652,923</u>	<u>\$ 1,612,098</u>

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

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	<b>Years ended March 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
Net sales	¥ 203,918	¥ 193,131	\$ 1,804,583	\$ 1,709,129
Cost of sales <i>(Notes 5, 15 and 16)</i>	166,986	158,131	1,477,750	1,399,392
Gross profit	36,932	35,000	326,833	309,737
Selling, general and administrative expenses <i>(Notes 14 and 16)</i>	21,672	21,365	191,787	189,071
Operating income	15,260	13,635	135,046	120,666
Other income (expenses):				
Interest and dividend income	119	96	1,054	846
Interest expense	(27)	(38)	(240)	(337)
Equity in earnings of an unconsolidated subsidiary and affiliates	238	301	2,106	2,661
Foreign exchange gains (losses), net	(208)	125	(1,843)	1,107
Other, net	(9)	98	(80)	867
	113	582	997	5,144
Net income before income taxes	15,373	14,217	136,043	125,810
Income taxes <i>(Note 10)</i> :				
Current	5,458	5,571	48,302	49,303
Deferred	(366)	(503)	(3,242)	(4,454)
Net income	10,281	9,149	90,983	80,961
Loss attributable to non-controlling interests	(1)	(10)	(5)	(94)
Net income attributable to owners of parent	¥ 10,282	¥ 9,159	\$ 90,988	\$ 81,055

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

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	<b>Years ended March 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
Net income	¥ 10,281	¥ 9,149	\$ 90,983	\$ 80,961
Other comprehensive income:				
Unrealized gain (loss) on securities	(379)	708	(3,342)	6,268
Land revaluation reserve	3	5	23	45
Translation adjustments	(219)	274	(1,940)	2,419
Remeasurements of defined benefit plans	(1,001)	260	(8,860)	2,300
Share of other comprehensive income of associates accounted for using equity method	(61)	123	(541)	1,091
Total other comprehensive income <i>(Note 18)</i>	(1,657)	1,370	(14,660)	12,123
Comprehensive income	¥ 8,624	¥ 10,519	\$ 76,323	\$ 93,084
Comprehensive income attributable to:				
Owners of the parent company	8,633	10,518	76,396	93,078
Non-controlling interests	(9)	1	(73)	6

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



# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets

	Shareholders' Equity				Accumulated other comprehensive income (loss)						Total net assets
	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	Non-controlling interests	
	<i>(Millions of yen)</i>										
Balance at March 31, 2014	100,000,000	¥ 15,982	¥ 15,737	¥ 65,350	¥ (135)	¥ 1,387	¥ (384)	¥ 308	¥ (1,115)	¥ 93	¥ 95,223
Cumulative effects of changes in accounting policies	-	-	-	1,524	-	-	-	-	-	-	1,524
Restated balance	100,000,000	¥ 15,982	¥ 15,737	¥ 64,874	¥ (135)	¥ 1,387	¥ (384)	¥ 308	¥ (1,115)	¥ 93	¥ 96,747
Acquisition of treasury stock	-	-	-	-	(10)	-	-	-	-	-	(10)
Dividends paid	-	-	-	(1,296)	-	-	-	-	-	-	(1,296)
Net income attributable to owners of parent	-	-	-	9,159	-	-	-	-	-	-	9,159
Net changes in items other than those in shareholders' equity	-	-	-	-	-	708	5	385	260	1	1,359
Balance at March 31, 2015	100,000,000	¥ 15,982	¥ 15,737	¥ 72,737	¥ (145)	¥ 2,095	¥ (379)	¥ 693	¥ (855)	¥ 94	¥ 105,959
Acquisition of treasury stock	-	-	-	-	(9)	-	-	-	-	-	(9)
Disposal of treasury stock	-	-	0	-	0	-	-	-	-	-	0
Dividends paid	-	-	-	(1,496)	-	-	-	-	-	-	(1,496)
Net income attributable to owners of parent	-	-	-	10,282	-	-	-	-	-	-	10,282
Net changes in items other than those in shareholders' equity	-	-	-	-	-	(377)	3	(273)	(1,001)	(9)	(1,657)
Balance at March 31, 2016	100,000,000	¥ 15,982	¥ 15,737	¥ 81,523	¥ (154)	¥ 1,718	¥ (376)	¥ 420	¥ (1,856)	¥ 85	¥ 113,079

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' Equity			Accumulated other comprehensive income (loss)						Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury common stock, at cost	Unrealized gain on securities	Land revaluation reserve	Translation adjustments	Retirement benefits liability adjustments	Non-controlling interests	
	<i>(Thousands of U.S. dollars) (Note 3)</i>									
Balance at March 31, 2014	\$ 141,433	\$ 139,268	\$560,616	\$ (1,192)	\$12,275	\$ (3,396)	\$ 2,722	\$(9,866)	\$824	\$842,684
Cumulative effects of changes in accounting policies	-	-	13,484	-	-	-	-	-	-	13,484
Restated balance	\$ 141,433	\$ 139,268	\$574,100	\$ (1,192)	\$ 12,275	\$ (3,396)	\$ 2,722	\$ (9,866)	\$824	\$856,168
Acquisition of treasury stock	-	-	-	(93)	-	-	-	-	-	(93)
Dividends paid	-	-	(11,469)	-	-	-	-	-	-	(11,469)
Net income attributable to owners of parent	-	-	81,055	-	-	-	-	-	-	81,055
Net changes in items other than those in shareholders' equity	-	-	-	-	6,268	46	3,409	2,300	6	12,029
Balance at March 31, 2015	\$ 141,433	\$ 139,268	\$643,686	\$ (1,285)	\$ 18,543	\$ (3,350)	\$ 6,131	\$ (7,566)	\$ 830	\$937,690
Acquisition of treasury stock	-	-	-	(80)	-	-	-	-	-	(80)
Disposal of treasury stock	-	2	-	1	-	-	-	-	-	3
Dividends paid	-	-	(13,232)	-	-	-	-	-	-	(13,232)
Net income attributable to owners of parent	-	-	90,988	-	-	-	-	-	-	90,988
Net changes in items other than those in shareholders' equity	-	-	-	-	(3,343)	22	(2,412)	(8,860)	(73)	(14,666)
Balance at March 31, 2016	\$ 141,433	\$ 139,270	\$721,442	\$ (1,364)	\$ 15,200	\$ (3,328)	\$ 3,719	\$ (16,426)	\$ 757	\$1,000,703

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

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	<b>Years ended March 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
<b>Operating activities</b>				
Net income before income taxes	¥ 15,373	¥ 14,217	\$ 136,043	\$ 125,810
Depreciation and amortization	4,362	4,093	38,607	36,225
Equity in earnings of an unconsolidated subsidiary and affiliates	(238)	(301)	(2,106)	(2,661)
Increase in net defined benefit liability	604	517	5,343	4,578
Interest and dividend income	(119)	(96)	(1,054)	(846)
Interest expense	27	38	240	336
(Increase) decrease in trade notes and accounts receivable	746	(8,912)	6,599	(78,872)
(Increase) decrease in inventories	219	(2,335)	1,934	(20,662)
Increase (decrease) in trade notes and accounts payable	(597)	3,925	(5,278)	34,733
Other, net	830	3,639	7,345	32,199
	<u>21,207</u>	<u>14,785</u>	<u>187,673</u>	<u>130,840</u>
Interest and dividends received	253	202	2,241	1,785
Interest paid	(27)	(38)	(239)	(336)
Income taxes paid	(6,665)	(5,463)	(58,988)	(48,343)
<b>Net cash provided by operating activities</b>	<u>14,768</u>	<u>9,486</u>	<u>130,687</u>	<u>83,946</u>
<b>Investing activities</b>				
Proceeds from withdrawal of time deposits	72	–	638	–
Purchases of property, plant and equipment	(5,441)	(4,576)	(48,151)	(40,495)
Purchases of intangible assets	(942)	(925)	(8,335)	(8,184)
Payments for transfer of business	–	(195)	–	(1,732)
Proceeds from sales of property, plant and equipment	12	89	106	790
Other, net	(159)	(211)	(1,409)	(1,865)
<b>Net cash used in investing activities</b>	<u>(6,458)</u>	<u>(5,818)</u>	<u>(57,151)</u>	<u>(51,486)</u>

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Years ended March 31,			
	2016	2015	2016	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 3)</i>	
<b>Financing activities</b>				
Increase in short-term loans payable	287	226	2,541	1,997
Decrease in short-term loans payable	(450)	(37)	(3,980)	(327)
Repayment of long-term loans payable	(2,000)	(2,000)	(17,699)	(17,699)
Acquisition of treasury stock, net	(9)	(10)	(80)	(93)
Dividends paid	(1,495)	(1,296)	(13,232)	(11,469)
Repayments of finance lease obligations	(357)	(386)	(3,160)	(3,412)
Other, net	0	–	3	–
<b>Net cash (used in) provided by financing activities</b>	(4,024)	(3,503)	(35,607)	(31,003)
Effect of exchange rate changes on cash and cash equivalents	(120)	176	(1,063)	1,560
Net increase in cash and cash equivalents	4,166	341	36,866	3,017
Cash and cash equivalents at beginning of the year	12,920	12,551	114,337	111,071
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	28	–	249
<b>Cash and cash equivalents at end of the year (Note 4)</b>	¥ 17,086	¥ 12,920	\$ 151,203	\$ 114,337

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

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

### 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, 2016 include the accounts of the Company and its 18 (18 in 2015) subsidiaries (together, the “Group”). Investments in 3 (3 in 2015) subsidiaries and 1 (1 in 2015) 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### (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 non-controlling interests which are translated at their historical exchange rates. Translation adjustments are presented as a component of valuation and translation adjustments and non-controlling 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### (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.

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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### (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

Net defined benefit asset/liability is 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. The retirement benefit obligation is attributed to each period by benefit formula basis.

Actuarial gain or loss is 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.



## ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### (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 from the current consolidated fiscal year, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013). Accordingly, the Company has changed to the method of treatment to post differences resulting from changes in ownership interests in controlled subsidiaries as capital surplus and to post acquisition-related costs as expenses in the consolidated fiscal year in which they accrue. Also, with regard to business combinations that take place after the beginning of the current consolidated fiscal year, the Company has changed to the method of treatment to reflect adjustments made after finalizing the tentative accounting treatment of purchase cost allocations in consolidated financial statements in the consolidated fiscal year in which the dates of such business combinations occur. In addition, the Company has made changes in presentation of net income for the year, etc. and in disclosure of minority interests, which are now presented as non-controlling interests. In order to reflect these changes in presentation, the consolidated financial statements for the preceding consolidated fiscal year have been reclassified.

The Company has adopted the Accounting Standard for Business Combinations and other accounting standards in accordance with the transitional treatments prescribed in Article 58, Paragraph 2 (4) of the Accounting Standard for Business Combinations, Article 44, Paragraph 5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57, Paragraph 4 (4) of the Accounting Standard for Business Divestitures, effective from the beginning of the current consolidated fiscal year and onward.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Changes in Accounting Policy (continued)

These changes do not affect the consolidated financial statements or per share data for the current consolidated fiscal year.

### 3. 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 2016 and 2015, as a matter of arithmetic computation only, at the rate of ¥113 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2016. 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.

### 4. Supplementary Cash Flow Information

Information related to cash and cash equivalents as of March 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Cash and deposits	¥ 17,086	¥ 12,920	\$ 151,203	\$ 114,337
Time deposits with deposit terms of more than three months	—	—	—	—
Cash and cash equivalents at end of the year	¥ 17,086	¥ 12,920	\$ 151,203	\$ 114,337

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Inventories**

Inventories at March 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of</i>	
			<i>U.S. dollars)</i>	
Finished goods	¥ 2,866	¥ 2,635	\$ 25,363	\$ 23,319
Work in process	20,702	23,275	183,208	205,967
Raw materials and supplies	15,067	12,955	133,333	114,647
	<u>¥ 38,635</u>	<u>¥ 38,865</u>	<u>\$ 341,904</u>	<u>\$ 343,933</u>

A loss on devaluation of inventories in the amount of ¥248 million (\$2,195 thousand) is recorded under cost of sales for the year ended March 31, 2016. A loss on devaluation of inventories in the amount of ¥116 million (\$1,027 thousand) is recorded under cost of sales for the year ended March 31, 2015.

Inventories and provision for contract losses are not offset. The amount of provision for contract losses against the inventories (work in process) is ¥57 million (\$504 thousand) and ¥85 million (\$752 thousand) for the years ended March 31, 2016 and 2015, respectively.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 6. 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 ¥94 million (\$832 thousand) and ¥92 million (\$814 thousand) for the years ended March 31, 2016 and 2015.

The carrying amount and fair value of investment and rental properties at the end of the years ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Carrying amount	¥ 1,664	¥ 1,721	\$ 14,726	\$ 15,230
Fair Value	3,535	3,546	31,283	31,381

Decrease for the year ended March 31, 2015 was due mainly to decrease in rental property due to conversion of ¥49 million (\$434 thousand).

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 7. Securities

- a) Information with respect to marketable securities classified as available-for-sale securities as of March 31, 2016 and 2015 are as follows:

	<b>March 31, 2016</b>					
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥ 1,793	¥4,229	¥ 2,436	\$ 15,867	\$ 37,424	\$ 21,557
Bonds and debentures	-	-	-	-	-	-
Other	-	-	-	-	-	-
	¥ 1,793	¥4,229	¥ 2,436	\$ 15,867	\$ 37,424	\$ 21,557
Securities whose acquisition cost exceeds their fair value:						
Equity securities	¥ 64	¥ 59	¥ (5)	\$ 566	\$ 522	\$ (44)
Bonds and debentures	-	-	-	-	-	-
Other	-	-	-	-	-	-
	¥ 64	¥ 59	¥ (5)	\$ 566	\$ 522	\$ (44)
	¥ 1,857	¥ 4,288	¥2,431	\$ 16,433	\$37,946	\$ 21,513

	<b>March 31, 2015</b>					
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥ 1,721	¥4,789	¥ 3,068	\$ 15,230	\$ 42,381	\$ 27,151
Bonds and debentures	-	-	-	-	-	-
Other	-	-	-	-	-	-
	¥ 1,721	¥4,789	¥ 3,068	\$ 15,230	\$ 42,381	\$ 27,151
Securities whose acquisition cost exceeds their fair value:						
Equity securities	¥ 160	¥ 147	¥ (13)	\$ 1,416	\$ 1,301	\$ (115)
Bonds and debentures	-	-	-	-	-	-
Other	-	-	-	-	-	-
	¥ 160	¥ 147	¥ (13)	\$ 1,416	\$ 1,301	\$ (115)
	¥ 1,881	¥ 4,936	¥3,055	\$ 16,646	\$ 43,682	\$ 27,036

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**7. Securities (continued)**

- b) The aggregate book values of securities with no available fair value as of March 31, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Unlisted stocks	¥ 675	¥675	\$ 5,973	\$ 5,973

**8. Short-Term Bank Loans and Long-Term Debt**

The weighted average interest rate on short-term bank loan as of March 31, 2015 was 2.20%.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Unsecured loans due through 2017 with weighted-average interest rates of 0.26% at March 31, 2016 and 0.36% at March 31, 2015	¥ 2,000	¥ 4,000	\$ 17,699	\$ 35,398
Lease obligations due through 2021	369	473	3,268	4,183
	2,369	4,473	20,967	39,581
Less current portion	(2,000)	(2,000)	(17,699)	(17,699)
	¥ 369	¥ 2,473	\$ 3,268	\$ 21,882

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 8. Short-Term Bank Loans and Long-Term Debt (continued)

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 are as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2017	¥ 2,188	\$ 19,363
2018	88	779
2019	48	425
2020	32	284
2021 and thereafter	13	116
Total	¥ 2,369	\$ 20,967

Lease obligations of ¥188 million (\$1,664 thousand) as of March 31, 2016 whose maturity dates are in the year ending March 31, 2017 are included in the long-term debt of ¥369 million (\$3,268 thousand) presented in the consolidated balance sheet as of March 31, 2016.

### 9. Retirement Benefit Plans for Employees

For the years ended March 31, 2016 and 2015

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.

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Retirement Benefit Plans for Employees (continued)**

Defined benefit plans

(a) The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015 are as follows (except for the plans which are described in (c)):

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Balance of retirement benefit obligation at beginning of the period	¥23,041	¥24,239	\$ 203,902	\$ 214,504
Cumulative effects of changes in accounting policies	–	(2,402)	–	(21,256)
Restated balance	23,041	21,837	203,902	193,248
Service cost	1,182	1,097	10,460	9,708
Interest cost	145	218	1,283	1,929
Actuarial gain or loss	1,518	1,162	13,434	10,283
Retirement benefits paid	(1,187)	(1,290)	(10,504)	(11,416)
Prior service cost	–	(0)	–	(0)
Other	–	17	–	150
Balance of retirement benefit obligation at end of the period	<u>¥24,699</u>	<u>¥23,041</u>	<u>\$218,575</u>	<u>\$ 203,902</u>

(b) The changes in plan assets for the year ended March 31, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Balance of plan assets at beginning of the period	¥ 17,517	¥ 16,466	\$ 155,018	\$ 145,717
Expected return on plan assets	321	238	2,840	2,106
Actuarial gain or loss	(177)	1,208	(1,566)	10,690
Contribution from the employer	424	413	3,752	3,655
Retirement benefits paid	(717)	(808)	(6,345)	(7,150)
Other	–	(0)	–	(0)
Balance of retirement benefit obligation at end of the period	<u>¥ 17,368</u>	<u>¥ 17,517</u>	<u>\$153,699</u>	<u>\$ 155,018</u>



ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Retirement Benefit Plans for Employees (continued)**

(c) The changes in net defined benefit liability under the plans which adopt a simplified method for the years ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Balance of net defined benefit liability at beginning of the period	¥ 1,075	¥ 1,094	\$ 9,513	\$ 9,681
Retirement benefit expenses	159	143	1,407	1,266
Retirement benefits paid	(143)	(168)	(1,265)	(1,487)
Other	-	6	-	53
Balance of net defined benefit liability at end of the period	<u>¥ 1,091</u>	<u>¥ 1,075</u>	<u>\$ 9,655</u>	<u>\$ 9,513</u>

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

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Funded retirement benefit obligation	¥ 14,726	¥ 13,949	\$ 130,323	\$ 123,446
Plan assets	(17,368)	(17,518)	(153,699)	(155,027)
	(2,642)	(3,569)	(23,376)	(31,581)
Unfunded retirement benefit obligation	11,063	10,166	97,903	89,969
Net liability and asset recorded in the consolidated balance sheets	<u>¥ 8,421</u>	<u>¥ 6,597</u>	<u>\$ 74,527</u>	<u>\$ 58,388</u>
Net defined benefit liability	11,063	10,166	97,903	89,969
Net defined benefit asset	(2,642)	(3,569)	(23,376)	(31,581)
Net liability and asset recorded in the consolidated balance sheets	<u>¥ 8,421</u>	<u>¥ 6,597</u>	<u>\$ 74,527</u>	<u>\$ 58,388</u>

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Retirement Benefit Plans for Employees (continued)**

(e) The components of retirement benefit expenses for the year ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Service cost	¥ 1,183	¥ 1,097	\$ 10,468	\$ 9,708
Interest cost	145	218	1,283	1,929
Expected return on plans assets	(321)	(239)	(2,840)	(2,115)
Amortization of actuarial gain or loss	252	386	2,230	3,415
Amortization of prior service cost	22	22	195	195
Retirement benefit expenses calculated by a simplified method	<u>159</u>	<u>143</u>	<u>1,407</u>	<u>1,266</u>
Retirement benefit expenses on defined benefit plans	<u>¥1,440</u>	<u>¥1,627</u>	<u>\$ 12,743</u>	<u>\$ 14,398</u>

(f) Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Prior service cost	¥ 22	¥ 21	\$ 195	\$ 186
Actuarial gain or loss	<u>(1,443)</u>	<u>433</u>	<u>(12,770)</u>	<u>3,832</u>
Total	<u>¥(1,421)</u>	<u>¥454</u>	<u>\$ (12,575)</u>	<u>\$ 4,018</u>

(g) Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Unrecognized prior service cost	¥ (123)	¥ (101)	\$ (1,088)	\$ (894)
Unrecognized actuarial gain or loss	<u>2,806</u>	<u>1,363</u>	<u>24,832</u>	<u>12,062</u>
Total	<u>¥2,683</u>	<u>¥1,262</u>	<u>\$ 23,744</u>	<u>\$ 11,168</u>

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Retirement Benefit Plans for Employees (continued)**

(h) Plan assets

1) Plan assets consist of the following:

	<b>2016</b>	<b>2015</b>
Debt securities	79%	77%
Equity securities	16%	19%
Others	5%	4%
Total	100%	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.

(i) Assumptions used for actuarial calculation

Major assumptions used in the accounting for the above plans at March 31, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Discount rate	Primarily 0.1%	Primarily 0.6%
Long-term expected rate of return on plan assets	1.8%	1.5%
Selection ratio of lump-sum payment	70.0%	70.0%

Defined contribution plans

The amount of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries was ¥226 million (\$2,000 thousand) and ¥221 million (\$1,955 thousand) for the years ended March 31, 2016 and 2015.

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Retirement Benefit Plans for Employees (continued)**

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 ¥40 million (\$354 thousand) and ¥59 million (\$522 thousand) for the years ended March 31, 2016 and 2015.

(a) Funded status of the whole plan (as of March 31, 2015 and 2014)

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Amount of plan assets	¥ 83,744	¥ 74,916	\$ 741,097	\$ 662,973
Amount of benefit obligation for the purpose of pension financing calculation	104,880	100,891	928,142	892,841
Net amount	¥(21,136)	¥(25,975)	\$(187,045)	\$(229,868)

(b) The contribution percentage of the Company and its subsidiaries for the multi-employer welfare pension fund plan (contribution for the years ended March 31, 2015 and 2014) was 1.2% and 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 ¥22,875 million (\$202,434 thousand) and surplus funds of ¥1,739 million (\$15,389 thousand) as of March 31, 2016. 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 ¥23,226 million (\$205,540 thousand) and deficit in the amount of ¥2,749 million (\$24,327 thousand) as of March 31, 2015.

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 ¥26 million (\$230 thousand) and ¥24 million (\$212 thousand) to income in the accompanying consolidated financial statements for the years ended March 31, 2016 and 2015.

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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 10. 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 33.0% and 35.6% for 2016 and 2015, 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, 2016 and 2015 are summarized as follows:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Deferred tax assets:				
Net operating loss carryforwards	¥ 76	¥ 76	\$ 673	\$ 673
Net defined benefit liability	3,387	3,249	29,973	28,752
Accrued bonuses	1,822	1,727	16,124	15,283
Loss on valuation of inventories	525	464	4,646	4,106
Depreciation and amortization	283	278	2,504	2,460
Impairment loss	1,136	1,190	10,053	10,531
Provision for losses on construction contracts	1,003	870	8,876	7,699
Other	1,534	1,575	13,576	13,938
	<u>9,766</u>	<u>9,429</u>	<u>86,425</u>	<u>83,442</u>
Valuation allowance	(193)	(224)	(1,708)	(1,982)
	<u>9,573</u>	<u>9,205</u>	<u>84,717</u>	<u>81,460</u>
Deferred tax liabilities:				
Unrealized gain on securities	714	955	6,319	8,451
Negative goodwill	69	143	611	1,265
Net defined benefit asset	816	1,160	7,221	10,265
Other	42	37	371	329
	<u>1,641</u>	<u>2,295</u>	<u>14,522</u>	<u>20,310</u>
Net deferred tax assets	<u>¥ 7,932</u>	<u>¥ 6,910</u>	<u>\$ 70,195</u>	<u>\$ 61,150</u>

In the fiscal year ended March 31, 2016 and 2015 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 10. Income Taxes (continued)

Following promulgation of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Amendment of the Local Tax Act, etc. (Act No. 13 of 2016) in the Diet session of March 29, 2016, the effective statutory tax rate used for calculation of deferred tax assets and deferred tax liabilities in the current consolidated fiscal year (limited to those to be eliminated on or after April 1, 2016) changed from 33.0% in the preceding consolidated fiscal year to 30.8% for such assets and liabilities expected to be recovered or paid in the period April 1, 2016 to March 31, 2018, and to 30.6% for those expected to be recovered or paid on April 1, 2018 and thereafter.

As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥472 million (\$4,177 thousand), while income taxes – deferred and net unrealized gains on securities increased by ¥466 million (\$4,124 thousand) and ¥37 million (\$327 thousand), respectively, and remeasurements of defined benefit plans decreased by ¥43 million (\$381 thousand) in the current consolidated fiscal year. In addition, deferred income taxes on land revaluation reserve decreased by ¥2 million (\$18 thousand) and the land revaluation reserve increased by the same amount.

### 11. Contingent Liabilities

At March 31, 2016 and 2015, the Company and its consolidated subsidiaries were contingently liable as follows:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Joint and several guarantee of obligation under the performance guarantee insurance contract	29	29	257	257

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 12. 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 ¥198 million (\$1,752 thousand) and ¥197 million (\$1,743 thousand) at March 31, 2016 and 2015, respectively.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 13. 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, 2016 and 2015 are summarized as follows:

<b>Number of shares</b>				
<b>2016</b>				
	March 31, 2015	Increase	Decrease	March 31, 2016
Treasury stock	319,254	8,132	250	327,136
<b>2015</b>				
	March 31, 2014	Increase	Decrease	March 31, 2015
Treasury stock	309,053	10,201	–	319,254

Increase in the number of treasury stock during the year ended March 31, 2016 is due to the increase of 8,132 shares through the purchase of fractional shares.

Decrease in the number of treasury stock during the year ended March 31, 2016 is due to the decrease of 250 shares through the sale of fractional shares.

Increase in the number of treasury stock during the year ended March 31, 2015 is due to the increase of 10,201 shares through the purchase of fractional shares.



ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**13. Shareholders' Equity (continued)**

Dividends paid in the years ended March 31, 2016 and 2015 are as follows:

	<b>Resolution</b>			
	<b>2016</b>		<b>2015</b>	
	Annual general meeting of shareholders June 25, 2015	Board of directors meeting October 29, 2015	Annual general meeting of shareholders June 25, 2014	Board of directors meeting October 30, 2014
Class of shares	Common stock	Common stock	Common stock	Common stock
Total cash dividends (Millions of yen)	¥ 797	¥ 698	¥ 698	¥ 598
(Thousands of U.S. dollars)	\$ 7,053	\$ 6,177	\$ 6,177	\$ 5,292
Cash dividends per share (Yen)	¥ 8	¥ 7	¥ 7	¥ 6
(U.S. dollars)	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.05
Record date	March 31, 2015	September 30, 2015	March 31, 2014	September 30, 2014
Effective date	June 26, 2015	December 1, 2015	June 26, 2014	December 1, 2014

Dividends whose record date falls in the years ended March 31, 2016 or 2015, but whose effective date falls in the following year are as follows:

	<b>Resolution</b>	
	<b>2016</b>	<b>2015</b>
	Annual general meeting of shareholders June 29, 2016	Annual general meeting of shareholders June 25, 2015
Class of shares	Common stock	Common stock
Total cash dividends (Millions of yen)	¥ 698	¥ 797
(Thousands of U.S. dollars)	\$ 6,177	\$ 7,053
Cash dividends per share (Yen)	¥ 7	¥ 8
(U.S. dollars)	\$ 0.06	\$ 0.07
Record date	March 31, 2016	March 31, 2015
Effective date	June 30, 2016	June 26, 2015

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**14. Selling, General and Administrative Expenses**

Selling, general and administrative expenses consist primarily of the following for the years ended March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Employees salaries and allowances	¥ 8,276	¥ 8,084	\$ 73,239	\$ 71,540
Provision of allowance for doubtful receivable	(22)	(1)	(195)	(9)
Accrued bonuses for directors	240	211	2,124	1,867
Retirement benefit expenses	453	515	4,009	4,558
Research and Development Expenses	2,530	2,496	22,389	22,088

**15. Provision for Losses on Construction Contracts**

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2016 and 2015 amounted to ¥3,201 million (\$28,327 thousand) and ¥2,628 million (\$23,257 thousand), respectively.

**16. Research and Development Expenses**

Research and development expenses included in manufacturing cost and selling, general and administrative expenses for the years ended March 31, 2016 and 2015 amounted to ¥2,845 million (\$25,177 thousand) and ¥2,789 million (\$24,681 thousand), respectively.

**17. Amounts per Share**

Amounts per share are summarized as follows:

	<u>Years ended March 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>	
Net income	¥103.15	¥ 91.88	\$ 0.91	\$ 0.81
Net assets	1,133.65	1,062.04	10.03	9.40

Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2016 and 2015.

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**18. Other Comprehensive Income**

The components of other comprehensive income for the year ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Unrealized gain on securities:				
Amount arising during the year	¥ (605)	¥ 950	\$ (5,354)	\$ 8,407
Reclassification adjustments	(9)	–	(80)	–
Before tax effect	(614)	950	(5,434)	8,407
Tax effect	236	(242)	2,092	(2,139)
Total unrealized gain on securities	(378)	708	(3,342)	6,268
Land revaluation reserve:				
Amount arising during the year	–	–	–	–
Reclassification adjustments	–	–	–	–
Before tax effect	–	–	–	–
Tax effect	3	5	23	45
Total land revaluation reserve	3	5	23	45
Translation adjustments:				
Amount arising during the year	(219)	274	(1,940)	2,419
Reclassification adjustments	–	–	–	–
Before tax effect	(219)	274	(1,940)	2,419
Tax effect	–	–	–	–
Total translation adjustments	(219)	274	(1,940)	2,419
Remeasurements of defined benefit plans				
Amount arising during the year	(1,695)	46	(15,000)	407
Reclassification adjustments	274	408	2,425	3,611
Before tax effect	(1,421)	454	(12,575)	4,018
Tax effect	420	(194)	3,715	(1,718)
Total remeasurements of defined benefit plans	(1,001)	260	(8,860)	2,300
Share of other comprehensive income of associates accounted for using equity method:				
Amount arising during the year	(61)	123	(541)	1,091
Total other comprehensive income	¥ (1,656)	¥ 1,370	\$(14,660)	\$ 12,123

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 19. 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 19. Financial Instruments (continued)

#### (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 to 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 19. Financial Instruments (continued)

#### 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 20 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, 2016 and 2015 are as follows:

	<b>2016</b>					
	Carrying amount	Fair value	Unrealized loss	Carrying amount	Fair value	Unrealized loss
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Cash and deposits	¥ 17,086	¥ 17,086	¥ –	\$151,203	\$151,203	\$ –
Trade notes and accounts receivable	76,642			678,248		
Allowance for doubtful receivables	(13)			(115)		
Subtotal	<u>76,629</u>	<u>76,629</u>	<u>(0)</u>	<u>678,133</u>	<u>678,133</u>	<u>(0)</u>
Investment securities: Available-for-sale securities	4,288	4,288	–	37,947	37,947	–
Total	<u>¥ 98,003</u>	<u>¥ 98,003</u>	<u>¥ (0)</u>	<u>\$867,283</u>	<u>\$867,283</u>	<u>\$ (0)</u>
Trade notes and accounts payable	31,472	31,472	–	278,516	278,516	–
Long-term debt	2,000	2,000	–	17,699	17,699	–
Total	<u>¥ 33,472</u>	<u>¥ 33,472</u>	<u>¥ –</u>	<u>\$296,215</u>	<u>\$296,215</u>	<u>\$ –</u>
Derivative transactions	521	521	–	4,611	4,611	–

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

	2015					
	Carrying amount	Fair value	Unrealized loss	Carrying amount	Fair value	Unrealized loss
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Cash and deposits	¥ 12,920	¥ 12,920	¥ –	\$114,337	\$114,337	\$ –
Trade notes and accounts receivable	77,520			686,016		
Allowance for doubtful receivables	(25)			(221)		
Subtotal	77,495	77,495	(0)	685,795	685,795	(0)
Investment securities:						
Available-for-sale securities	4,936	4,936	–	43,681	43,681	–
Total	¥ 95,351	¥ 95,351	¥ (0)	\$843,813	\$843,813	\$ (0)
Trade notes and accounts payable	32,215	32,215	–	285,088	285,088	–
Long-term debt	4,000	4,000	–	35,398	35,398	–
Total	¥ 36,215	¥ 36,215	¥ –	\$320,486	\$320,486	\$ –
Derivative transactions	(156)	(156)	–	(1,381)	(1,381)	–

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

Deposits are stated at book value, because their fair values approximate their book values due to the short maturity of these instruments.

Trade notes and accounts receivable

The fair value of these items is determined based on the present value of carrying value, grouped by term of settlement, discounted at an interest rate determined taking into account the remaining period of those and credit risk.

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 7.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 19. Financial Instruments (continued)

#### 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 20.

- ii) The redemption schedule at March 31, 2016 and 2015 for monetary assets after the balance sheet date is summarized as follows:

	<b>March 31, 2016</b>			
	Due in one year or less	Due after one year	Due in one year or less	Due after one year
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Cash and deposits	¥ 17,086	¥ –	\$ 151,203	\$ –
Trade notes and accounts receivable	76,595	47	677,832	416
<b>Total</b>	<b>¥ 93,681</b>	<b>¥ 47</b>	<b>\$ 829,035</b>	<b>\$ 416</b>

	<b>March 31, 2015</b>			
	Due in one year or less	Due after one year	Due in one year or less	Due after one year
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Cash and deposits	¥ 12,920	¥ –	\$ 114,337	\$ –
Trade notes and accounts receivable	77,445	75	685,353	663
<b>Total</b>	<b>¥ 90,365</b>	<b>¥ 75</b>	<b>\$ 799,690</b>	<b>\$ 663</b>

- iii) The redemption schedule for long-term debt after the balance sheet date is described in Note 8.



# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 20. Derivatives

The contract or notional amounts of the derivative financial instruments held at March 31, 2016 and 2015 are summarized as follows:

	<b>March 31, 2016</b>							
	Contracts due				Contracts due			
	Within one year	After one year	Fair value	Unrealized gain (loss)	Within one year	After one year	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
Forward foreign exchange contracts: To sell foreign currencies U.S. dollars	¥ 11,005	-	¥ 521	¥ 521	\$ 97,389	-	\$ 4,611	\$ 4,611

	<b>March 31, 2015</b>							
	Contracts due				Contracts due			
	Within one year	After one year	Fair value	Unrealized gain (loss)	Within one year	After one year	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
Forward foreign exchange contracts: To sell foreign currencies U.S. dollars	¥ 11,751	-	¥ (156)	¥ (156)	\$103,991	-	\$ (1,381)	\$ (1,381)

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 21. 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.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 21. Segment Information (continued)

(c) Information about net sales, profit, assets and other items by reportable segments for the years ended March 31, 2016 and 2015 are as follows:

	Year ended March 31, 2016						Adjustments	Consolidated statements
	Reportable segments					Total		
	Aircraft	Special Purpose Trucks	Industrial Machinery and Environme ntal Systems	Parking Systems	Other	Total		
<i>(Millions of yen)</i>								
Net Sales:								
Customers	¥ 47,263	¥ 87,462	¥ 30,156	¥ 29,359	¥ 9,678	¥203,918	¥ –	¥203,918
Inter-segment	–	25	5	13	3,438	3,481	(3,481)	–
Total	47,263	87,487	30,161	29,372	13,116	207,399	(3,481)	203,918
Segment profit	6,547	6,748	1,985	1,815	796	17,891	(2,631)	15,260
Segment assets	48,711	65,509	24,260	15,272	22,600	176,352	10,428	186,780
Other:								
Depreciation	¥ 1,210	¥ 1,692	¥ 588	¥ 518	¥ 175	¥ 4,183	¥ 179	¥ 4,362
Increase in property, plant and equipment and intangible assets	1,705	2,502	647	462	110	5,426	232	5,658
<i>(Thousands of U.S. dollars)</i>								
Net Sales:								
Customers	\$418,256	\$774,000	\$266,867	\$259,814	\$85,646	\$1,804,583	\$ –	\$1,804,583
Inter-segment	–	221	44	115	30,425	30,805	(30,805)	–
Total	418,256	774,221	266,911	259,929	116,071	1,835,388	(30,805)	1,804,583
Segment profit	57,938	59,718	17,567	16,062	7,044	158,329	(23,283)	135,046
Segment assets	431,072	579,726	214,691	135,151	200,000	1,560,640	92,283	1,652,923
Other:								
Depreciation	\$ 10,708	\$ 14,973	\$ 5,204	\$ 4,584	\$ 1,549	\$ 37,018	\$ 1,589	\$ 38,607
Increase in property, plant and equipment and intangible assets	15,089	22,142	5,726	4,088	973	48,018	2,053	50,071

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

	Year ended March 31, 2015							Consolidated statements
	Reportable segments					Total	Adjustments	
	Aircraft	Special Purpose Trucks	Industrial Machinery and Environmental Systems	Parking Systems	Other			
	<i>(Millions of yen)</i>							
Net Sales:								
Customers	¥ 41,144	¥ 84,775	¥ 27,929	¥ 27,441	¥ 11,842	¥193,131	¥ –	¥193,131
Inter-segment	–	6	8	47	2,984	3,045	(3,045)	–
Total	41,144	84,781	27,937	27,488	14,826	196,176	(3,045)	193,131
Segment profit	5,264	6,929	1,878	1,331	439	15,841	(2,206)	13,635
Segment assets	44,997	65,135	23,305	15,825	12,580	161,842	20,325	182,167
Other:								
Depreciation	¥ 1,180	¥ 1,499	¥ 620	¥ 453	¥ 174	¥ 3,926	¥ 167	¥ 4,093
Increase in property, plant and equipment and intangible assets	726	2,328	719	433	64	4,270	139	4,409
	<i>(Thousands of U.S. dollars)</i>							
Net Sales:								
Customers	\$364,107	\$750,222	\$247,160	\$242,842	\$ 104,798	\$1,709,129	\$ –	\$1,709,129
Inter-segment	–	53	71	416	26,407	26,947	(26,947)	–
Total	364,107	750,275	247,231	243,258	131,205	1,736,076	(26,947)	1,709,129
Segment profit	46,585	61,319	16,620	11,779	3,885	140,188	(19,522)	120,666
Segment assets	398,204	576,416	206,239	140,044	111,328	1,432,231	179,867	1,612,098
Other:								
Depreciation	\$ 10,443	\$ 13,266	\$ 5,487	\$ 4,009	\$ 1,540	\$ 34,745	\$ 1,480	\$ 36,225
Increase in property, plant and equipment and intangible assets	6,425	20,602	6,363	3,832	566	37,788	1,230	39,018

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

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 21. Segment Information (continued)

Information about geographic areas for the years ended March 31, 2016 and 2015 are as follows:

	<b>Year ended March 31, 2016</b>				
	Japan	Asia	North America	Other areas	Total
	<i>(Millions of yen)</i>				
Net Sales to Customers	¥ 155,775	¥ 8,834	¥ 33,863	¥ 5,446	¥ 203,918
	<i>(Thousands of U.S. dollars)</i>				
Net Sales to Customers	\$ 1,378,540	\$ 78,177	\$ 299,672	\$ 48,194	\$ 1,804,583

  

	<b>Year ended March 31, 2015</b>				
	Japan	Asia	North America	Other areas	Total
	<i>(Millions of yen)</i>				
Net Sales to Customers	¥ 147,523	¥ 8,245	¥ 31,560	¥ 5,803	¥ 193,131
	<i>(Thousands of U.S. dollars)</i>				
Net Sales to Customers	\$ 1,305,515	\$ 72,966	\$ 279,293	\$ 51,355	\$ 1,709,129

Information about major customers for the year ended March 31, 2016 is as follows:

	<b>Year ended March 31, 2016</b>	
	Net sales	Related reportable segment
	<i>(Thousands of</i>	
Name of customer	<i>(Millions of yen)</i>	<i>U.S. dollars)</i>
Mitsubishi Heavy Industries, Ltd.	¥ 21,129	\$186,982 Aircraft and Special Purpose Trucks

Information has been omitted since there is no customer that represents more than 10% of net sales in the consolidated statement of income for the year ended March 31, 2015.

# ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 22. 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, 2016, was proposed upon resolution at the meeting of the Board of Directors held on May 24, 2016 and is subject to approval at a shareholders' meeting to be held on June 29, 2016:

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
Cash dividends (¥7.00 = U.S.\$0.06 per share)	¥ 698	\$ 6,177

#### (b) Acquisition of treasury stock

Pursuant to Article 156 of the Companies Act as applied mutatis mutandis under Article 165, Paragraph 3 of the same Act, the Company resolved at the meeting of the Board of Directors on May 11, 2016 to acquire treasury stock in a specific manner and duly implemented such acquisition.

##### 1) Reason for acquiring treasury stock

To improve capital efficiency

##### 2) Method for acquisition

The Company will instruct its agent to purchase its own shares on the Tokyo Stock Exchange in off-hours trading (through the ToSTNeT-3 trading system) at 8:45 a.m. on May 12, 2016, at the closing price of ¥736 per share on May 11, 2016. No other changes to the trading system or times.

This purchase order will be made only at the above-stated trading time.

##### 3) Details of acquisition

① Type of shares to be acquired: Common stock of the Company

② Total number of shares to be acquired: 5,000,000 shares (maximum)

(Ratio to the total number of issued shares excluding treasury stock: 5.02%)

Total amount of shares to be acquired: ¥3,680 million (\$32,566 thousand)

(maximum)

## ShinMaywa Industries, Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 22. Subsequent Events (continued)

##### 4) Result of acquisition

As a result of the abovementioned acquisition on May 12, 2016, the Company acquired 4,203,000 shares of its common stock (acquisition price: ¥3,093 million (\$27,372 thousand)) and completed acquisition of treasury stock as per the resolution.

**ShinMaywa**

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