HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31 , 2014

pwc

Independent Auditor's Report

To the Board of Directors of Harmonic Drive Systems Inc

We have audited the accompanying consolidated financial statements of Harmonic Drive Systems Inc. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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 accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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, while the purpose of the financial statements audit is not to express 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 present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

June 30, 2014

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2013	2014	2014
Assets:			
Current assets -			
Cash and bank deposits (Notes 9(a) and 11(d))	¥11,957,900	¥9,057,018	$88,000
Notes and accounts receivable, trade (Notes 5(c) and 11(d))	5,058,012	6,707,564	65,172
Marketable securities (Notes 9(a) and 12)	30,647	30,665	297
Finished products	140,875	192,766	1,872
Work in process	491,011	569,122	5,529
Raw materials and supplies	643,942	729,788	7,090
Deferred tax assets - current (Note 16)	382,379	465,572	4,523
Other current assets	223,822	231,405	2,248
Allowance for doubtful accounts (Note 11(d))	(31,528)	(54,207)	(526)
Total current assets	18,897,063	17,929,696	174,210
Fixed assets -			
Tangible fixed assets (Notes 5(b), 10 and 17(d)):			
Buildings and structures	2,423,332	2,248,413	21,846
Machinery and equipment	1,438,876	1,799,848	17,487
Land	997,658	1,012,029	9,833
Leased assets	217,238	139,784	1,358
Construction in progress	93,784	60,105	583
Others	519,924	573,455	5,571
Total tangible fixed assets	5,690,814	5,833,637	56,681
Intangible fixed assets:			
Software	143,477	169,581	1,647
Others	8,572	9,403	91
Total intangible fixed assets	152,049	178,984	1,739
Investments and other assets:			
Investment securities (Notes 11(d) and 12)	461,672	769,549	7,477
Investment in affiliated companies (Notes 5(a), 11(d), and 12)	11,324,691	13,207,876	128,331
Long-term loans receivable	337,254	306,339	2,976
Long-term prepaid expenses (Note 14)	341,506	4,703	45
Long-term bank deposits	900	1,850	17
Deferred tax assets – non current (Note 16)	31,877	25,973	252
Net defined benefit assets (Note 14)	-	603,689	5,865
Others	58,509	75,415	732
Allowance for doubtful accounts	(342,345)	(311,767)	(3,029)
Total investments and other assets	12,214,067	14,683,629	142,670
Total fixed assets	18,056,931	20,696,251	201,090
Total assets	¥36,953,995	¥38,625,948	$375,300

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2013	2014	2014
Liabilities:			
Current liabilities -			
Notes and accounts payable, trade (Note 11(d))	¥1,498,114	¥1,742,185	$16,927
Short-term borrowings (Note 21(b))	10,000	10,000	97
Current portion of long-term debt (Notes 5(b) and 21(b))	1,750,888	52,143	506
Lease obligations – current (Note 21(b))	83,691	59,988	582
Accrued income taxes (Note 11(d))	525,208	1,134,314	11,021
Accrued bonuses for employees	540,718	664,693	6,458
Accrued bonuses for directors and audit & supervisory board members	73,980	115,126	1,118
Accrued warranty expenses	65,286	43,699	424
Other current liabilities	1,094,491	1,257,119	12,214
Total current liabilities	5,642,379	5,079,270	49,351
Long-term liabilities -			
Long-term debt (Notes 5(b) and 21(b))	3,158,689	155,519	1,511
Long-term accounts payable, other	37,938	47,598	462
Lease obligations – non current (Note 21(b))	132,779	81,565	792
Deferred tax liabilities – non current (Note 16)	1,553,384	2,345,913	22,793
Reserve for retirement benefits for employees (Note 14)	32,729	-	-
Reserve for retirement benefits for directors and audit & supervisory board members	321,395	311,744	3,028
Reserve for retirement benefits for executive officers	88,130	36,637	355
Net defined benefit liabilities (Note 14)	-	46,807	454
Total long-term liabilities	5,325,048	3,025,787	29,399
Total liabilities	10,967,427	8,105,058	78,751
Net assets (Note 19):			
Shareholders' equity (Note 8) -			
Common stock:			
- Authorized: 118,800,000 shares			
Issued and outstanding: 31,583,100 shares	1,610,542	1,610,542	15,648
Capital surplus	5,203,709	5,203,709	50,560
Retained earnings	18,242,282	20,503,247	199,215
Treasury stock, at cost	(2,304,883)	(2,304,883)	(22,394)
Total shareholders' equity	22,751,650	25,012,616	243,029
Accumulated other comprehensive income -			
Net unrealized gains on available-for-sale securities (Note 12)	2,617,408	3,740,491	36,343
Foreign currency translation adjustments	(407,913)	425,562	4,134
Remeasurements of defined benefit plans	-	144,575	1,404
Total accumulated other comprehensive income	2,209,495	4,310,629	41,883
Minority interest in consolidated subsidiaries	1,025,421	1,197,644	11,636
Total net assets	25,986,567	30,520,889	296,549
Total liabilities and net assets	¥36,953,995	¥38,625,948	$375,300

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

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2013	2014	2014
Net sales (Notes 17 and 21(d))	¥18,130,644	¥21,083,534	$204,853
Cost of sales (Notes 6(b) and 17)	10,762,549	11,965,633	116,261
Gross profit	7,368,095	9,117,901	88,592
Selling, general and administrative expenses (Notes 6(a) and 6(b))	3,931,994	4,449,801	43,235
Operating profit	3,436,100	4,668,100	45,356
Other income:			
Interest income	15,535	5,775	56
Dividend income	121,448	118,292	1,149
Equity in income of affiliated companies	77,012	85,786	833
Subsidies	8,234	16,402	159
Foreign exchange gain	3,256	41,862	406
Others	11,590	13,477	130
	237,076	281,597	2,736
Other expenses:			
Interest expense	57,162	43,362	421
Commissions	-	32,559	316
Commitment fees for credit facility contracts	15,062	25,475	247
R & D costs related to subsidies	4,861	15,263	148
Others	20,021	10,454	101
	97,107	127,115	1,235
Ordinary profit	3,576,070	4,822,582	46,857
Exceptional gains:			
Gain on sales of fixed assets (Note 6(c))	849	-	-
	849	-	-
Exceptional losses:			
Loss on sales of fixed assets (Note 6(d))	189	-	-
Loss on disposal of fixed assets (Note 6(e))	44,873	1,246	12
Loss on compensation for finished products quality issues	73,237	24,112	234
Loss on devaluation of investment securities	214,455	-	-
Additional retirement benefits paid for a director	-	19,800	192
Others	14,870	5,692	55
	347,627	50,851	494
Income before income taxes and minority interest (Note 21(d))	3,229,291	4,771,730	46,363
Income taxes:			
Current	1,269,422	1,752,149	17,024
Deferred	(97,116)	7,978	77
	1,172,306	1,760,127	17,101
Income before minority interest	2,056,985	3,011,603	29,261
Minority interest in income of consolidated subsidiaries	96,147	17,860	173
Net income (Note 19 and 21(d))	¥1,960,838	¥2,993,743	$29,088

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

SYSTEMS

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2013	2014	2014
Income before minority interest	¥2,056,985	¥3,011,603	$29,261
Other comprehensive income -			
Net unrealized gains (losses) on available-for-sale securities	589,944	1,123,082	10,912
Foreign currency translation adjustments	217,856	509,144	4,946
Equity in other comprehensive income of an affiliated company accounted for by equity method	231,175	521,182	5,063
Total other comprehensive income (Note 7(a))	1,038,975	2,153,409	20,923
Comprehensive income	¥3,095,961	¥5,165,012	$50,184
Attributable to -			
Shareholders of Harmonic Drive Systems Inc.	¥2,912,846	¥4,950,301	$48,098
Minority interest	183,115	214,710	2,086

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

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2013	2014	2014
Shareholders' equity:			
Common Stock -			
Balance at the beginning of current year	¥1,610,542	¥1,610,542	$15,648
Balance at the end of current year	1,610,542	1,610,542	15,648
Capital surplus -			
Balance at the beginning of current year	5,203,709	5,203,709	50,560
Balance at the end of current year	5,203,709	5,203,709	50,560
Retained earnings -			
Balance at the beginning of current year	16,953,157	18,242,282	177,247
Changes during the year			
Cash dividends	(671,713)	(732,777)	(7,119)
Net income	1,960,838	2,993,743	29,088
Total changes	1,289,125	2,260,965	21,968
Balance at the end of current year	18,242,282	20,503,247	199,215
Treasury stock, at cost -			
Balance at the beginning of current year	(2,304,815)	(2,304,883)	(22,394)
Changes during the year			
Purchase of treasury stock	(68)	-	-
Total changes	(68)	-	-
Balance at the end of current year	(2,304,883)	(2,304,883)	(22,394)
Total shareholders' equity -			
Balance at the beginning of current year	21,462,594	22,751,650	221,061
Changes during the year			
Cash dividends	(671,713)	(732,777)	(7,119)
Net income	1,960,838	2,993,743	29,088
Purchase of treasury stock	(68)	-	-
Total changes	1,289,056	2,260,965	21,968
Balance at the end of current year	¥22,751,650	¥25,012,616	$243,029
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities -			
Balance at the beginning of current year	¥2,027,464	¥2,617,408	$25,431
Changes during the year			
Net changes in items other than those in shareholders' equity	589,944	1,123,082	10,912
Total changes	589,944	1,123,082	10,912
Balance at the end of current year	2,617,408	3,740,491	36,343

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

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2013	2014	2014
Accumulated other comprehensive income (continued)			
Foreign currency translation adjustments -			
Balance at the beginning of current year	(¥769,979)	(¥407,913)	(¥3,963)
Changes during the year			
Net changes in items other than those in shareholders' equity	362,066	833,475	8,098
Total changes	362,066	833,475	8,098
Balance at the end of current year	(407,913)	425,562	4,134
Remeasurements of defined benefit plans -			
Balance at the beginning of current year	-	-	-
Changes during the year			
Net changes in items other than those in shareholders' equity	-	144,575	1,404
Total changes	-	144,575	1,404
Balance at the end of current year	-	144,575	1,404
Total Accumulated other comprehensive income			
Balance at the beginning of current year	1,257,484	2,209,495	21,468
Changes during the year			
Net changes in items other than those in shareholders' equity	952,010	2,101,133	20,415
Total changes	952,010	2,101,133	20,415
Balance at the end of current year	2,209,495	4,310,629	41,883
Minority interest in consolidated subsidiaries:			
Balance at the beginning of current year	813,642	1,025,421	9,963
Changes during the year			
Net changes in items other than those in shareholders' equity	211,779	172,223	1,673
Total changes	211,779	172,223	1,673
Balance at the end of current year	1,025,421	1,197,644	11,636
Total net assets:			
Balance at the beginning of current year	23,533,721	25,986,567	252,492
Changes during the year			
Cash dividends	(671,713)	(732,777)	(7,119)
Net income	1,960,838	2,993,743	29,088
Purchase of treasury stock	(68)	-	-
Net changes in items other than those in shareholders' equity	1,163,789	2,273,356	22,088
Total changes	2,452,846	4,534,322	44,056
Balance at the end of current year	¥25,986,567	¥30,520,889	$296,549

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

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interest	¥3,229,291	¥4,771,730	$46,363
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities -			
Depreciation and amortization	1,119,874	1,170,661	11,374
Increase (Decrease) in allowance for doubtful accounts	7,185	(7,971)	(77)
Increase in reserve for retirement benefits for employees	5,634	-	-
Increase in net defined benefit liabilities	-	13,116	127
Increase (Decrease) in reserve for retirement benefits for directors and audit & supervisory board members	28,212	(9,650)	(93)
Increase (Decrease) in reserve for retirement benefits for executive officers	14,632	(51,492)	(500)
(Decrease) Increase in accrued bonuses for directors and audit & supervisory board members	(24,140)	41,146	399
Increase (Decrease) in accrued warranty expenses	1,525	(21,586)	(209)
Interest income	(15,535)	(5,775)	(56)
Dividend income	(121,448)	(118,292)	(1,149)
Interest expense	57,162	43,362	421
Equity in income of affiliated companies	(77,012)	(85,786)	(833)
Loss on devaluation of investment securities	214,455	-	-
Gain on sales of fixed assets	(659)	-	-
Loss on disposal of fixed assets	44,873	1,246	12
Decrease (Increase) in trade receivables	838,000	(1,578,279)	(15,335)
Decrease (Increase) in inventories	62,388	(135,184)	(1,313)
(Decrease) Increase in trade payables	(13,602)	167,219	1,624
Others, net	(144,175)	363,470	3,531
Subtotal	5,226,666	4,557,934	44,286
Interest and dividends received	130,344	131,561	1,278
Dividends received from an affiliated company	147,924	136,111	1,322
Interest paid	(59,016)	(38,019)	(369)
Income taxes paid	(785,801)	(1,152,682)	(11,199)
Income taxes refunded	40,020	8,289	80
Net cash provided by operating activities	4,700,137	3,643,195	35,398

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

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Thousands of yen For the years ended March 31		Thousands of U.S. dollars (Note 2) For the year ended March 31
	2013	2014	2014
Cash flows from investing activities:			
Payments for purchases of tangible fixed assets	(1,134,735)	(1,223,922)	(11,891)
Proceeds from sales of tangible fixed assets	1,103	-	-
Payments for purchases of intangible fixed assets	(34,820)	(81,763)	(794)
Proceeds from sales of investment securities	25	-	-
Payments for time deposits with a deposit period of over three months	(551,351)	(1,956,957)	(19,014)
Proceeds from maturities of time deposits with a deposit period of over three months	4,990,000	2,094,000	20,345
Payments for guarantee deposits	(2,766)	(14,927)	(145)
Proceeds from collection of guarantee deposits	2,718	743	7
Payments for short-term loans receivable	-	(350)	(3)
Proceeds from collection of short-term loans receivable	400	350	3
Payments for long-term loans receivable	(1,000)	-	-
Proceeds from collection of long-term loans receivable	2,230	326	3
Others, net	180	79,793	775
Net cash provided by (used in) investing activities	3,271,984	(1,102,707)	(10,714)
Cash flows from financing activities:			
Proceeds from short-term borrowings	10,000	20,000	194
Repayments of short-term borrowings	(10,000)	(20,000)	(194)
Proceeds from long-term debt	-	110,799	1,076
Repayments of long-term debt	(1,752,572)	(4,812,714)	(46,761)
Repayments of lease obligations	(84,051)	(85,089)	(826)
Purchase of treasury stock	(68)	-	-
Cash dividends paid	(671,713)	(732,777)	(7,119)
Proceeds from stock issuance to minority shareholders	131,620	-	-
Cash dividends paid to minority shareholders	(169,056)	(71,550)	(695)
Net cash used in financing activities	(2,545,842)	(5,591,332)	(54,326)
Effect of exchange rate changes on cash and cash equivalents	107,219	221,214	2,149
Net increase (decrease) in cash and cash equivalents	5,533,499	(2,829,629)	(27,493)
Cash and cash equivalents at the beginning of year	4,180,081	9,713,580	94,379
Cash and cash equivalents at the end of year (Note 9(a))	¥9,713,580	¥6,883,951	$66,886

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

HARMONIC DRIVE SYSTEMS INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

Harmonic Drive Systems Inc. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Companies") are engaged in the development, manufacture and sales of harmonic drive gears and related motion control products. The manufacturing facilities are located in Japan, the United States and Germany and its products are marketed by the Company in Japan, by subsidiaries in the United States and by an affiliated company in Europe.

2. Summary of significant accounting policies:

The accompanying consolidated financial statements of the Companies are prepared in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from International Financial Reporting Standards. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Companies in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the consolidated financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

In the consolidated financial statements, amounts have been rounded down to ¥1 thousand consistent with the original consolidated financial statements in Japanese. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated, as a matter of arithmetical computation only, at the rate of ¥102.92 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2014. This translation should not be construed as implying that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

(a) Basis of consolidation and accounting for investment in affiliated companies -

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Consolidated subsidiaries for the years ended March 31, 2013 and 2014 are as follows:

- HD Systems, Inc.
- HD Logistics, Inc.
- Harmonic Precision Inc.
- Harmonic AD, Inc.
- Harmonic Drive L.L.C.
- Winbel Co., Ltd.
- Harmonic Drive Systems (Shanghai) Co., Ltd.
- SAMICK ADM CO., LTD.

All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

The Company holds a 35% share in a sales distributor in Europe named as Harmonic Drive AG. The investment in the shares of Harmonic Drive AG is accounted for using the equity method in the consolidated financial statements for the years ended March 31, 2013 and 2014. In addition, the Company holds a 49.2% share in Ome Iron Casting Co., Ltd. The investment in Ome is also accounted for using the equity method in the consolidated financial statements.

The Company's foreign subsidiaries (HD Systems, Inc., Harmonic Drive L.L.C., Harmonic Drive Systems (Shanghai) Co., Ltd., and SAMICK ADM CO., LTD.) and affiliated company (Harmonic Drive AG) have a year end date of December 31, which differs from that of the Company. The consolidation of the foreign subsidiaries and the application of equity method for the investment in the affiliated company are based on the respective financial statements of these entities for the year ended December 31. Any material transactions occurring during the period from January 1 to March 31 are adjusted for, if appropriate, in these consolidated financial statements.

(b) Valuation basis and method for major assets -

① Marketable securities and investment securities:

Realized gains and losses on sales of those securities are determined using the moving average method and are reflected in the consolidated statements of income. Available-for-sale securities with market quotations are stated at fair value, with net unrealized gains or losses being reported as a separate component of net assets on a net-of-tax basis. Those securities without market quotations are stated at cost using the moving average method.

Investment in non-affiliated investment funds, which is regarded as securities prescribed under the Japanese Financial Instruments and Exchange Act and recorded as investment securities, is accounted for by the equity method based on the recent available financial information.

② Receivables and payables derived from derivatives:

All receivables and payables derived from derivatives are stated at fair value.

③ Inventories:

Finished products, work in process and raw materials are stated at moving average cost (reflecting the write down of their book value to the net selling value regarded as decreased profitability of any product, if any). Supplies are stated at cost, being determined by the last purchase price method.

(c) Depreciation and amortization method of depreciable assets -

① Tangible fixed assets (excluding leased assets):

Property, plant and equipment, including significant renewals and additions, are capitalized at cost. Maintenance and repairs, as well as minor renewals and improvements, are charged to income as incurred. Depreciation is computed using the declining balance method for the Company and its domestic subsidiaries, with the exception of buildings acquired on or after April 1, 1998, which are depreciated using the straight-line method. For the foreign subsidiaries, depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

② Intangible fixed assets (excluding leased assets):

Amortization is calculated based on the straight-line method. Software for in-house use is amortized based on the straight-line method over the expected useful life of 5 years.

③ Leased assets:

Depreciation of leased assets, other than those of which ownership is deemed to be transferred to the lessee, is computed based on the straight–line method over the lease period with no residual value.
Finance lease transactions that are deemed not to transfer ownership of the leased assets to the lessee and that were entered into before March 31, 2008, continue to be accounted for in a manner similar to the accounting treatment for ordinary rental transactions.

(d) Accounting for deferred charges -

Stock issue costs are not capitalized, but expensed as incurred.

(e) Basis for recording provisions -

① Allowance for doubtful accounts:

The allowance for doubtful accounts is comprised of a general reserve based on historical bad debt experience and a specific reserve for doubtful receivables considered by management to be irrecoverable.

② Accrued bonuses for employees:

The Company and its domestic subsidiaries provide accrued bonuses for the expected payments of employee bonuses attributable to the current year.

③ Accrued bonuses for directors and audit & supervisory board members:

The Company and its domestic subsidiaries provide an accrual for the estimated bonuses to directors and audit & supervisory board members attributable to the current year.

④ Accrued warranty expenses:

The Company and its domestic subsidiaries provide a reserve for warranty expenses based on the estimated warranty expenses to be incurred in the future.

⑤ Reserve for retirement benefits for directors and audit & supervisory board members:

In accordance with the Companies' internal rule for retirement benefits for directors and audit & supervisory board members, the reserve for retirement benefits for directors and audit & supervisory board members of the Companies is calculated at the amount that would have been payable if all directors and audit & supervisory board members had retired at the balance sheet date.

⑥ Reserve for retirement benefits for executive officers:

In accordance with the Companies' internal rule for retirement benefits for executive officers, the reserve for retirement benefits for executive officers of the Companies is calculated at the amount that would have been payable if all executive officers had retired at the balance sheet date.

(f) Accounting method for retirement benefits for employees -

The balance of retirement benefits for employees of the Company and its domestic subsidiaries represents the difference between the estimated present value of projected benefit obligations and the fair value of the plan assets. If the fair value of the plan assets exceeds the estimated present value of projected benefit obligations, such excess is recorded as net defined benefit assets, while if the estimated present value of projected benefit obligations exceeds the fair value of plan assets, such excess is recorded as net defined benefit liabilities. With regard to the calculation of defined benefits plan obligations, straight-line basis method was used to attribute projected benefit obligations to the period up to the end of this fiscal year. Past service costs are mainly amortized over a period of 3 years from the year in which they occur. Actuarial differences are amortized on a straight-line basis over 3 years, mainly starting from the year following that in which they occur. Unrecognized actuarial differences and unrecognized past service costs, net of the related income taxes, have been recognized as "Remeasurements of defined benefit plans" of "Accumulated other comprehensive income" within the net assets section. Certain domestic subsidiaries have adopted the simplified accounting method in the calculation of their defined benefits plan obligations.

(g) Foreign currency translation -

Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, net asset accounts are translated at historical rates, and all income and expense accounts are translated at the average exchange rate during the year. Foreign currency translation adjustments resulting from such translation are recorded as a separate component of net assets in the consolidated balance sheets.

(h) Amortization of goodwill and negative goodwill -

Goodwill is amortized on a straight-line basis over a period of 5 years.

(i) Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so close to their maturities that they present an insignificant risk of changes in value.

(j) Consumption tax -

The consumption tax withheld upon sales of goods and the consumption tax paid upon purchases of goods and services by the Company and its domestic subsidiaries are not included in revenue and cost or expense items, respectively, in the accompanying consolidated statements of income.

3. Accounting standards issued but not yet adopted:

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May17, 2012)

(a) Overview:

Revisions are related mainly to the accounting treatments for unrecognized actuarial gains and losses as well as unrecognized past service costs, the calculation methods for defined benefits plan obligations as well as service costs, and broadening disclosure taking into consideration enhancement to financial reporting and international trends.

(b) Date of adoption:

Revisions to the calculation methods for defined benefits plan obligations and service costs are scheduled to take effect from the beginning of the year ending March 31, 2015. Note that revisions to the accounting treatment for unrecognized actuarial gains and losses as well as unrecognized past service costs were made as of the end of fiscal year ended March 31, 2014 as discussed in "4. Accounting changes" below. In addition, broadening footnote disclosure was also made as of the end of fiscal year ended March 31, 2014.

(c) Impact of the adoption of the accounting standards:

As a result of adopting the above accounting standard and guidance, we expect to record an increase of ¥231,190 thousand ($2,246 thousand) in net defined benefit assets and an increase of ¥149,118 thousand ($1,448 thousand) in retained earnings at the beginning of the year ending March 31, 2015.
The impact of the revised accounting standard on operating profit, ordinary profit and income before income taxes and minority interest for the year ending March 31, 2015 is expected immaterial.

4. Accounting changes:

(a) Adoption of Accounting Standard for Retirement Benefits -

Effective from the end of the fiscal year ended March 31, 2014, the Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter referred to as the "Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance on Retirement Benefits"), excluding the stipulations in Article 35 of the Accounting Standard and Article 67 of the Guidance on Retirement Benefits.
Accordingly, the difference between defined benefits plan obligations and plan assets at fair value is recognized as net defined benefit liabilities or net defined benefit assets, and unrecognized actuarial gains were recorded as net defined benefit assets.

In accordance with the transitional accounting treatment as stipulated in Article 37 of the Accounting Standard, the effect of the changes in accounting policies arising from initial application of the accounting standard is recognized as remeasurements of defined benefit plans within the accumulated other comprehensive income section as of the end of fiscal year ended March 31, 2014.
As a result, ¥603,689 thousand ($5,865 thousand) was recognized as the net defined benefit assets and ¥46,807 thousand ($454 thousand) as the net defined benefit liabilities as of the end of fiscal year ended March 31, 2014. And also, accumulated other comprehensive income increased by ¥144,575 thousand ($1,404 thousand).
Net assets per share increased by ¥4.74 ($0.04).

5. Notes to consolidated balance sheets:

(a) Investment in unconsolidated subsidiaries and affiliates -

Investment in unconsolidated subsidiaries and affiliates at March 31, 2013 and 2014 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment in affiliated companies	¥5,006,916	¥5,456,766	$53,019

(b) Assets pledged as collateral and related secured liabilities -

The following assets were pledged as collateral to secure the long-term debt, including the current portion thereof, at March 31, 2013 and 2014:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings	¥1,667,504	¥28,245	$274
Structures	901	-	-
Land	537,664	33,146	322
	¥2,206,070	¥61,391	$596
Secured long-term debt:			
Current portion of long-term debt	¥1,703,828	¥8,692	$84

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Long-term debt	3,025,549	22,228	215
	¥4,729,377	¥30,920	$300

Included in the above, the following assets were pledged as factory funded mortgage to secure the long-term debt at March 31, 2013 and 2014:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings	¥ 81,532	¥ -	$ -
Structures	901	-	-
Land	49,168	-	-
	¥131,602	¥ -	$ -
Secured long-term debt:			
Current portion of long-term debt	¥1,440,000	¥ -	$ -
Long-term debt	2,580,000	-	-
	¥4,020,000	¥ -	$ -

(c) Accounting treatment of notes receivable matured on the consolidated balance sheet date -

Notes receivable maturing on the consolidated balance sheet date are accounted for as though they are settled at the consolidated balance sheet date. Consequently, although March 31, 2013 was a bank holiday, notes receivable due on that date, totaling ¥100,566 thousand was accounted for as settled on March 31, 2013, and excluded from the balance of notes receivable at that date.

(d) Credit facility contracts -

The Company entered into credit facility contracts with four banks at March 31, 2013 and 2014, totaling ¥3,000,000 thousand for 1 year and ¥5,000,000 thousand ($48,581 thousand) for 3 years, respectively. As of March 31, 2013 and 2014, there were no loans outstanding under these contracts.

6. Notes to consolidated statements of income:

(a) Selling, general and administrative expenses -

The major components included in selling, general and administrative expenses for the years ended March 31, 2013 and 2014 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Salaries and bonuses	¥1,195,649	¥1,436,447	$13,956
Accrued bonuses for directors and audit & supervisory board members	71,227	98,826	960
Retirement benefit expenses	38,478	51,095	496
Reserve for retirement benefits for directors and audit & supervisory board members	30,231	34,485	335
Reserve for retirement benefits for executive officers	14,632	15,067	146
Research and development expenses	1,120,062	1,213,668	11,792

(b) Research and development expenses -

Research and development expenses, which are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses, amounted to ¥1,146,003 thousand and ¥1,235,196 thousand ($12,001 thousand) for the years ended March 31, 2013 and 2014, respectively.

(c) Gain on sales of fixed assets -

Gain on sales of fixed assets by fixed assets category for the years ended March 31, 2013 and 2014 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Gain on sales of:			
Machinery and equipment	¥813	¥ -	$ -
Tools, furniture and fixtures	35	-	-
	¥849	¥ -	$ -

(d) Loss on sales of fixed assets -

Loss on sales of fixed assets by fixed assets category for the years ended March 31, 2013 and 2014 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Loss on sales of:			
Tools, furniture and fixtures	¥189	¥ -	$ -

(e) Loss on disposal of fixed assets -

Loss on disposal of fixed assets by fixed assets category for the years ended March 31, 2013 and 2014 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Loss on disposal of:			
Buildings and structures	¥39,933	¥185	$1
Machinery and equipment	900	538	5
Tools, furniture and fixtures	3,685	522	5
Software	354	-	-
	¥44,873	¥1,246	$12

7. Notes to consolidated statements of comprehensive income:

(a) Recycling adjustments and related tax effect related to other comprehensive income -

Recycling adjustments and related tax effect related to other comprehensive income for the years ended March 31, 2013 and 2014 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Net unrealized gains (losses) on available-for-sale securities			
Changes arising during the year	¥700,186	¥1,741,213	$16,918
Recycling adjustments	214,455	-	-
Before tax effect	914,641	1,741,213	16,918
Tax effect	(324,697)	(618,130)	(6,005)
Net unrealized gains (losses) on available-for-sale securities	589,944	1,123,082	10,912
Foreign currency translation adjustments			
Changes arising during the year	217,856	509,144	4,946
Equity in other comprehensive income of an affiliated company accounted for by equity method			
Changes arising during the year	231,175	521,182	5,063
Total other comprehensive income	¥1,038,975	¥2,153,409	$20,923

8. Notes to consolidated statements of changes in net assets:

(a) Shares issued and outstanding-

Share type	April 1, 2012	Increase	Decrease	March 31, 2013
Common stock (shares)	31,583,100	-	-	31,583,100

Share type	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock (shares)	31,583,100	-	-	31,583,100

(b) Treasury stock -

Share type	April 1, 2012	Increase	Decrease	March 31, 2013
Common stock (shares)	1,050,645	42	-	1,050,687

Share type	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock (shares)	1,050,687	-	-	1,050,687

(Notes)

- Increase for the year ended March 31, 2013 included an increase of 42 shares of treasury stock due to the purchase of less-than-one unit common shares from shareholders.

(c) Stock subscription rights -

The Company had no stock subscription rights at March 31, 2013 and 2014.

(d) Dividends -

For the year ended March 31, 2013:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 22, 2012:

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥305,324
Cash dividend per share (Yen)	¥10
Record date	March 31, 2012
Effective date	June 25, 2012

(ii) The following was determined by the board of directors meeting held on November 13, 2012:

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥366,388
Cash dividend per share (Yen)	¥12
Record date	September 30, 2012
Effective date	December 10, 2012

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 21, 2013:

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid (Thousands of yen)	¥305,324
Cash dividend per share (Yen)	¥10
Record date	March 31, 2013
Effective date	June 24, 2013

For the year ended March 31, 2014:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 21, 2013:

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥305,324
(Thousands of U.S. dollars)	($2,966)
Cash dividend per share	
(Yen)	¥10
(U.S. dollars)	($0.09)
Record date	March 31, 2013
Effective date	June 24, 2013

(ii) The following was determined by the board of directors meeting held on November 12, 2013:

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥427,453
(Thousands of U.S. dollars)	($4,153)
Cash dividend per share	
(Yen)	¥14
(U.S. dollars)	($0.13)
Record date	September 30, 2013
Effective date	December 9, 2013

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 20, 2014:

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid	
(Thousands of yen)	¥457,986
(Thousands of U.S. dollars)	($4,449)
Cash dividend per share	
(Yen)	¥15
(U.S. dollars)	($0.14)
Record date	March 31, 2014
Effective date	June 23, 2014

9. Notes to consolidated statements of cash flows:

(a) Cash and cash equivalents -

Cash and cash equivalents, for the purpose of the consolidated statements of cash flows, at March 31, 2013 and 2014 were comprised of the following:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and bank deposits	¥11,957,900	¥9,057,018	$88,000
Highly liquid investments	30,647	30,665	297
Time deposits with a deposit period of over three months	(2,274,967)	(2,203,732)	(21,412)
Cash and cash equivalents	¥9,713,580	¥6,883,951	$66,886

10. Lease transactions (as lessee):

(a) Finance lease transactions that are deemed not to transfer ownership of the leased assets to the lessee, of which inception dates were prior to the initial year of adoption of accounting standard for lease transactions -

Prior to the year ended March 31, 2009, leased assets and related expenses in respect of the Companies' finance leases, other than those which transfer ownership of the leased assets to the lessee, had been accounted for using a method similar to that used for ordinary rental transactions. When the new accounting standard for lease transactions became effective on April 1, 2008, finance leases, which are deemed not to transfer ownership of the leased assets to the lessee, were required to be accounted for using a method similar to that used for ordinary sales and purchase transactions, however, those of which the inception dates were prior to April 1, 2008 were permitted to continue to be accounted for in a manner similar to the accounting treatment for ordinary rental transactions. Finance lease expenses of the Companies for the years ended March 31, 2013 and 2014 were ¥128,725 thousand and ¥59,120 thousand ($574 thousand), respectively. Had these leases been capitalized on the consolidated balance sheets, the following would have been recognized on the consolidated balance sheets as of March 31, 2013 and 2014 and the consolidated statements of income for the years then ended:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Machinery and equipment	¥559,822	¥35,300	$342
Less - Accumulated depreciation	(504,906)	(24,105)	(234)
	¥54,915	¥11,194	$108

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Depreciation	¥119,091	¥54,401	$528
Interest expenses	3,659	710	6

Depreciation expenses are calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period. Interest expenses are determined as the difference between the acquisition cost and the total lease fee. Total interest payments over the lease period are allocated to each period using the "interest method."

The present values of future lease payments of the Companies as of March 31, 2013 and 2014 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within 1 year	¥59,195	¥3,026	$29
Due after 1 year	5,317	8,764	85
	¥64,512	¥11,790	$114

(b) Leased assets capitalized on the consolidated balance sheets -

Finance leased assets are mainly machinery and equipment. Depreciation expenses are calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period.

(c) Operating lease transactions -

Future operating lease payments under non-cancelable lease contracts as of March 31, 2013 and 2014 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within 1 year	¥282,343	¥173,217	$1,683
Due after 1 year	335,313	213,085	2,070
	¥617,656	¥386,302	$3,753

11. Financial instruments:

(a) Policy for financial instruments -

The Companies invest excess funds, if any, in high quality and low risk financial instruments, while the Companies raise funds (necessary for business operations) through loans from financial institutions.
The Companies utilize derivative financial instruments such as foreign exchange forward contracts in order to reduce their exposure to fluctuations in foreign currency exchange rates during the normal course of business operations and do not hold or issue financial instruments for trading or speculative purposes.

(b) Description and risks of financial instruments and risk management for financial instruments -

Notes and accounts receivable, trade is exposed to customer credit risk. To mitigate the credit risk, the Companies control the collection terms, the receivable balances and the credit limits for each customer and monitor the financial conditions of the major customers periodically in accordance with the internal customer credit management rules. The trade receivables denominated in foreign currencies are exposed to the risk resulting from fluctuations in foreign currency exchange rates, but to hedge foreign currency exchange risk, the Companies utilize foreign exchange forward contracts for portions of the trade receivables. As the Companies enter into the foreign exchange forward contracts with the financial institutions with high credit ratings in accordance with the internal rules on assignment of authority and responsibility, the Companies believe it is exposed to almost no contractual default risk.
Marketable securities are money management funds which have almost no credit risk, and investment securities, consisting primarily of the equity securities of corporations with which the Companies do business, are exposed to the risk of fluctuations in market price. The Companies manage this risk by periodically monitoring market prices.
Long-term loans receivable is with the business transactions partner company and exposed to the partner company's credit risk. The Companies monitor the financial conditions of the partner company periodically. Long-term loans receivable include the loans to employees, which are managed in accordance with the internal rules.
Notes and accounts payable, trade is due within one year.
Short-term borrowings and long-term debt are used to raise funds mainly for operating transactions. Floating-rate debt is exposed to the risk of fluctuations in interest rates.

Trade payables, and short-term borrowings and long-term debt are exposed to liquidity risk and the Companies monitor and manage that risk continuously in ways such as preparing cash flow projections periodically.

(c) Supplemental information on the fair value of financial instruments -

The notional amount of the derivative transactions discussed in "(d) Fair value of financial instruments" below is not indicative of the market risk associated with derivative transactions.

(d) Fair value of financial instruments -

The following table indicates the carrying amount of financial instruments recorded in the consolidated balance sheets, the fair value and the variance as of March 31, 2013 and 2014. Financial instruments, for which the fair value is difficult to determine, are not included in the following table (See (Note 2) below for additional information.).

	Thousands of yen		
March 31, 2013:	Carrying amount	Fair value	Variance
(1) Cash and bank deposits	¥11,957,900	¥11,957,900	¥ -
(2) Notes and accounts receivable, trade	5,058,012	5,058,012	
Allowance for doubtful accounts (*1)	(566)	(566)	
	5,057,445	5,057,445	-
(3) Investment securities			
Available-for-sale securities	457,153	457,153	-
(4) Investment in affiliated companies			
Available-for-sale securities	6,317,775	6,317,775	-
Assets total	¥23,790,274	¥23,790,274	¥ -
(1) Notes and accounts payable, trade	¥1,498,114	¥1,498,114	¥ -
(2) Accrued income taxes	525,208	525,208	-
Liabilities total	¥2,023,323	¥2,023,323	¥ -
Derivative transactions	(¥ 1,499)	(¥ 1,499)	¥ -

(*1) For computation of fair value of notes and accounts receivable, trade, allowances for doubtful accounts of notes and accounts receivable, trade are deducted.

March 31, 2014:	Thousands of yen		
	Carrying amount	Fair value	Variance
(1) Cash and bank deposits	¥9,057,018	¥9,057,018	¥ -
(2) Notes and accounts receivable, trade	6,707,564	6,707,564	-
(3) Investment securities Available-for-sale securities	765,032	765,032	-
(4) Investment in affiliated companies Available-for-sale securities	7,751,110	7,751,110	-
Assets total	¥24,280,726	¥24,280,726	¥ -
(1) Notes and accounts payable, trade	¥1,742,185	¥1,742,185	¥ -
(2) Accrued income taxes	1,134,314	1,134,314	-
Liabilities total	¥2,876,499	¥2,876,499	¥ -
Derivative transactions	(¥ 1,181)	(¥ 1,181)	¥ -

March 31, 2014:	Thousands of U.S. dollars		
	Carrying amount	Fair value	Variance
(1) Cash and bank deposits	$88,000	$88,000	$ -
(2) Notes and accounts receivable, trade	65,172	65,172	-
(3) Investment securities Available-for-sale securities	7,433	7,433	-
(4) Investment in affiliated companies Available-for-sale securities	75,311	75,311	-
Assets total	$235,918	$235,918	$ -
(1) Notes and accounts payable, trade	$16,927	$16,927	$ -
(2) Accrued income taxes	11,021	11,021	-
Liabilities total	$27,948	$27,948	$ -
Derivative transactions	($ 11)	($ 11)	$ -

(Note 1) Method for calculating the fair value of financial instruments, and matters related to securities and derivative transactions.

Assets

(1) Cash and bank deposits

The carrying amount approximates the fair value due to the short maturities of all bank deposits.

(2) Notes and accounts receivable, trade

The carrying amount approximates the fair value since notes and accounts receivable, trade are settled within a short period.

(3) Investment securities

The fair value is measured at the quoted market price of the stock exchange. See "Note 12. Marketable securities and investment securities" for the footnote information by purpose to hold the securities.

(4) Investment in affiliated companies

The fair value is measured at the quoted market price of the stock exchange. See "Note 12. Marketable securities and investment securities" for the footnote information by purpose to hold the securities.

Liabilities

(1) Notes and accounts payable, trade

The carrying amount approximates the fair value since notes and accounts payable, trade are settled within a short period.

(2) Accrued income taxes

The carrying amount approximates the fair value since accrued income taxes are paid within a short period.

Derivative transactions

See "Note 13. Derivative financial instruments".

(Note 2) Financial instruments, of which the fair value is difficult to determine.

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment securities			
Unlisted equity securities	¥4,518	¥4,516	$43
Investment in affiliated companies			
Unlisted equity securities	5,006,916	5,456,766	$53,019

Unlisted equity securities are not included in "(3) Investment securities" and "(4) Investment in affiliated companies" in the first table above because their fair values are difficult to determine since such securities do not have available market prices and the related future cash flows cannot be estimated.

(Note 3) The redemption schedule for financial assets with maturity dates subsequent to March 31, 2013 and 2014 are as follows:

	Thousands of yen			
March 31, 2013:	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Cash and bank deposits	¥11,957,900	-	-	-
Notes and accounts receivable, trade	5,058,012	-	-	-
	¥17,015,912	-	-	-

	Thousands of yen			
March 31, 2014:	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Cash and bank deposits	¥9,057,018	-	-	-
Notes and accounts receivable, trade	6,707,564	-	-	-
	¥15,764,583	-	-	-

March 31, 2014:	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
	Thousands of U.S. dollars			
Cash and bank deposits	$ 88,000	-	-	-
Notes and accounts receivable, trade	65,172	-	-	-
	$ 153,173	-	-	-

12. Marketable securities and investment securities:

The aggregate cost, gross unrealized gains and losses, and carrying amount on the consolidated balance sheets (which are re-valued to the related fair value) of available-for-sale securities with market quotations at March 31, 2013 and 2014 were as follows:

	Thousands of yen			
March 31, 2013	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,716,931	4,057,997	-	¥6,774,928

	Thousands of yen			
March 31, 2014	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,716,931	5,799,211	-	¥8,516,142

	Thousands of U.S. dollars			
March 31, 2014:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	$26,398	56,346	-	$82,745

In the cases where the fair value of securities is lower than the carrying value by 30% or more, and recovery of the fair value to the carrying value is not deemed possible in the foreseeable future, impairment losses are recognized in the consolidated statement of income for that period. The impairment losses on available-for-sale securities with market quotations for the years ended March 31, 2013 and 2014 were ¥214,455 thousand and zero, respectively.

13. Derivative financial instruments:

(a) Notional amount, fair value and gains (losses) of derivative transactions for which hedge accounting was not adopted

March 31, 2013	Thousands of Yen Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Sell U.S. Dollar	¥56,413	¥ -	¥54,914	(¥1,499)

March 31, 2014	Thousands of Yen Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Sell U.S. Dollar	¥132,564	¥ -	¥131,369	(¥1,194)
Sell Korean Won	190,580	-	190,592	12
	¥323,144	¥ -	¥321,962	(¥1,181)

March 31, 2014	Thousands of U.S. Dollars Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Sell U.S. Dollar	$1,288	$ -	$1,276	($11)
Sell Korean Won	1,851	-	1,851	0
	$3,139	$ -	$3,128	($11)

Note: The fair value of forward exchange contracts is determined by the forward exchange rate.

14. Retirement benefits for employees:

Retirement benefits regulations, which cover substantially all employees of the Company and its subsidiaries, provide for funded or non-funded defined benefit plans or defined contribution plans based on the employee's length of service, position in the respective company and conditions under which the termination of employment occurs. The Companies may pay additional retirement benefits to their retired employees which are not covered by the retirement benefits regulations within the scope of actuarial computation of defined benefits plan obligations.

The Company has established a non-contributory defined benefit pension plan (a tax qualified plan) for a certain portion of the retirement benefits prescribed under the severance indemnity regulations for its employees. Under the pension plan, a retiring employee may elect either a lump-sum payment or annuity payments.

In addition, the Company has sponsored the employees' pension fund plan for substantially all of its employees, together with other companies engaged in the business similar to that of the Company, which is a multi-employer defined benefit pension plan established under the Japanese Welfare Pension Insurance Law. This employees' pension fund plan is not subject to actuarial computation of accrued retirement benefits for employees recorded in the consolidated balance sheets, because the plan assets corresponding to the Companies' contribution to the plan cannot be computed in a reasonable way. The contributions to this plan are recognized as retirement benefit expenses.

Certain domestic subsidiaries have recognized their defined benefits plan obligations and retirement benefit expenses using the simplified accounting method.

(a) Multi-employer pension plan -

① Funded status of the multi-employer pension plan -

The funded status of the multi-employer pension plan as of March 31, 2012 and 2013 was as follows:

	Millions of yen		Millions of U.S. dollars
	2012	2013	2013
Plan assets	¥104,458	¥116,171	$1,128
Benefit obligations based on the pension plan funding formula	132,612	140,708	1,367
Net balance	(¥28,154)	(¥24,537)	($238)

② The Company's share in contributions to the plan -

The Company's contributions to the multi-employer plan represented 1.46% and 1.44% of those in total to the plan for the years ended March 31, 2012 and 2013, respectively.

③ Supplementary explanation -

The net balance at March 31, 2012 and 2013 on the schedule above resulted mainly from the past service cost of ¥25,506 million and ¥23,841 million ($231 million), respectively. Amortization period of the past service cost is 20 years. The share as described in ② above does not represent the Company's actual share in the obligations of the plan.

The Company's contributions to the plan, which the Company has accounted for as if it were a defined contribution plan, for the years ended March 31, 2013 and 2014 were ¥94,101 thousand and ¥95,935 thousand ($932 thousand), respectively.

(b) Defined benefit plans -

The prepaid pension cost and reserve for retirement benefits for employees recorded in the consolidated balance sheet as of March 31, 2013 were as follows:

	Thousands of yen
	2013
Projected benefit obligations (PBO)	(¥1,727,959)
Plan assets	2,202,041
Excess of plan assets over PBO	474,082
Past service costs	-
Unrecognized actuarial differences	(138,473)
Prepaid pension cost	¥ 335,608

	Thousands of yen
	2013
Reserve for retirement benefits for employees	¥ 32,729

(Note) Certain domestic subsidiaries have adopted the simplified accounting method in the calculation of their projected benefit obligations.

The components of the net periodic retirement benefit cost for the year ended March 31, 2013 were as follows:

	Thousands of yen
	2013
Service cost	¥116,712
Interest cost	29,509
Expected return on plan assets	(40,086)
Amortization of unrecognized past service costs	(8,294)
Amortization of unrecognized actuarial differences	(48,956)
Net periodic retirement benefit cost	¥48,884

(Note) All of the net periodic retirement benefit cost for domestic subsidiaries adopting the simplified method is included in "Service cost" on the above schedule.

The information for the defined benefit plans as of March 31, 2014 and for the year then ended is as follows:

① Changes in balances of the defined benefits plan obligations at beginning and end of the year (excluding the plans recorded under the simplified accounting method) -

	Thousands of yen	Thousands of U.S. dollars
	2014	2014
Defined benefits plan obligations at beginning of the year	¥1,727,959	$16,789
Service cost	100,471	976
Interest cost	31,103	302
Actuarial differences	1,663	16

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Retirement benefits paid	(2,085)	(20)
Past service costs	-	-
Other	-	-
Defined benefits plan obligations at end of the year	¥1,859,111	$18,063

② Changes in balances of the plan assets at beginning and end of the year -

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Plan assets at beginning of the year	¥2,202,041	$21,395
Expected return on plan assets	44,040	427
Actuarial differences	115,475	1,121
Employer contributions	103,315	1,003
Retirements benefits paid	(2,085)	(20)
Other	13	0
Plan assets at end of the year	¥2,462,800	$23,929

③ Reconciliation between the balances of defined benefits plan obligations and plan assets at end of the year and net defined benefit assets recorded in the consolidated balance sheet -

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Defined benefits plan obligations of funded plan	¥1,859,111	$18,063
Plan assets	(2,462,800)	(23,929)
	(603,689)	(5,865)
Defined benefits plan obligations of unfunded plan	-	-
Net liabilities or assets recorded in the consolidated balance sheet	(603,689)	(5,865)
Net defined benefit liabilities	-	-
Net defined benefit assets	(603,689)	(5,865)
Net liabilities or assets recorded in the consolidated balance sheet	(¥603,689)	($5,865)

④ Components of retirement benefit expenses -

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Service cost	¥100,471	$976
Interest cost	31,103	302
Expected return on plan assets	(44,040)	(427)
Actuarial differences	(28,138)	(273)
Past service costs	-	-
Other	(13)	(0)
Retirement benefit expenses related to the defined benefit plans	¥59,382	$576

⑤ Components of remeasurements of defined benefit plans -

Components of remeasurements of defined benefit plans (before adjusting the related income taxes) are as follows:

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Unrecognized past service costs	¥ -	$ -
Unrecognized actuarial differences	(224,147)	(2,177)
Total	(¥224,147)	($2,177)

⑥ Plan assets -

1) Components of plan assets

Share by asset category in the total plan assets is as follows:

	2014
Bonds	68%
Equities	29%
Cash and bank deposits	3%
Other	-
Total	100%

2) Method for determining the expected long-term rate of return on plan assets

Expected long-term rate of return on plan assets is determined by considering the current and projected plan asset allocations, as well as current and expected long-term investment returns from the various assets that compose the plan assets.

⑦ Principal actuarial assumptions -

The assumptions used in the above actuarial computations for the years ended March 31, 2013 and 2014 were as follows:

	2013	2014
Discount rate	1.8%	1.8%
Expected return ratio on plan assets	2.0%	2.0%
Method of attributing retirement benefits to employee service periods	Straight-line basis	Straight-line basis
Amortization of net transition obligation for pension benefits	3 years	3 years
Amortization of unrecognized actuarial differences	3 years	3 years
Amortization of unrecognized past service costs	3 years	3 years

(c) Defined benefit plans recorded under the simplified accounting method -

① Changes in balances of the net defined benefit liabilities at beginning and end of the year for the plans recorded under the simplified accounting method -

	Thousands of yen	Thousands of U.S. dollars
	2014	2014
Net defined benefit liabilities at beginning of the year	¥32,729	$318
Retirement benefits expenses	7,955	77
Retirement benefits paid	-	-
Contributions to the plan	-	-
Other	6,122	59
Net defined benefit liabilities at end of the year	¥46,807	$454

② Reconciliation between the balances of defined benefits plan obligations and plan assets at end of the year and net defined benefit liabilities or assets recorded in the consolidated balance sheet -

	Thousands of yen 2014	Thousands of U.S. dollars 2014
Defined benefits plan obligations of funded plan	¥ -	$ -
Plan assets	-	-
	-	-
Defined benefits plan obligations of unfunded plan	46,807	454
Net liabilities or assets recorded in the consolidated balance sheet	46,807	454
Net defined benefit liabilities	46,807	454
Net liabilities or assets recorded in the consolidated balance sheet	¥46,807	$454

③ Retirement benefit expenses -

Retirement benefit expenses for the year ended March 31, 2014 calculated by the simplified accounting method were ¥7,955 thousand ($77 thousand).

(d) Defined contribution plans -

Required contributions to the defined contribution plans of the Company and its certain subsidiaries for the year ended March 31, 2014 were ¥20,894 thousand ($203 thousand).

15. Stock options:

No stock options were granted during the years ended March 31, 2013 and 2014.

16. Income taxes:

Deferred tax assets and liabilities as of March 31, 2013 and 2014 consist of the following:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets - current:			
Accrued enterprise taxes	¥ 46,388	¥ 80,189	$ 779
Accrued bonuses	205,472	236,777	2,300
Inventory write-down	11,109	9,103	88
Unrealized intercompany profit in inventories	54,817	71,329	693
Accrued social insurance premium	23,144	27,604	268
Others	41,447	40,568	394
Net deferred tax assets - current	¥382,379	¥465,572	$4,523
Deferred tax assets - non current:			
Reserve for retirement benefits for directors and audit & supervisory board members	¥18,989	¥14,689	$142
Reserve for retirement benefits for employees	11,618	-	-
Net defined benefit liabilities	-	13,397	130
Prepaid pension cost	(7,772)	-	-
Net defined benefit assets	-	(9,771)	(94)
Others	9,041	7,656	74
Net deferred tax assets - non current	¥31,877	¥25,973	$252

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax liabilities - non current:			
Reserve for retirement benefits for directors and audit & supervisory board members	¥103,821	¥108,123	$1,050
Devaluation loss on golf club memberships	6,673	6,673	64
Depreciation	88	-	-
Devaluation loss on investment securities	186,393	106,500	1,034
Allowance for doubtful accounts	121,532	108,689	1,056
Reserve for retirement benefits for executive officers	36,039	17,759	172
Unrealized gains on available-for-sale securities	(1,440,589)	(1,978,826)	(19,226)
Undistributed earnings of foreign subsidiaries and an affiliated company	(361,190)	(394,388)	(3,831)
Prepaid pension cost	(111,368)	-	-
Net defined benefit assets	-	(204,538)	(1,987)
Others	(94,785)	(115,906)	(1,126)
Net deferred tax liabilities - non current	(¥1,553,384)	(¥2,345,913)	($22,793)

Reconciliation of the differences between the normal statutory effective tax rate and the actual effective tax rate for the years ended March 31, 2013 and 2014 were omitted due to immateriality.

<u>Adjustments to deferred tax assets, deferred tax liabilities etc. due to a change in the income tax rate</u> -

Due to promulgation on March 31, 2014 of the "Partial Amendment of the Income Tax Act, etc." (Act No. 10, 2014), the Company and domestic subsidiaries were no longer subject to the Special Reconstruction Corporation Tax for the fiscal year starting on or after April 1, 2014.

As a result, the normal statutory effective tax rate used to measure deferred tax assets and liabilities has been changed from 38.0% to 35.5% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014.

As a result of these changes in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased by ￥32,786 thousand ($318 thousand) and income taxes-deferred increased by ￥32,786 thousand ($318 thousand).

17. Segment information:

(a) Overview of the reportable segments -

The reportable segments of the Company are business units of the Companies for which separate financial information can be obtained and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate the business performance.

The Company is engaged in the manufacture and sales of precision speed reducers, precision actuator and related motion control products, and the business operations fall within a single industry segment based on similarities in the type, nature, manufacturing method and markets of their products.

The geographic markets of the products of the Company are Japan (including the Asia area), North America and Europe, and the products are marketed by the Company and its subsidiaries in Japan, by subsidiaries in the United States and by an affiliated company in Europe, respectively.

As a result, the Company consists of three reportable segments: Japan, North America and Europe, which are consistent with the geographic segment based on the manufacture and sale of the products.

(b) Accounting method of sales, profit/loss, assets and other items by each reportable segments -

Accounting methods used at the reportable segments are identical to the descriptions in “Summary of significant accounting policies”.

The profit by the reportable segment is based on the ordinary profit. The transfer prices of intersegment transactions are based on the market price.

(c) Sales, profit/loss, assets and other items by each reportable segment -

For the year ended March 31, 2013	Thousands of yen					
	Reportable segment					
	Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	¥15,361,737	¥2,768,906	¥ -	¥18,130,644	¥ -	¥18,130,644
Intersegment	1,084,523	-	-	1,084,523	(1,084,523)	-
Total	¥16,446,260	¥2,768,906	¥-	¥19,215,167	(¥1,084,523)	¥18,130,644
Segment profit/(loss)	¥4,133,834	¥294,575	¥110,448	¥4,538,858	(¥962,788)	¥3,576,070
Segment assets	¥13,373,598	¥2,686,831	¥4,887,636	¥20,948,066	¥16,005,928	¥36,953,995
Others						
Investment in affiliated companies	¥119,280	¥ -	¥4,887,636	¥5,006,916	¥ -	¥5,006,916
Increase in tangible and intangible fixed assets	1,327,485	50,427	-	1,377,912	-	1,377,912

- The adjustment for segment profit/(loss) of ¥962,788 thousand includes the eliminated profit of the intersegment transactions of ¥160,406 thousand and the general administrative expenses of ¥802,381 thousand that are not allocated to any reportable segment. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

- “Japan” segment includes the sales and expenses to the Japan market, European market (to an affiliated company) and Asian market.

- “Europe” segment is covered by the affiliated company in Germany. Therefore, the Company uses the “Equity in income of affiliated companies” as the “segment profit/(loss)”.

- The adjustment for segment assets of ¥16,005,928 thousand includes inter-segment elimination of ¥567,820 thousand and corporate assets of ¥16,573,749 thousand that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits and long-term investments such as “Investment securities” or “Others” included in “Investments and other assets”, and certain assets related to corporate departments.

For the year ended March 31, 2014	Thousands of yen — Reportable segment: Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	¥17,899,277	¥3,184,257	¥ -	¥21,083,534	¥ -	¥21,083,534
Intersegment	1,262,967	-	-	1,262,967	(1,262,967)	-
Total	¥19,162,245	¥3,184,257	¥ -	¥22,346,502	(¥1,262,967)	¥21,083,534
Segment profit/(loss)	¥5,523,090	¥269,752	¥99,854	¥5,892,698	(¥1,070,115)	¥4,822,582
Segment assets	¥15,628,804	¥3,451,662	¥5,351,554	¥24,432,020	¥14,193,927	¥38,625,948
Others						
Investment in affiliated companies	¥105,212	¥ -	¥5,351,554	¥5,456,766	¥ -	¥5,456,766
Increase in tangible and intangible fixed assets	1,212,923	91,495	-	1,304,418	-	1,304,418

For the year ended March 31, 2014	Thousands of U.S. dollars — Reportable segment: Japan	North America	Europe	Total	Adjustment	Consolidated
Sales:						
Third party	$173,914	$30,939	$ -	$204,853	$ -	$204,853
Intersegment	12,271	-	-	12,271	(12,271)	-
Total	$186,185	$30,939	$ -	$217,124	($12,271)	$204,853
Segment profit/(loss)	$53,663	$2,620	$970	$57,255	($10,397)	$46,857
Segment assets	$151,853	$33,537	$51,997	$237,388	$137,912	$375,300
Others						
Investment in affiliated companies	$1,022	$ -	$51,997	$53,019	$ -	$53,019
Increase in tangible and intangible fixed assets	11,785	888	-	12,674	-	12,674

- The adjustment for segment profit/(loss) of ¥1,070,115 thousand ($10,397 thousand) includes the eliminated profit of the intersegment transactions of ¥176,582 thousand ($1,715 thousand) and the general administrative expenses of ¥893,533 thousand ($8,681 thousand) that are not allocated to any reportable segment. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

- "Japan" segment includes the sales and expenses to the Japan market, European market (to an affiliated company) and Asian market.

- "Europe" segment is covered by the affiliated company in Germany. Therefore, the Company uses the "Equity in income of affiliated companies" as the "segment profit/(loss)".

- The adjustment for segment assets of ¥14,193,927 thousand ($137,912 thousand) includes inter-segment elimination of ¥536,397 thousand ($5,211 thousand) and corporate assets of ¥14,730,324 thousand ($143,124 thousands) that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits and long-term investments such as "Investment securities" or "Others" included in "Investments and other assets", and certain assets related to corporate departments.

(d) Related information –

① Information by products/service -

	Thousands of yen		Thousands of U.S. dollars
Sales to third parties	2013	2014	2014
Speed reducers	¥ 14,486,395	¥ 16,518,474	$ 160,498
Mechatronic products	3,644,249	4,565,060	44,355
	¥18,130,644	¥21,083,534	$204,853

The sales of the subsidiary, Winbel Co., Ltd., which is engaged in the development, manufacturing and sales of the Magnetic application equipment, are classified as mechatronic products.

② Geographic information –

Sales:

	Thousands of yen				
	Japan	North America	Europe	Other	Total
For the year ended March 31, 2013:					
Total	¥12,124,565	¥2,768,906	¥1,391,159	¥1,846,012	¥18,130,644
For the year ended March 31, 2014:					
Total	¥14,634,576	¥3,184,257	¥1,511,619	¥1,753,081	¥21,083,534

	Thousands of U.S. dollars				
	Japan	North America	Europe	Other	Total
For the year ended March 31, 2014:					
Total	$142,193	$30,939	$14,687	$17,033	$204,853

- Sales are classified into the countries and areas as shown in the schedule above based on the location of the customers.
- Sales to Europe represent the sales to the affiliated company, Harmonic Drive AG.

Tangible fixed assets:

	Thousands of yen			
	Japan	North America	Europe	Total
March 31, 2013: Total Assets	¥4,961,771	¥729,042	¥ -	¥5,690,814
March 31, 2014: Total Assets	¥5,083,189	¥750,447	¥ -	¥5,833,637

	Thousands of U.S. dollars			
	Japan	North America	Europe	Total
March 31, 2014: Total Assets	$49,389	$7,291	$ -	$56,681

③ Information of major customers -

Customer Name	Thousands of yen 2013	Thousands of yen 2014	Thousands of U.S. dollars 2014	Related Segment
Haneda & Co., Ltd.	¥ 2,531,646	¥ 2,854,555	$ 27,735	Japan

(e) Impairment loss information of fixed assets by reportable segment -

No impairment loss was recognized on fixed assets for the years ended March 31, 2013 and 2014.

(f) Amortization expense and unamortized balance of goodwill -

No amortization expense and unamortized balance of goodwill was recognized for the years ended March 31, 2013 and 2014.

(g) Gain on negative goodwill by reportable segment -

No gain on negative goodwill was recognized for the years ended March 31, 2013 and 2014.

18. Transactions with related parties:

(a) Transactions with related parties -

Category	Affiliated company
Entity name	Harmonic Drive AG
Location	Land Hessen, Germany
Capital	Euro 1,550 thousand
Description of business	Manufacturing and sales of precision speed reducers
Share of shareholders voting rights	35.0% directly owned
Description of relationship	
- Sharing of directors	None
- Business relationship	Sales of the Company's products and the OEM products in Europe, Middle and Near East, Africa, India and South America
Business relationship	Sales of the Company's products

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
For the year:			
Sales to the affiliated company	¥1,391,159	¥1,511,619	$14,687
At year-end:			
Accounts receivable, trade	277,801	289,584	2,813

Sales of the Company's products to Harmonic Drive AG are executed on the terms and conditions based on the offer of Company's sales prices to Harmonic Drive AG by taking the market into consideration and the negotiation with Harmonic Drive AG.

(b) Notes to a significant affiliated company -

The condensed financial information of the significant affiliated company, Harmonic Drive AG, is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
At year-end:			
Current assets	¥5,879,075	¥5,895,700	$57,284
Fixed assets	1,244,912	1,783,055	17,324
Investments and other assets	1,201,794	1,574,055	15,293
Current liabilities	2,135,476	849,775	8,256
Long-term liabilities	795,742	993,426	9,652
Net assets	5,394,564	7,409,608	71,993
For the year:			
Sales	6,348,115	7,829,001	76,068
Income before income taxes	1,225,680	1,280,774	12,444
Net income	945,110	914,841	8,888

19. Earnings per share information:

The computation of earnings per share is based on the weighted-average number of common shares outstanding during each year. Treasury stocks held during these years are excluded from the weighted-average number of common shares outstanding.

	Yen		U.S. dollars
	2013	2014	2014
Net assets per share	¥817.53	¥960.40	$9.33
Earnings per share	64.22	98.05	0.95

(Note)

- Diluted earnings per share are not computed because the Company does not have any potential dilutive shares.

Net income used in the computation of basic earnings per share is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2013	2014	2014
Net income	¥1,960,838	¥2,993,743	$29,088
Net income attributable to common shareholders	¥1,960,838	¥2,993,743	$29,088

The weighted average number of shares used in the computation of basic earnings per share is as follows:

	Number of shares	
	2013	2014
Weighted average number of shares	30,532,429.3	30,532,413

20. Subsequent events:

There have been no significant subsequent events on or after April 1, 2014.

21. Consolidated supplementary schedules:

(a) Schedule of bonds -

No bonds were issued by the Company as of March 31, 2013 and 2014.

(b) Schedule of borrowings -

Category	Thousands of yen		Thousands of U.S. dollars		
	Balance at March 31, 2013	Balance at March 31, 2014	Balance at March 31, 2014	Average interest rate (%)	Maturity
Short-term borrowings	¥10,000	¥10,000	$97	2.8	-
Current portion of long-term debt	1,750,888	52,143	506	0.7	-
Current portion of lease obligations	83,691	59,988	582	1.6	-
Long-term debt (excluding current portion)	3,158,689	155,519	1,511	0.7	2015-2021
Lease obligations (excluding current portion)	132,779	81,565	792	1.3	2015-2018
Other	-	-	-	-	-
Total	¥5,136,047	¥359,218	$3,490	-	-

- Aggregate annual maturities of long-term debt for the 5 years subsequent to March 31, 2014 are as follows:

March 31, 2014	Thousands of yen			
	Due after 1 year within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	¥49,643	¥40,639	¥20,568	¥15,228
Lease obligations	37,898	26,059	15,935	1,673

March 31, 2014	Thousands of U.S. dollars			
	Due after 1 year within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	$482	$394	$199	$147
Lease obligations	368	253	154	16

- The average interest rate represents the weighted-average rate applicable to the year-end balance.

(c) Schedule of asset retirement obligations -

Disclosure of asset retirement obligations as of March 31, 2013 and 2014 were omitted due to immateriality.

(d) Others -

The condensed financial information of each quarter for the year ended March 31, 2014 is as follows:

	Thousands of yen (Net income per share: yen)			
	3 months ended June 30, 2013	6 months ended September 30, 2013	9 months ended December 31, 2013	12 months ended March 31, 2014
Sales	¥4,968,508	¥10,411,877	¥15,886,747	¥21,083,534
Income before income taxes and minority interest	1,175,791	2,534,904	3,870,590	4,771,730
Net income	758,997	1,629,109	2,472,021	2,993,743
Net income per share	¥24.86	¥53.36	¥80.97	¥98.05

	Thousands of U.S. Dollars (Net income per share: U.S. Dollars)			
	3 months ended June 30, 2013	6 months ended September 30, 2013	9 months ended December 31, 2013	12 months ended March 31, 2014
Sales	$48,275	$101,164	$154,360	$204,853
Income before income taxes and minority interest	11,424	24,629	37,607	46,363
Net income	7,374	15,828	24,018	29,088
Net income per share	$0.24	$0.51	$0.78	$0.95

	Yen			
	1st quarter ended June 30, 2013	2nd quarter ended September 30, 2013	3rd quarter ended December 31, 2013	4th quarter ended March 31, 2014
Net income per share	¥24.86	¥28.50	¥27.61	¥17.09

	U.S. Dollars			
	1st quarter ended June 30, 2013	2nd quarter ended September 30, 2013	3rd quarter ended December 31, 2013	4th quarter ended March 31, 2014
Net income per share	$0.24	$0.27	$0.26	$0.16