Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales decreased ¥31,933 million, or 14.5% year on year, to ¥188,719 million (US$1,833 million), owing to declines in the Steel and Energy Products Business and the Industrial Machinery Products Business.

Operating Income

Operating income declined ¥7,816 million, or 46.9%, to ¥8,864 million (US$86 million). The operating income margin stood at 4.7%, a 2.9 percentage-point decline compared with the previous year.

Net Income

Net income decreased ¥2,754 million, or 33.3%, to ¥5,527 million (US$53 million). This equates to net income of ¥14.92 for the period on a per-share basis.

Sales by Region

The Japanese market accounted for sales of ¥95,966 million (US$932 million), the Chinese market for ¥27,159 million (US$263 million), with all other markets accounting for ¥65,593 million (US$637 million).

Cash Flows

At year-end, cash and cash equivalents stood at ¥42,297 million (US$410 million), down ¥8,675 million from a year earlier.

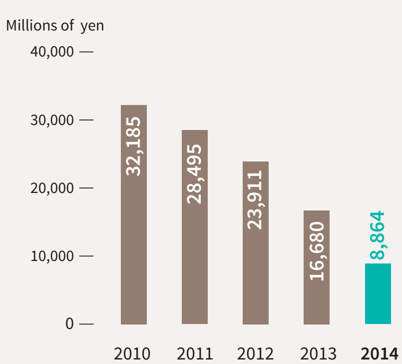
Cash Flow from Operating Activities

Net cash provided by operating activities was ¥11,549 million (US$112 million), compared with ¥23,735 million in the previous year. The principal factors contributing to this change were ¥9,504 million in net income before taxes and minority interests, from ¥14,802 million a year earlier, as well as the posting of such non-cash items as depreciation and amortization and an increase in working capital.

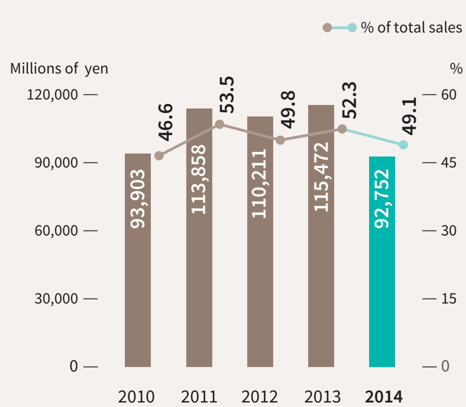
Cash Flow from Investing Activities

Net cash used in investing activities was ¥5,719 million (US$55 million), compared with ¥5,832 million a year earlier, owing mainly to an increase in tangible assets.

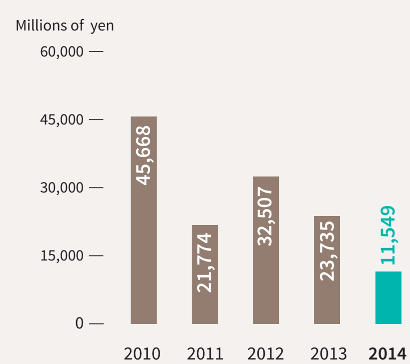
Operating Income



Overseas Sales



Net Cash Provided by Operating Activities



Cash Flow from Financing Activities

Net cash used in financing activities was ¥15,007 million (US$145 million), compared with ¥15,259 million a year earlier. This change was due mainly to repayments of syndicated loans and other long-term borrowings and to payments of dividends.

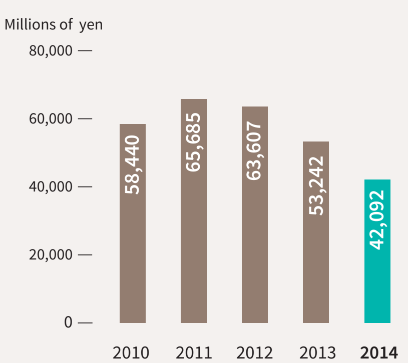
Financial Position

Total assets at March 31, 2014, stood at ¥293,139 million (US$2,848 million), down ¥10,831 million, or 3.6%, from the close of the previous year. This change was due largely to decreases in cash and cash equivalents, notes and accounts receivable, and property, plant and equipment, which offset increases in work in process and in investment securities owing to higher share prices.

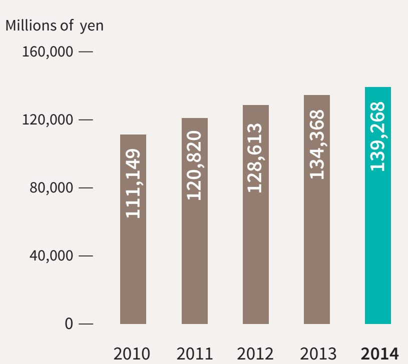
Total liabilities were ¥153,870 million (US$1,495 million) at year-end, down ¥15,731 million, or 9.3%, from the close of the previous year. This was attributable mainly to decreases in current portion of long-term debt and long-term debt. Interest-bearing debt was ¥42,092 million (US$408 million), down ¥11,150 million.

Net assets stood at ¥139,268 million (US$1,353 million), up ¥4,900 million, or 3.6%, from the previous year. The main factors contributing to this change were increases in retained earnings and in an unrealized holding gain on securities.

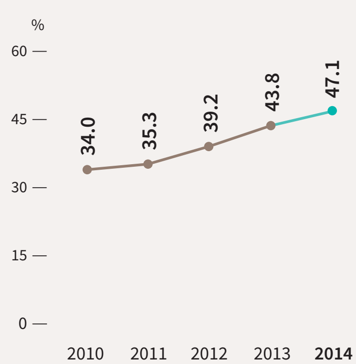
Interest-Bearing Debt



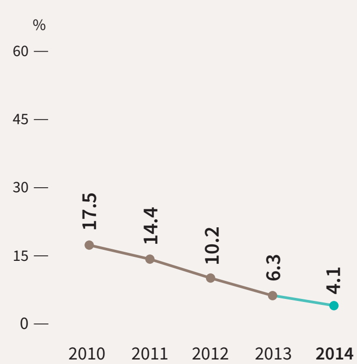
Net Assets



Equity Ratio



ROE



The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2014 and 2013

Assets	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2014
Current assets:			
Cash on hand and in banks (Notes 13 and 15)	¥ 42,329	¥ 51,005	$ 411,281
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	376	690	3,653
Trade (Note 15)	48,520	51,288	471,434
Other	540	199	5,247
Less allowance for doubtful accounts	(310)	(225)	(3,012)
Inventories (Note 4)	65,488	59,516	636,300
Deferred tax assets (Note 19)	5,374	6,473	52,215
Other current assets	5,155	5,076	50,087
Total current assets	167,476	174,024	1,627,244
Property, plant and equipment, at cost (Notes 5 and 6):			
Land	10,509	11,050	102,108
Buildings and structures	96,456	96,883	937,194
Machinery and equipment	141,603	140,932	1,375,855
Leased assets	3,799	6,382	36,912
Construction in progress	559	737	5,431
	252,928	255,986	2,457,530
Less accumulated depreciation	(167,255)	(161,510)	(1,625,097)
Property, plant and equipment, net	85,672	94,476	832,414
Intangible assets	855	789	8,307
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,009	753	9,804
Investment securities (Notes 15 and 16)	32,444	27,307	315,235
Long-term loans receivable	88	103	855
Retirement benefit asset (Note 18)	2,427	—	23,581
Deferred tax assets (Note 19)	1,249	1,310	12,136
Other assets	2,487	5,799	24,164
Less allowance for doubtful accounts	(572)	(594)	(5,558)
Total investments and other assets	39,134	34,680	380,237
Total assets	¥293,139	¥303,970	$2,848,222

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Current liabilities:			
Short-term borrowings (Notes 8 and 15)	**¥ 12,292**	¥ 12,703	**$ 119,433**
Current portion of long-term debt (Notes 8 and 15)	**3,454**	11,404	**33,560**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**70**	37	**680**
Trade (Note 15)	**42,268**	42,179	**410,688**
Other	**1,059**	1,498	**10,290**
Advances received for products	**22,048**	21,389	**214,225**
Accrued income taxes (Note 19)	**1,802**	2,373	**17,509**
Other current liabilities	**15,852**	19,710	**154,023**
Total current liabilities	**98,848**	111,296	**960,435**
Long-term liabilities:			
Long-term debt (Notes 8 and 15)	**26,345**	29,134	**255,976**
Accrued retirement benefits (Note 18)			
For employees	**—**	9,419	**—**
For directors and corporate auditors	**115**	124	**1,117**
Retirement benefit liability (Note 18)	**10,405**	—	**101,098**
Deferred tax liabilities (Note 19)	**1,391**	1,128	**13,515**
Other long-term liabilities	**16,761**	18,497	**162,855**
Total long-term liabilities	**55,021**	58,305	**534,600**
Net assets:			
Shareholders' equity (Note 12)			
Common stock:			
Authorized—1,000,000,000 shares			
Issued—371,463,036 shares	**19,694**	19,694	**191,353**
Capital surplus	**5,425**	5,425	**52,711**
Retained earnings	**110,635**	107,861	**1,074,961**
Treasury stock, at cost (1,189,350 shares in 2014 and 632,211 shares in 2013)	**(730)**	(413)	**(7,093)**
Total shareholders' equity	**135,026**	132,568	**1,311,951**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	**4,293**	1,475	**41,712**
Unrealized gain (loss) from hedging instruments	**(130)**	(332)	**(1,263)**
Translation adjustments	**(96)**	(474)	**(933)**
Remeasurement of retirement benefit plans	**(1,042)**	—	**(10,124)**
Total accumulated other comprehensive income	**3,024**	668	**29,382**
Minority interests	**1,218**	1,131	**11,834**
Total net assets	**139,268**	134,368	**1,353,168**
Total liabilities and net assets	**¥293,139**	¥303,970	**$2,848,222**

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net sales	¥188,719	¥220,653	$1,833,647
Cost of sales (Note 9)	153,137	176,172	1,487,923
Gross profit	35,581	44,480	345,715
Selling, general and administrative expenses (Note 9)	26,717	27,799	259,590
Operating income	8,864	16,680	86,125
Other income (expenses):			
Interest and dividend income	757	537	7,355
Interest expense	(424)	(635)	(4,120)
Other, net (Note 10)	307	(1,780)	2,983
	639	(1,878)	6,209
Income before income taxes and minority interests	9,504	14,802	92,344
Income taxes (Note 19):			
Current	3,530	6,049	34,298
Deferred	344	272	3,342
Income before minority interests	5,629	8,479	54,693
Minority interests in net income of consolidated subsidiaries	102	198	991
Net income (Note 25)	¥ 5,527	¥ 8,281	$ 53,702

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Income before minority interests	**¥5,629**	¥8,479	**$54,693**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	**2,817**	1,089	**27,371**
Unrealized gain (loss) from hedging instruments	**202**	(269)	**1,963**
Translation adjustments	**390**	185	**3,789**
Total other comprehensive income (Note 11)	**3,410**	1,004	**33,133**
Comprehensive income	**¥9,039**	¥9,484	**$87,825**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	**¥8,924**	¥9,277	**$86,708**
Minority interests	**¥ 114**	¥ 206	**$ 1,108**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

For the years ended March 31, 2014 and 2013

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 12)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments (Note 18)	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	¥19,694	¥5,426	¥103,288	¥(408)	¥128,000	¥ 385	¥ (62)	¥(650)	¥ —	¥ (327)	¥ 940	¥128,613
Changes during the year												
Cash dividends paid			(3,708)		(3,708)							(3,708)
Net income			8,281		8,281							8,281
Increase by merger												
Purchases of treasury stock				(5)	(5)							(5)
Disposal of treasury stock		(0)		0	0							0
Net changes in items other than those in shareholders' equity						1,089	(269)	176	—	995	191	1,187
Total changes during the year	—	(0)	4,752	(5)	4,567	1,089	(269)	176	—	995	191	5,755
Balance at April 1, 2013	¥19,694	¥5,425	¥107,861	¥(413)	¥132,568	¥1,475	¥(332)	¥(474)	¥ —	¥ 668	¥1,131	¥134,368
Changes during the year												
Cash dividends paid			(2,781)		(2,781)							(2,781)
Net income			5,527		5,527							5,527
Increase by merger			28		28							28
Purchases of treasury stock				(316)	(316)							(316)
Disposal of treasury stock												
Net changes in items other than those in shareholders' equity						2,817	202	377	(1,042)	2,355	86	2,422
Total changes during the year	—	—	2,774	(316)	2,457	2,817	202	377	(1,042)	2,355	86	4,900
Balance at March 31, 2014	¥19,694	¥5,425	¥110,635	¥(730)	¥135,026	¥4,293	¥(130)	¥ (96)	¥(1,042)	¥3,024	¥1,218	¥139,268

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 12)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments (Note 18)	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	$191,353	$52,771	$1,048,008	$(4,013)	$1,288,068	$14,332	$(3,226)	$(4,606)	$ —	$ 6,490	$10,989	$1,305,558
Changes during the year												
Cash dividends paid			(27,021)		(27,021)							(27,021)
Net income			53,702		53,702							53,702
Increase by merger			272		272							272
Purchases of treasury stock				(3,070)	(3,070)							(3,070)
Disposal of treasury stock												
Net changes in items other than those in shareholders' equity						27,371	1,963	3,663	(10,124)	22,882	836	23,727
Total changes during the year	—	—	26,953	(3,070)	23,872	27,371	1,963	3,663	(10,124)	22,882	836	47,610
Balance at March 31, 2014	$191,353	$52,771	$1,074,961	$(7,093)	$1,311,951	$41,712	$(1,263)	$ (933)	$(10,124)	$29,382	$11,834	$1,353,168

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Operating activities			
Income before income taxes and minority interests	**¥ 9,504**	¥14,802	**$ 92,344**
Depreciation and amortization	**12,878**	15,990	**125,126**
Interest and dividend income	**(756)**	(537)	**(7,346)**
Interest expense	**424**	635	**4,120**
Equity in (earnings) losses of affiliates	**0**	(0)	**0**
(Gain) loss on sales of investment securities	**(46)**	—	**(447)**
Loss on disposal of tangible and intangible assets	**147**	1,927	**1,428**
(Gain) loss on sales of property, plant and equipment	**(65)**	(30)	**(632)**
Loss on valuation of shares of subsidiaries and associates	**44**	—	**427**
Increase (decrease) in provision for loss on business of subsidiaries and associates	**116**	—	**1,127**
Changes in operating assets and liabilities:			
Trade assets (Note 15)	**2,827**	(16,333)	**27,468**
Trade liabilities	**(2,219)**	(422)	**(21,560)**
Inventories (Note 4)	**(5,772)**	19,840	**(56,082)**
Other	**(1,760)**	(4,210)	**(17,101)**
Subtotal	**15,323**	31,662	**148,883**
Interest and dividends received	**754**	539	**7,326**
Interest paid	**(435)**	(643)	**(4,226)**
Income taxes paid	**(4,093)**	(7,823)	**(39,769)**
Net cash provided by operating activities	**11,549**	23,735	**112,213**
Investing activities			
Increase in tangible and intangible assets	**(4,610)**	(6,209)	**(44,792)**
Decrease in tangible and intangible assets	**138**	88	**1,341**
Purchases of investment securities	**(821)**	(10)	**(7,977)**
Proceeds from sale of investment securities	**86**	1	**836**
Reimbursement of long-term deposits on contracts	**(223)**	(201)	**(2,167)**
(Increase) decrease in short-term loans receivable	**(17)**	(68)	**(165)**
Collection of long-term loans receivable	**14**	35	**136**
Payments for investments in capital of subsidiaries and affiliates	**(300)**	(107)	**(2,915)**
Purchase of investments in subsidiaries	**(79)**	(12)	**(767)**
Other	**94**	653	**913**
Net cash used in investing activities	**(5,719)**	(5,832)	**(55,567)**
Financing activities (Notes 8 and 15)			
Net decrease in short-term borrowings	**(411)**	(281)	**(3,993)**
Increase in long-term debt	**200**	4,400	**1,943**
Decrease in long-term debt	**(10,740)**	(13,830)	**(104,353)**
Cash dividends paid	**(2,781)**	(3,708)	**(27,021)**
Acquisition of treasury stock	**(316)**	(23)	**(3,070)**
Repayments of finance lease obligations	**(955)**	(1,814)	**(9,279)**
Other	**(2)**	(1)	**(19)**
Net cash provided by (used in) financing activities	**(15,007)**	(15,259)	**(145,812)**
Effect of exchange rate changes on cash and cash equivalents	**432**	222	**4,197**
(Decrease) increase in cash and cash equivalents	**(8,744)**	2,865	**(84,959)**
Cash and cash equivalents at beginning of the year	**50,972**	48,107	**495,258**
Increase in cash and cash equivalents resulting from merger	**69**	—	**670**
Cash and cash equivalents at end of the year (Notes 13 and 15)	**¥42,297**	¥50,972	**$410,970**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Japan Steel Works, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements 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 IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and any 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 accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

As of March 31, 2014, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 34 and 1 (35 and 1 in 2013), respectively. Effective March 31, 2014, JSW AFTY Co., Ltd. was included in the scope of consolidation as a result of establishment of the company. YPK Co., Ltd. was excluded from the scope of consolidation, after YPK Co., Ltd. was absorbed by Nikko Shoji Co., Ltd, in accordance with the merger. Nikko Shoji Co., Ltd. changed corporate name to Nikko YPK Shoji Co., Ltd. and THE ARM REAL ESTATE CO., LTD. was absorbed by the Company. NIKKO MURORAN MANAGEMENT Service Co., Ltd. which was unconsolidated subsidiary in the previous fiscal year was absorbed by Hokkaido Kosan Co., Ltd. in accordance with the merger. Hokkaido Kosan Co., Ltd. changed corporate name to NIKKOU MURORAN SERVICE Co., Ltd.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ended December 31, which differ from that of the Company. However, the necessary adjustments have been made if the effect of the difference is material.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by the straight-line method over five years after acquisition and are included in selling, general and administrative expenses.

(b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and differences arising from the translation are included in the consolidated statements of income.

(c) Cash equivalents

Short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value are considered to be cash equivalents.

(d) Inventories

Real estate held for sale, finished products and work in process are stated at the lower of cost or net realizable value determined principally by the specific identification method. Raw materials are stated at the lower of cost or replacement cost determined principally by the moving average method.

(e) Investment securities

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible bad debts at an amount estimated based on the historical experience with bad debts on normal receivables plus an additional allowance for specific uncollectible amounts determined by reference to the collectability of individual doubtful accounts.

(g) Provision for warranties for completed construction

The Company provides a provision for warranties for completed construction by estimating losses on possible future claims.

(h) Provision for loss on construction contracts

The Company provides a provision for loss on construction contracts, which has not been delivered by the fiscal year end, by estimating the amount of total losses anticipated in the following fiscal year and thereafter to be incurred, when the amounts can be reasonably estimated.

(i) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates are provided based on the evaluation of individual financial and other conditions of subsidiaries and affiliates.

(j) Property, plant and equipment and depreciation

Property, plant and equipment is stated on the basis of cost. Depreciation of property, plant and equipment is determined by the declining-balance method over the estimated useful lives of the respective assets, except for buildings to which the straight-line method is applied.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

(k) Leases and depreciation

Finance lease transactions which do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as purchase and sales transactions.

With regard to the depreciation method of leased assets, the straight-line method is applied using the lease period as the estimated useful life and a residual value of zero.

(l) Retirement benefit

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

Prior service cost is being amortized as incurred by the straight-line method over ten years, which is shorter than the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is shorter than the average remaining years of service of the employees participating in the plans.

Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated balance sheets with respect to 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.

(n) Research and development expenses

Research and development expenses are charged to income when incurred.

(o) Revenue and cost recognition

Revenues on sales of products are generally recognized at the time of shipment.

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

(p) Derivative financial instruments

Derivative financial instruments are carried at fair value. Gain or loss on derivatives designated as hedging instruments is deferred as a component of net assets until the loss or gain on the underlying hedged items is recognized. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates when certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment to the interest expense of the underlying hedged items when certain conditions are met.

(q) Consumption tax

Accounting treatment of consumption tax is the tax exclusion method.

(r) Provision for directors' bonuses

Provision for directors' bonuses is provided based on estimated amounts to be paid in the subsequent period that are applicable to the current period.

(s) Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided based on estimated amounts determined by internal rules.

(t) Accounting changes

Disclosure for the year ended March 31, 2014

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014.

These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a retirement benefit liability or asset. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits.

Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in remeasurement of retirement benefits plans through accumulated other comprehensive income.

As a result of this change, retirement benefit liability was recognized in the amount of ¥10,405 million ($101,098 thousand) and retirement benefit asset was recognized in the amount of ¥2,427 million ($23,581 thousand). In addition, accumulated other comprehensive income decreased by ¥1,042 million ($10,124 thousand) as of March 31, 2014.

In addition, net assets per share decreased by ¥2.81 ($0.03).

(u) Standards issued but not yet effective

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actual differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The revised accounting standard and guidance were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollars is included solely for convenience, as a matter of arithmetic computation only, at ¥102.92 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2014. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

4. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Real estate held for sale	¥ 6	¥ 18	$ 58
Finished products	1,795	1,363	17,441
Work in process	59,477	53,428	577,895
Raw materials and supplies	4,208	4,705	40,886
Total	¥65,488	¥59,516	$636,300

Work in process related to construction contracts of which a loss is anticipated to be incurred was offset with a provision for loss on construction contracts of ¥1,291 million ($12,544 thousand) at March 31, 2014 and ¥2,035 million at March 31, 2013.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Depreciation expense	¥12,950	¥16,061	$125,826

6. Advanced Depreciation

Accumulated advanced depreciation related to government grants received has been deducted directly from the acquisition costs of certain tangible fixed assets (plant, machinery and equipment). Such accumulated depreciation at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Accumulated advanced depreciation expense	¥1,286	¥1,286	$12,495

7. Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
As endorsers of trade notes receivable:			
Endorsed to other	¥ 98	¥ 70	$ 952
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	526	588	5,111
Gotsu Wind Power Co., Ltd.	1,385	1,509	13,457
Uncollected receivables in leasing companies	6	16	58
Employees and other	153	238	1,487

8. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.5118% to 1.975% at March 31, 2014 and 0.57% to 2.1% at March 31, 2013, were unsecured.

Long-term debt at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans from banks and insurance companies with interest at annual rates ranging from 0.1778% to 1.8863%	¥17,795	¥28,335	$172,901
Less those maturing within one year	(2,700)	(10,530)	(26,234)
Lease obligations	2,004	2,203	19,471
Less those maturing within one year	(754)	(874)	(7,326)
0.48% straight bonds, due 2015	10,000	10,000	97,163
Long-term indebtedness reflected in the consolidated balance sheets	¥26,345	¥29,134	$255,976

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

	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year ending March 31,	Bonds		Long-term loans	
2015	¥ —	$ —	¥ 2,700	$ 26,234
2016	10,000	97,163	10,980	106,685
2017	—	—	115	1,117
2018	—	—	4,000	38,865
2019	—	—	—	—
2020 and thereafter	—	—	—	—

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,	Lease obligations	
2015	¥754	$7,326
2016	549	5,334
2017	372	3,614
2018	241	2,342
2019	84	816
2020 and thereafter	1	10

9. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Research and development expenses	¥3,836	¥4,054	$37,272

10. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Foreign exchange gain	¥376	¥ 132	$3,653
Amortization of negative goodwill	71	71	690
Equity in losses of affiliates	(0)	—	(0)
Gain on adjustment of insurance	531	295	5,159
Provision for warranties for completed construction	(818)	(2,393)	(7,948)
Gain on sales of property, plant and equipment	107	34	1,040
Gain on sales of investment securities	46	0	447
Loss on sales or disposal of property, plant and equipment	(189)	(1,931)	(1,836)
Loss on valuation of subsidiaries and associates	(44)	—	(428)
Provision for loss on business of subsidiaries and associates	(116)	—	(1,127)
Other, net	344	2,010	3,342
Total	¥307	¥(1,780)	$2,983

11. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥4,401	¥1,672	$42,761
Reclassification adjustments for gains and losses realized in net income	(46)	13	(447)
The amount of unrealized holding gain (loss) on securities before tax effect	4,355	1,686	42,314
Tax effect	(1,537)	(596)	(14,934)
Unrealized holding gain (loss) on securities	2,817	1,089	27,371
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	332	(433)	3,226
Tax effect	(130)	163	(1,263)
Unrealized gain (loss) from hedging instruments	202	(269)	1,963
Translation adjustments:			
Amount arising during the year	390	185	3,789
Translation adjustments	390	185	3,789
Total other comprehensive income	¥3,410	¥1,004	$33,133

12. Supplementary Information for Consolidated Statement of Changes in Net Assets

Year ended March 31, 2014

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2013	Increase during the year	Decrease during the year	Year ended March 31, 2014
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Note 1 and 2)	632,211	557,139	—	1,189,350

Notes: The increase in treasury stock—common stock of 511,000 was due to the acquisition from the dissenting shareholders under the provisions of 797, Paragraph 1 of the Companies Act and common stock of 6,139 was due to the acquisition of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 25, 2013
Type of shares: Common stock
Total amount of dividends: ¥1,854 million ($18,014 thousand)
Dividends per share: ¥5 ($0.049)
Cut-off date: March 31, 2013
Effective date: June 26, 2013

② Resolution: Meeting of Board of Directors held on November 5, 2013
Type of shares: Common stock
Total amount of dividends: ¥927 million ($9,007 thousand)
Dividends per share: ¥2.5 ($0.024)
Cut-off date: September 30, 2013
Effective date: December 4, 2013

(ii) Dividends of which the cut-off date was in the year ended March 31, 2014, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 25, 2014
Type of shares: Common stock
Total amount of dividends: ¥925 million ($8,988 thousand)
Dividends per share: ¥2.5 ($0.024)
Cut-off date: March 31, 2014
Effective date: June 26, 2014
Source of dividends: Retained earnings

Year ended March 31, 2013

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2012	Increase during the year	Decrease during the year	Year ended March 31, 2013
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Note 1 and 2)	621,564	11,507	860	632,211

Notes: 1. The increase in treasury stock—common stock of 11,507 was due to the acquisition of fractional shares of less than one unit.
2. The decrease in treasury stock—common stock of 860 was due to sales of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 26, 2012
Type of shares: Common stock
Total amount of dividends: ¥1,854 million
Dividends per share: ¥5
Cut-off date: March 31, 2012
Effective date: June 27, 2012

② Resolution: Meeting of Board of Directors held on October 29, 2012
Type of shares: Common stock
Total amount of dividends: ¥1,854 million
Dividends per share: ¥5
Cut-off date: September 30, 2012
Effective date: December 3, 2012

(ii) Dividends of which the cut-off date was in the year ended March 31, 2013, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 25, 2013
Type of shares: Common stock
Total amount of dividends: ¥1,854 million
Dividends per share: ¥5
Cut-off date: March 31, 2013
Effective date: June 26, 2013
Source of dividends: Retained earnings

13. Cash Flow Information

(a) Cash and cash equivalents

The reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash on hand and in banks in the accompanying consolidated balance sheets at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash on hand and in banks in the consolidated balance sheet	**¥42,329**	¥51,005	**$411,281**
Time deposits with maturities of more than three months	**(32)**	(32)	**(311)**
Cash and cash equivalents in the consolidated statement of cash flows	**¥42,297**	¥50,972	**$410,970**

(b) Significant transactions without cash flows

Assets and liabilities corresponding to finance lease transactions that have been recorded by the Company and its domestic consolidated subsidiaries at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lease assets	**¥745**	¥732	**$7,239**
Lease obligations	**772**	766	**7,501**

14. Leases

Year ended March 31, 2014

Future minimum lease payments subsequent to March 31, 2014 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	**¥3,129**	**$30,402**
2016 and thereafter	**4,305**	**41,829**
Total	**¥7,434**	**$72,231**

Year ended March 31, 2013

Future minimum lease payments subsequent to March 31, 2013 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen
2014	¥2,846
2015 and thereafter	5,291
Total	¥8,138

15. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for operations and capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") utilize funds provided by operating cash flows first. The Group uses bond issuances and bank borrowings in order to raise additional funds, if needed. The Company manages temporary cash surpluses through low-risk financial assets. The Company uses derivatives for the purpose of reducing risks and does not enter into derivative contracts for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. The foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts, if needed.

Investment securities are exposed to market risk. These securities are mainly composed of the shares of common stock of companies with which the Company has business relationships.

Trade payables—trade notes and accounts payable—have payment due dates within one year. Since the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk, if needed.

Loans payable and bonds are used to raise funds mainly in connection with capital investments. The repayment dates of the long-term debts extend up to four years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix the interest payments for long-term debt with variable rates, the Company utilizes interest rate swap transactions as hedging instruments.

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions to reduce the fluctuation risk of interest payments for long-term debt with variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2 (p).

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Company is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties. The consolidated subsidiaries also manage credit risk using the Company's internal policies and methods.

The Company also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a high credit-rating.

(ii) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Company may also enter into interest rate swap transactions.

For investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company continuously evaluates whether securities should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority. Monthly reports including actual transaction data are submitted to top management for their review. The consolidated subsidiaries also conduct derivative transactions using the Company's internal policies.

(iii) Monitoring of liquidity risk (the risk that the Company may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Company prepares and updates its cash flow plans on a timely basis to manage liquidity risk. The consolidated subsidiaries manage the liquidity risk using cash flow plans and report to the Company periodically.

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17 Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note (ii) below).

Year ended March 31, 2014

Millions of yen

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	¥ 42,329	¥ 42,329	¥ —
Trade notes and accounts receivable	48,869	48,866	(2)
Securities:			
Other securities	30,866	30,866	—
Total assets	¥122,066	¥122,063	¥ (2)
Liabilities			
Trade notes and accounts payable	¥ 42,339	¥ 42,339	¥ —
Short-term borrowings	12,292	12,292	—
Current portion of long-term debt	2,700	2,732	32
Bonds	10,000	10,031	31
Long-term debt	15,095	15,151	56
Total liabilities	¥ 82,426	¥ 82,548	¥121
Derivatives (*)	¥ (201)	¥ (201)	—

Thousands of U.S. dollars

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	$ 411,281	$ 411,281	$ —
Trade notes and accounts receivable	474,825	474,796	(19)
Securities:			
Other securities	299,903	299,903	—
Total assets	$1,186,028	$1,185,999	$ (19)
Liabilities			
Trade notes and accounts payable	$ 411,378	$ 411,378	$ —
Short-term borrowings	119,433	119,433	—
Current portion of long-term debt	26,234	26,545	311
Bonds	97,163	97,464	301
Long-term debt	146,667	147,211	544
Total liabilities	$ 800,874	$ 802,060	$1,176
Derivatives (*)	$ (1,953)	$ (1,953)	—

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

Year ended March 31, 2013

Millions of yen

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	¥ 51,005	¥ 51,005	¥ —
Trade notes and accounts receivable	51,970	51,967	(3)
Securities:			
Other securities	25,715	25,715	—
Total assets	¥128,691	¥128,687	¥ (3)
Liabilities			
Trade notes and accounts payable	¥ 42,216	¥ 42,216	¥ —
Short-term borrowings	12,703	12,703	—
Current portion of long-term debt	10,530	10,562	32
Bonds	10,000	10,034	34
Long-term debt	17,805	17,929	124
Total liabilities	¥ 93,255	¥ 93,446	¥190
Derivatives (*)	¥ (534)	¥ (534)	—

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

(i) Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash on hand and in banks

The carrying amount is used for bank deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables

The fair value is calculated by categories of the remaining periods of the receivables based on the present value using discount rates determined by the period to maturity and credit risk.

Securities

The carrying amount is used for other securities with maturities, because the fair value approximates the carrying amount.

Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings

The carrying amount is used for these items because the fair value approximates the carrying amount.

Current portion of long-term debt, bonds and long-term debt

The fair values are calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest. The current portion of long-term debt and long-term debt with variable interest rates are subject to the special treatment of interest rate swaps and is calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest including that of the interest rate swap.

Derivative Transactions

Please refer to Note 17, Derivative Transactions, of the notes to the consolidated financial statements.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted stocks	¥1,949	¥1,949	$18,937

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have quoted market prices and future cash flows cannot be estimated, they are not included in "Securities" in the preceding table.

(iii) Redemption schedule for receivables and securities with maturities at March 31, 2014 and 2013.

Year ended March 31, 2014

Millions of yen

	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	¥42,329	¥ —	—
Trade notes and accounts receivable	48,244	624	—
Total	¥90,574	¥624	—

Thousands of U.S. dollars

	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	$411,281	$ —	—
Trade notes and accounts receivable	468,752	6,063	—
Total	$880,043	$6,063	—

Year ended March 31, 2013

Millions of yen

	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	¥ 51,005	¥ —	—
Trade notes and accounts receivable	51,275	695	—
Total	¥102,280	¥695	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2014

Millions of yen

	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	¥ —	¥ 2,700	¥754
Due after 1 year through 2 years	10,000	10,980	549
Due after 2 years through 3 years	—	115	372
Due after 3 years through 4 years	—	4,000	241
Due after 4 years through 5 years	—	—	84
Due after 5 years	—	—	1

Thousands of U.S. dollars

	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	$ —	$ 26,234	$7,326
Due after 1 year through 2 years	97,163	106,685	5,334
Due after 2 years through 3 years	—	1,117	3,614
Due after 3 years through 4 years	—	38,865	2,342
Due after 4 years through 5 years	—	—	816
Due after 5 years	—	—	10

Year ended March 31, 2013

Millions of yen

	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	¥ —	¥10,530	¥874
Due after 1 year through 2 years	—	2,660	598
Due after 2 years through 3 years	10,000	10,940	389
Due after 3 years through 4 years	—	175	220
Due after 4 years through 5 years	—	4,030	105
Due after 5 years	—	—	16

16. Securities

Other securities:

March 31, 2014

Millions of yen

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	¥12,704	¥20,309	¥7,604
Carrying amount not exceeding the acquisition cost:			
Stocks	11,150	10,185	(964)
Total	¥23,855	¥30,494	¥6,639

Thousands of U.S. dollars

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	$123,436	$197,328	$73,883
Carrying amount not exceeding the acquisition cost:			
Stocks	108,337	98,960	(9,366)
Total	$231,782	$296,288	$64,506

March 31, 2013

Millions of yen

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	¥ 5,410	¥10,457	¥5,047
Carrying amount not exceeding the acquisition cost:			
Stocks	17,663	14,900	(2,763)
Total	¥23,073	¥25,357	¥2,284

When their fair values have declined by 50% or more, impairment losses are recorded on those securities. When their fair values have declined by 30% up to 50%, impairment losses are recorded on those securities on an individual basis to the values considered to be recoverable.

17. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2014

None applicable

Year ended March 31, 2013

None applicable

(b) Derivatives subject to hedge accounting

The contract amounts or the amount corresponding to principal as specified by the contract as of the date of the closing of the consolidated accounts is shown below by type of hedge accounting method.

(i) Currency-related transactions

Year ended March 31, 2014

Millions of yen

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable			
	Sell: U.S. dollars		**¥16,405**	**¥3,294**	**¥(254)**
	Euros		**554**	**13**	**(3)**
	Canadian dollars		**—**	**—**	**—**
	Hong Kong dollars		**13**	**—**	**(0)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy: U.S. dollars		**¥ 745**	**—**	**¥ 6**
	Euros		**1,126**	**—**	**51**
	Sterling pound		**143**	**—**	**(0)**
	Hong Kong dollars		**—**	**—**	**—**

Thousands of U.S. dollars

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable			
	Sell: U.S. dollars		**$159,396**	**$32,005**	**$(2,468)**
	Euros		**5,383**	**126**	**(29)**
	Canadian dollars		**—**	**—**	**—**
	Hong Kong dollars		**126**	**—**	**(0)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy: U.S. dollars		**$ 7,239**	**—**	**$ 58**
	Euros		**10,941**	**—**	**496**
	Sterling pound		**1,389**	**—**	**(0)**
	Hong Kong dollars		**—**	**—**	**—**

Note: Calculation of fair value is based on the forward exchange rates.

Year ended March 31, 2013

Millions of yen

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable			
	Sell: U.S. dollars		¥8,284	¥298	¥(774)
	Euros		751	84	(44)
	Canadian dollars	Notes and accounts	22	—	0
	Hong Kong dollars		12	—	(1)
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy: U.S. dollars		¥5,003	—	¥ 229
	Euros		521	—	48
	Sterling pound		120	—	8
	Hong Kong dollars		7	—	(0)

Note: Calculation of fair value is based on the forward exchange rates.

(ii) Interest-related transactions
Year ended March 31, 2014

Millions of yen

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	¥4,000	¥4,000	(*)

Thousands of U.S. dollars

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	$38,865	$38,865	(*)

(*) Since interest rate swap contracts accounted for by the special treatment for interest rate swaps are treated together with the long-term borrowings subject to hedging, the estimated fair value of such interest rate swap contracts is included in the estimated fair value of the corresponding long-term borrowings.

Note: Calculation of fair value is based on the stated price by financial institutions.

Year ended March 31, 2013

Millions of yen

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Current portion of long-term borrowings Long-term borrowings	¥14,100	¥4,000	(*)

(*) Since interest rate swap contracts accounted for by the special treatment for interest rate swaps are treated together with the long-term borrowings subject to hedging, the estimated fair value of such interest rate swap contracts is included in the estimated fair value of the corresponding long-term borrowings.

Note: Calculation of fair value is based on the stated price by financial institutions.

18. Retirement Benefit Plans

For the year ended March 31, 2014

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and/or defined contribution plans.

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e. lump-sum payment plans, defined benefit plans, welfare pension fund and tax-qualified pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation at beginning of year	¥20,367	$197,892
Service cost	963	9,357
Interest cost	272	2,643
Actuarial (gain) or loss	(82)	(797)
Retirement benefit paid	(1,701)	(16,527)
Retirement benefit obligation at end of year	¥19,819	$192,567

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Plan assets at beginning of year	¥14,968	$145,433
Expected return on plan assets	224	2,176
Actuarial (gain) or loss	901	8,754
Contributions by the Company	459	4,460
Retirement benefit paid	(1,030)	(10,008)
Plan assets at end of year	¥15,524	$150,836

The changes in retirement benefit liability, for which the simplified method was applied, for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit liability at beginning of year	¥3,804	$36,961
Retirement benefit expense	561	5,451
Retirement benefit paid	(467)	(4,538)
Contributions by the Company	(197)	(1,914)
Other	28	272
Retirement benefit liability at end of year	¥3,729	$36,232

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

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligation	¥ 19,093	$ 185,513
Plan assets at fair value	(16,338)	(158,745)
	2,754	26,759
Unfunded retirement benefit obligation	5,223	50,748
Net liability for retirement benefits on the balance sheet	¥ 7,978	$ 77,517
Retirement benefit liability	¥ 10,405	$ 101,098
Retirement benefit asset	(2,427)	(23,581)
Net liability for retirement benefits on the balance sheet	¥ 7,978	$ 77,517

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

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 963	$ 9,357
Interest cost	272	2,643
Expected return on plan assets	(224)	(2,176)
Amortization of actuarial loss	139	1,351
Amortization of prior service cost	155	1,506
Retirement benefit expense, which were calculated by the simple method	561	5,451
Other	65	632
Retirement benefit expense	¥1,930	$18,752

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

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ (180)	$ (1,749)
Unrecognized actuarial loss	(1,442)	(14,011)
Total	¥(1,622)	$(15,760)

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

	March 31, 2014
Bonds	29%
Stocks	38
Cash on hand and in banks	0
General account	16
Other	16
Total	100%

19% of the total plan assets consist of the, retirement benefit trust that were set for the lump-sum and corporate pension plans.

The expected rate of return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

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

	March 31, 2014
Discount rates	1.50%
Expected rates of return on plan assets	1.50%

The amount of contributions to defined contribution plans by consolidated subsidiaries was ¥32 million ($311 thousand).

For the year ended March 31, 2013

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

	Millions of yen
Retirement benefit obligation	¥(25,153)
Plan assets at fair value	16,012
Unfunded retirement benefit obligation	(9,141)
Unrecognized actuarial loss	2,611
Unrecognized prior service cost	274
Net retirement benefit obligation	(6,254)
Prepaid pension cost	3,164
Liability for retirement benefits	¥ (9,419)

The components of retirement benefit expense for the year ended March 31, 2013 are as follows:

	Millions of yen
Service cost	¥1,549
Interest cost	289
Expected return on plan assets	(204)
Amortization of actuarial loss	440
Amortization of prior service cost	140
Retirement benefit expenses	¥2,214

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

	March 31, 2013
Discount rates	1.50%
Expected rates of return on plan assets	1.50%

19. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued enterprise taxes	¥ 180	¥ 239	$ 1,749
Accrued bonuses	1,004	1,144	9,755
Unrealized gain on intercompany transactions	690	592	6,704
Retirement benefit liability	4,612	—	44,812
Accrued retirement benefits for employees	—	4,453	—
Accrued retirement benefits for directors and corporate auditors	52	69	505
Loss on revaluation of inventory items	1,202	1,492	11,679
Loss on revaluation of financial instruments	253	274	2,458
Impairment loss	84	184	816
Depreciation	966	1,107	9,386
Amortization of long-term prepaid expenses	115	105	1,117
Provision for warranties for completed construction	924	1,202	8,978
Provision for loss on construction contracts	700	1,351	6,801
Less allowance for doubtful accounts	169	145	1,642
Asset retirement obligations	450	490	4,372
Percentage-of-completion method	617	256	5,995
Tax loss carry forwards	2,412	2,085	23,436
Deferred loss on hedges	99	319	962
Unrealized loss on investment securities	341	974	3,313
Other	379	354	3,682
Gross deferred tax assets	15,276	16,882	148,426
Valuation allowance	(3,706)	(3,676)	(36,009)
Total deferred tax assets	11,569	13,205	112,408
Deferred tax liabilities:			
Reserve for advanced depreciation	1,702	1,853	16,537
Reserve for special depreciation	864	1,342	8,395
Net defined benefit asset	696	—	6,763
Prepaid pension cost	—	1,120	—
Disposal cost with asset retirement obligations	283	289	2,750
Unrealized gain on investment securities	2,698	1,794	26,215
Deferred gain on hedges	28	117	272
Other	397	390	3,857
Total deferred tax liabilities	6,337	6,551	61,572
Net deferred tax assets	¥ 5,231	¥ 6,653	$ 50,826

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rates for the years ended March 31, 2014 and 2013 were as follows:

	2014	2013
Statutory tax rates	37.8%	37.8%
Effect of:		
Permanent differences	3.0	1.3
Tax credit	(2.5)	(1.9)
Decrease in deferred tax assets due to tax rate change	3.0	—
Other	(0.5)	5.5
Effective tax rates	40.8%	42.7%

Adjustment of deferred tax liabilities and deferred tax assets due to change in the corporate tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 4 of 2014) and the "Act for Partial Amendment of the Local Corporate Tax Act, etc." (Act No. 11 of 2014) were promulgated on March 31, 2014, and the Company is subject to the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8 to 35.4% for the temporary differences expected to be realized or settled from fiscal years beginning on April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥292 million ($2,837 thousand) and deferred tax liabilities after offsetting deferred tax assets by ¥5 million ($49 thousand), increase deferred income taxes by ¥283 million ($2,750 thousand), and decrease unrealized gain (loss) from hedging instruments by ¥3 million ($29 thousand) as of and for the year ended March 31, 2014.

20. Business Combinations

Transaction under common control

(a) Outline of the transaction

Combination between Nikko Shoji Co., Ltd. and YPK Co., Ltd.

① Name and business of companies

Name of surviving company: Nikko Shoji Co., Ltd.

Business: Sales of injection molding machines, plastics machinery, machine tools, semiconductor manufacturing equipment, general industrial machinery, forging casting machine and import-export operations and lease, etc.

Name of absorbed company: YPK Co., Ltd.

Business: Sales of injection molding machines, blow-molding machines, extruders, vacuum forming machines and powder processing machines, etc.
Installation services and international trading services

② Date of business combination

January 1, 2014

③ Legal form of business combination

Absorption-type merger with Nikko Shoji Co., Ltd. as the surviving company

④ Name of company after business combination

Nikko YPK Shoji Co., Ltd.

⑤ Purpose of transaction

The Company intends to construct an efficient and rational operating structure. In addition, the Company plans to enhance productivity and profitability, the effective use of human resources and support a responsive organization.

(b) Outline of the accounting treatment

The Company treated the transaction as transaction under common control based on Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No. 21, issued on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on December 26, 2008).

21. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Balance at beginning of year	**¥1,371**	¥1,299	**$13,321**
Liabilities incurred due to the acquisition of property, plant and equipment	**—**	—	**—**
Accretion expense	**20**	19	**194**
Liabilities settled	**—**	(47)	**—**
Other	**(120)**	100	**(1,166)**
Balance at end of year	**¥1,271**	¥1,371	**$12,349**

22. Investment and Rental Properties

The Company has omitted the disclosure of investment and rental properties due to immateriality for the years ended March 31, 2014 and 2013.

23. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Steel and Energy Products segment includes steel castings and forgings, steel plates, pressure vessels and steel structures. The Industrial Machinery Products segment includes injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products. The Real Estate and Other Businesses segment includes regional development.

Millions of yen

	Reportable segments					
Year ended March 31, 2014	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥ 67,602	¥118,385	¥ 2,731	¥188,719	¥ —	¥188,719
Intra-segment sales and transfers	3,167	1,766	3,190	8,123	(8,123)	—
Total sales	70,769	120,152	5,921	196,842	(8,123)	188,719
Operating income	¥ (3,606)	¥ 12,185	¥ 1,149	¥ 9,728	¥ (864)	¥ 8,864
Assets, depreciation, and capital expenditures:						
Total assets	¥111,561	¥ 99,309	¥12,984	¥223,855	¥69,283	¥293,139
Depreciation and amortization	9,897	2,649	281	12,828	122	12,950
Capital expenditures	2,216	2,793	114	5,125	117	5,242

Thousands of U.S. dollars

Year ended March 31, 2014	Reportable segments: Steel and Energy Products	Reportable segments: Industrial Machinery Products	Reportable segments: Real Estate and Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	$ 656,840	$1,150,262	$ 26,535	$1,833,647	$ —	$1,833,647
Intra-segment sales and transfers	30,771	17,159	30,995	78,925	(78,925)	—
Total sales	687,612	1,167,431	57,530	1,912,573	(78,925)	1,833,647
Operating income	$ (35,037)	$ 118,393	$ 11,164	$ 94,520	$ (8,395)	$ 86,125
Assets, depreciation, and capital expenditures:						
Total assets	$1,083,958	$ 964,914	$126,156	$2,175,039	$673,173	$2,848,222
Depreciation and amortization	96,162	25,738	2,730	124,640	1,185	125,826
Capital expenditures	21,531	27,138	1,108	49,796	1,137	50,933

Notes: 1. Adjustments and eliminations for segment profit of ¥864 million ($8,395 thousand) include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥69,283 million ($673,173 thousand) include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥122 million ($1,185 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥117 million ($1,137 thousand) include capital expenditures for corporate assets.

Millions of yen

Year ended March 31, 2013	Reportable segments: Steel and Energy Products	Reportable segments: Industrial Machinery Products	Reportable segments: Real Estate and Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥ 88,275	¥130,138	¥ 2,239	¥220,653	¥ —	¥220,653
Intra-segment sales and transfers	4,972	2,164	3,071	10,207	(10,207)	—
Total sales	93,248	132,302	5,310	230,861	(10,207)	220,653
Operating income	¥ (534)	¥ 16,784	¥ 840	¥ 17,090	¥ (410)	¥ 16,680
Assets, depreciation, and capital expenditures:						
Total assets	¥120,250	¥ 96,895	¥13,396	¥230,542	¥ 73,427	¥303,970
Depreciation and amortization	13,056	2,580	291	15,928	133	16,061
Capital expenditures	2,575	2,860	73	5,509	60	5,570

Notes: 1. Adjustments and eliminations for segment profit of ¥410 million include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥73,427 million include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥133 million include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥60 million include capital expenditures for corporate assets.

(a) Product and service information

Millions of yen

Year ended March 31, 2014	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	¥67,602	¥118,385	¥2,731	¥188,719

Thousands of U.S. dollars

Year ended March 31, 2014	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	$656,840	$1,150,262	$26,535	$1,833,647

Millions of yen

Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	¥88,275	¥130,138	¥2,239	¥220,653

(b) Geographical information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japan	¥ 95,966	¥105,180	$ 932,433
China	27,159	27,131	263,885
Others	65,593	88,341	637,320
Consolidated	¥188,719	¥220,653	$1,833,647

Note: Net sales information above is based on customer location.

(ii) Tangible assets

The Company has omitted the disclosure of tangible assets by country or region as of March 31, 2014 and 2013 because the amount of tangible assets in Japan accounted for more than 90% of the carrying amount in the consolidated balance sheet.

(c) Significant customer information

The Company has omitted the disclosure of significant customer information for the years ended March 31, 2014 and 2013 because no individual customer accounted for more than 10% of net sales in the consolidated statement of income.

(d) Information on loss on impairment of fixed assets

Impairment losses on fixed assets by reportable segment for the years ended March 31, 2014 and 2013 are summarized as follows:

Year ended March 31, 2014

None applicable

Millions of yen

Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Impairment loss	¥87	¥59	¥—	¥300	¥446

(e) Amortization and balance of goodwill

The following table presents the amortization and balance of negative goodwill arising from business combinations on or prior to March 31, 2010 as of and for the years ended March 31, 2014 and 2013 by reportable segment:

Millions of yen

Year ended March 31, 2014	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥71	—	—	¥71
Balance as of March 31	—	71	—	—	71

Thousands of U.S. dollars

Year ended March 31, 2014	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	$690	—	—	$690
Balance as of March 31	—	690	—	—	690

Millions of yen

Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥ 71	—	—	¥ 71
Balance as of March 31	—	143	—	—	143

(f) Information on gain on negative goodwill

Year ended March 31, 2014

None applicable

Year ended March 31, 2013

In the Industrial Machinery Products segment, YPK Co., Ltd. became a consolidated subsidiary as a result of additional acquisition of shares. This resulted in a gain on negative goodwill of ¥55 million in the fiscal year ended March 31, 2013. Furthermore, the Company acquired additional shares of Meiki Co., Ltd., a consolidated subsidiary. This also resulted in a gain on negative goodwill of ¥1 million in the fiscal year ended March 31, 2013.

24. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the meeting of shareholders, or by the Board of Directors if certain conditions are met.

25. Amounts per Share

Net income per share is calculated 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. Net assets per share are calculated based on the number of shares of common stock outstanding at year end. Amounts per share at March 31, 2014 and 2013 and for the years then ended were as follows:

	Yen		U.S. dollars
	2014	2013	2014
Net income	¥ 14.92	¥ 22.33	$0.14
Net assets	372.83	359.29	3.62

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of The Japan Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 25, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC