Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales increased ¥5,955 million, or 3.2% year on year, to ¥194,674 million (US$1.619 million), owing to increase in the Industrial Machinery Products Business.

Operating Income

Operating income declined ¥647 million, or 7.3%, to ¥8,217 million (US$68 million). The operating income margin stood at 4.2%, a 0.5 percentage-point decline compared with the previous year.

Net Income

As a result, the Group posted a net loss of ¥3,740 million (US$31 million), compared with net income of ¥5,527 million (US$45 million) in the previous fiscal year. This equates to net loss of ¥10.10 for the period on a per-share basis.

Sales by Region

The Japanese market accounted for sales of ¥100,417 million (US$835 million), the Chinese market for ¥29,131 million (US$242 million), with all other markets accounting for ¥65,125 million (US$541 million).

Cash Flows

At year-end, cash and cash equivalents stood at ¥49,152 million (US$409 million), increase ¥6,854 million from a year earlier.

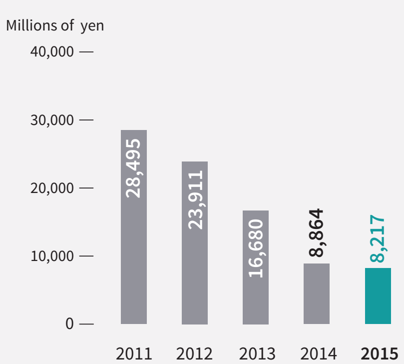
Cash Flow from Operating Activities

Net cash provided by operating activities was ¥11,580 million (US$96 million), compared with ¥11,549 million in the previous year. Primary factors included a year-on-year decrease in income before income taxes. This contrasted with provision for loss on wind power business, which did not involve cash outflows.

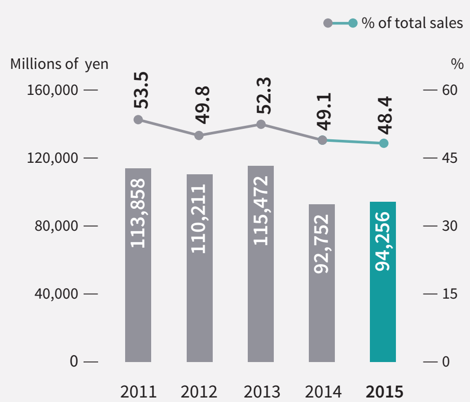
Cash Flow from Investing Activities

Net cash used in investing activities was ¥2,675 million (US$22 million), compared with ¥5,719 million a year earlier. The main factor was proceeds from sale of investment securities.

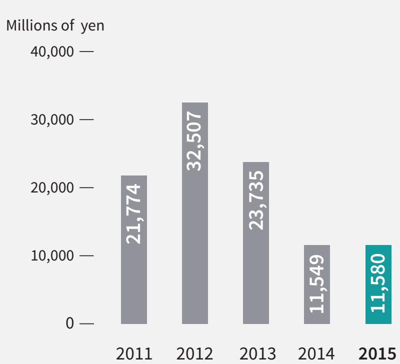
Operating Income



Overseas Sales



Net Cash Provided by Operating Activities



Cash Flow from Financing Activities

Net cash used in financing activities was ¥2,964 million (US$24 million), compared with ¥15,007 million a year earlier. The main factor was syndicated loan repayments made in the previous fiscal year.

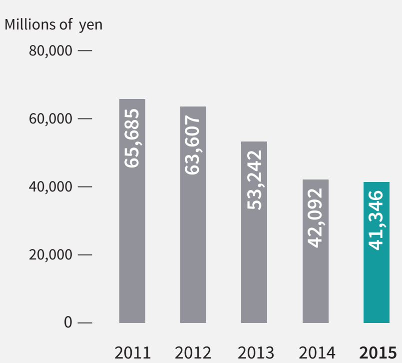
Financial Position

Total assets at March 31, 2015, stood at ¥321,083 million (US$2,671 million), increase ¥27,944 million, or 9.5%, from the close of the previous year. This was due to an increase in current assets stemming mainly from rises in cash and cash equivalents, notes and accounts receivable, and deferred tax assets.

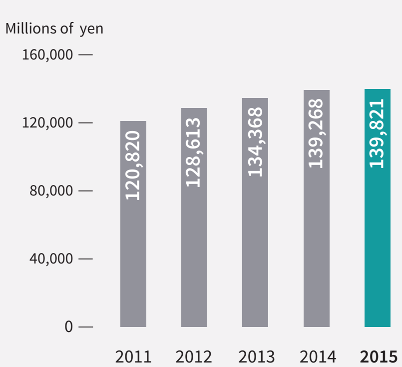
Total liabilities were ¥181,261 million (US$1,508 million) at year-end, increase ¥27,391 million, or 17.8%, from the close of the previous year. This was due to an increase in current liabilities caused mainly by a rise in prepaid expenses and provision for loss on wind power business. Interest-bearing debt was ¥41,346 million (US$344 million), increase ¥745 million.

Net assets stood at ¥139,821 million (US$1,163 million), up ¥552 million, or 0.4%, from the previous year. This was due mainly to an increase in unrealized holding gain on securities, which contrasted with a decrease in retained earnings stemming from the net loss.

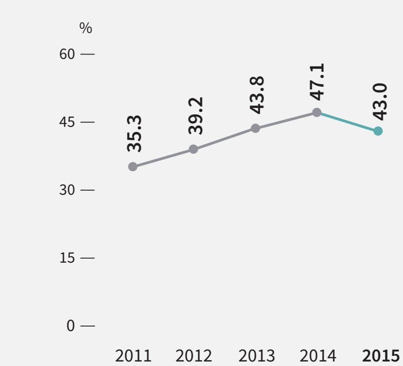
Interest-Bearing Debt



Net Assets



Equity Ratio



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The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2015 and 2014

Assets	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2015
Current assets:			
Cash on hand and in banks (Notes 14 and 16)	¥ 42,329	**¥ 49,176**	**$ 409,220**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	376	**204**	**1,698**
Trade (Note 16)	48,520	**56,482**	**470,017**
Other	540	**179**	**1,490**
Less allowance for doubtful accounts	(310)	**(157)**	**(1,306)**
Inventories (Note 5)	65,488	**68,856**	**572,988**
Deferred tax assets (Note 20)	5,374	**9,252**	**76,991**
Other current assets	5,155	**7,529**	**62,653**
Total current assets	167,476	**191,523**	**1,593,767**
Property, plant and equipment, at cost (Notes 6 and 7):			
Land	10,509	**10,897**	**90,680**
Buildings and structures	96,456	**98,195**	**817,134**
Machinery and equipment	141,603	**142,705**	**1,187,526**
Leased assets	3,799	**3,843**	**31,980**
Construction in progress	559	**1,404**	**11,683**
	252,928	**257,046**	**2,139,020**
Less accumulated depreciation	(167,255)	**(174,270)**	**(1,450,196)**
Property, plant and equipment, net	85,672	**82,775**	**688,816**
Intangible assets	855	**718**	**5,975**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,009	**1,003**	**8,347**
Investment securities (Notes 16 and 17)	32,444	**38,731**	**322,302**
Long-term loans receivable	88	**74**	**616**
Retirement benefit asset (Note 19)	2,427	**3,063**	**25,489**
Deferred tax assets (Note 20)	1,249	**1,065**	**8,862**
Other assets	2,487	**2,714**	**22,585**
Less allowance for doubtful accounts	(572)	**(588)**	**(4,893)**
Total investments and other assets	39,134	**46,065**	**383,332**
Total assets	¥293,139	**¥321,083**	**$2,671,906**

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Current liabilities:			
Short-term borrowings (Notes 9 and 16)	¥ 12,292	**¥ 12,255**	**$ 101,981**
Current portion of long-term debt (Notes 9 and 16)	3,454	**21,768**	**181,143**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	70	**80**	**666**
Trade (Note 16)	42,268	**42,167**	**350,895**
Other	1,059	**2,563**	**21,328**
Advances received for products	22,048	**34,697**	**288,733**
Accrued income taxes (Note 20)	1,802	**1,171**	**9,745**
Provision for loss on wind power generator business (Note 3)	—	**13,203**	**109,869**
Other current liabilities	15,852	**17,439**	**145,119**
Total current liabilities	98,848	**145,349**	**1,209,528**
Long-term liabilities:			
Long-term debt (Notes 9 and 16)	26,345	**7,322**	**60,930**
Accrued retirement benefits (Note 19)			
For directors and corporate auditors	115	**109**	**907**
Retirement benefit liability (Note 19)	10,405	**10,857**	**90,347**
Deferred tax liabilities (Note 20)	1,391	**3,064**	**25,497**
Other long-term liabilities	16,761	**14,559**	**121,153**
Total long-term liabilities	55,021	**35,912**	**298,843**
Net assets:			
Shareholders' equity (Note 13)			
Common stock:			
Authorized—1,000,000,000 shares			
Issued—371,463,036 shares	19,694	**19,694**	**163,884**
Capital surplus	5,425	**5,425**	**45,144**
Retained earnings	110,635	**104,916**	**873,063**
Treasury stock, at cost (1,192,297 shares in 2015 and 1,189,350 shares in 2014)	(730)	**(731)**	**(6,083)**
Total shareholders' equity	135,026	**129,305**	**1,076,017**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	4,293	**9,195**	**76,517**
Unrealized gain (loss) from hedging instruments	(130)	**(194)**	**(1,614)**
Translation adjustments	(96)	**239**	**1,989**
Remeasurement of retirement benefit plans	(1,042)	**(399)**	**(3,320)**
Total accumulated other comprehensive income	3,024	**8,839**	**73,554**
Minority interests	1,218	**1,676**	**13,947**
Total net assets	139,268	**139,821**	**1,163,527**
Total liabilities and net assets	¥293,139	**¥321,083**	**$2,671,906**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	**2015**	**2015**
Net sales	¥188,719	**¥194,674**	**$1,619,988**
Cost of sales (Note 10)	153,137	**158,488**	**1,318,865**
Gross profit	35,581	**36,186**	**301,123**
Selling, general and administrative expenses (Note 10)	26,717	**27,969**	**232,745**
Operating income	8,864	**8,217**	**68,378**
Other income (expenses):			
Interest and dividend income	756	**718**	**5,975**
Interest expense	(424)	**(264)**	**(2,197)**
Provision for loss on wind power generator business	—	**(15,967)**	**(132,870)**
Other, net (Note 11)	308	**3,277**	**27,270**
	639	**(12,235)**	**(101,814)**
Income before income taxes and minority interests	9,504	**(4,017)**	**(33,428)**
Income taxes (Note 20):			
Current	3,530	**3,534**	**29,408**
Deferred	344	**(4,026)**	**(33,503)**
Income before minority interests	5,629	**(3,525)**	**(29,333)**
Minority interests in net income of consolidated subsidiaries	102	**215**	**1,789**
Net income (Note 26)	¥ 5,527	**¥ (3,740)**	**$ (31,123)**

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Income before minority interests	¥5,629	¥(3,525)	$(29,333)
Other comprehensive income:			
Unrealized holding gain (loss) on securities	2,817	4,902	40,792
Unrealized gain (loss) from hedging instruments	202	(64)	(533)
Translation adjustments	390	358	2,979
Retirement benefits plans adjustments	—	617	5,134
Total other comprehensive income (Note 11)	3,410	5,814	48,381
Comprehensive income	¥9,039	¥2,288	$ 19,040
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥8,924	¥2,074	$ 17,259
Minority interests	¥ 114	¥ 213	$ 1,772

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, 2015 and 2014

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments (Note 19)	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	¥19,694	¥5,425	¥107,861	¥(413)	¥132,568	¥1,475	¥(332)	¥(474)	¥ —	¥ 668	¥1,131	¥134,368
Cumulative effect of change in accounting principle (Note 2)												
Restated 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
Purchases of treasury stock				(316)	(316)							(316)
Changes in the scope of consolidation			28		28							28
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
Balance at April 1, 2014	¥19,694	¥5,425	¥110,635	¥(730)	¥135,026	¥4,293	¥(130)	¥ (96)	¥(1,042)	¥3,024	¥1,218	¥139,268
Cumulative effect of change in accounting principle (Note 2)			(555)		(555)							(555)
Restated balance at April 1 ,2014	19,694	5,425	110,080	(730)	134,471	4,293	(130)	(96)	(1,042)	3,024	1,218	138,713
Changes during the year												
Cash dividends paid			(1,666)		(1,666)							(1,666)
Net loss			(3,740)		(3,740)							(3,740)
Purchases of treasury stock				(1)	(1)							(1)
Disposal of treasury stock		(0)		0	0							0
Changes in the scope of consolidation			242		242							242
Net changes in items other than those in shareholders' equity						4,902	(64)	335	642	5,815	457	6,273
Total changes during the year	—	(0)	(5,164)	(1)	(5,165)	4,902	(64)	335	642	5,815	457	1,107
Balance at March 31, 2015	¥19,694	¥5,425	¥104,916	¥(731)	¥129,305	¥9,195	¥(194)	¥ 239	¥ (399)	¥8,839	¥1,676	¥139,821

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Retirement benefit liability adjustments (Note 19)	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2014	$163,884	$45,144	$920,654	$(6,075)	$1,123,625	$35,724	$(1,082)	$ (799)	$(8,671)	$25,164	$10,136	$1,158,925
Cumulative effect of change in accounting principle (Note 2)			(4,618)		(4,618)							(4,618)
Restated balance at April 1 ,2014	163,884	45,144	916,036	(6,075)	1,119,006	35,724	(1,082)	(799)	(8,671)	25,164	10,136	1,154,306
Changes during the year												
Cash dividends paid			(13,864)		(13,864)							(13,864)
Net loss			(31,123)		(31,123)							(31,123)
Purchases of treasury stock				(8)	(8)							(8)
Disposal of treasury stock		(0)		0	0							0
Changes in the scope of consolidation			2,014		2,014							2,014
Net changes in items other than those in shareholders' equity						40,792	(533)	2,788	5,342	48,390	3,803	52,201
Total changes during the year	—	(0)	(42,972)	(8)	(42,981)	40,792	(533)	2,788	5,342	48,390	3,803	9,212
Balance at March 31, 2015	$163,884	$45,144	$873,063	$(6,083)	$1,076,017	$76,517	$(1,614)	$1,989	$(3,320)	$73,554	$13,947	$1,163,527

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Operating activities			
Income before income taxes and minority interests	¥ 9,504	¥ (4,017)	$ (33,428)
Depreciation and amortization	12,878	10,936	91,004
Interest and dividend income	(756)	(718)	(5,975)
Interest expense	424	264	2,197
Equity in (earnings) losses of affiliates	0	0	0
(Gain) loss on sales of investment equipment	(65)	(6)	(50)
Loss on disposal of tangible and intangible assets	147	343	2,854
(Gain) loss on sales of property, plant and securities	(46)	(2,214)	(18,424)
Gain on bargain purchase	—	(218)	(1,814)
Gain on settlement of long-term guarantee deposited	—	(709)	(5,900)
Increase (decrease) in provision for loss on wind power generator business	—	13,203	109,869
Loss on valuation of shares of subsidiaries and associates	44	55	458
Changes in operating assets and liabilities:			
Trade assets (Note 16)	2,827	3,834	31,905
Trade liabilities	(2,219)	(322)	(2,680)
Inventories (Note 5)	(5,772)	(3,243)	(26,987)
Other	(1,643)	(1,860)	(15,478)
Subtotal	15,323	15,325	127,528
Interest and dividends received	754	712	5,925
Interest paid	(435)	(255)	(2,122)
Income taxes paid	(4,093)	(4,201)	(34,959)
Net cash provided by operating activities	11,549	11,580	96,363
Investing activities			
Increase in tangible and intangible assets	(4,610)	(5,392)	(44,870)
Decrease in tangible and intangible assets	138	260	2,164
Proceeds from sale of investment securities	86	2,835	23,592
Purchases of investment securities	(821)	(11)	(92)
Reimbursement of long-term deposits on contracts	(223)	(192)	(1,598)
(Increase) decrease in short-term loans receivable	(17)	215	1,789
Collection of long-term loans receivable	14	13	108
Payments for transfer of business	—	(200)	(1,664)
Purchase of investments in subsidiaries	(79)	(56)	(466)
Proceeds of investments in subsidiaries	—	3	25
Other	(206)	(151)	(1,257)
Net cash used in investing activities	(5,719)	(2,675)	(22,260)
Financing activities (Notes 9 and 16)			
Net decrease in short-term borrowings	(411)	(37)	(308)
Increase in long-term debt	200	2,250	18,723
Decrease in long-term debt	(10,740)	(2,712)	(22,568)
Cash dividends paid	(2,781)	(1,668)	(13,880)
Acquisition of treasury stock	(316)	(1)	(8)
Repayments of finance lease obligations	(955)	(803)	(6,682)
Other	(2)	8	67
Net cash provided by (used in) financing activities	(15,007)	(2,964)	(24,665)
Effect of exchange rate changes on cash and cash equivalents	432	415	3,453
(Decrease) increase in cash and cash equivalents	(8,744)	6,356	52,892
Cash and cash equivalents at beginning of the year	50,972	42,297	351,976
Increase in cash and cash equivalents resulting from merger	69	498	4,144
Cash and cash equivalents at end of the year (Notes 14 and 16)	¥42,297	¥ 49,152	$ 409,021

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, 2015, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 31 and 1 (34 and 1 in 2014), respectively. MURORAN ENVIRONMENT PLANT SERVICE, CO., LTD. was included in the scope of consolidation due to its increased significance. JSW Plastics Machinery Service CO., LTD. was absorbed by the Company. Nikko Design Co., Ltd. , Nikko Casting Co., Ltd. and JSW Clad Steel Company Co., Ltd. which was consolidated subsidiary in the previous fiscal year was absorbed by Nikko Kouei Co., Ltd. in accordance with the merger. Nikko Kouei Co., Ltd. has changed corporate name to Nikko MEC 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 wind power generator business

The Company provides a provision for loss on wind power generator business by estimating the amount of total losses caused by the defects of certain parts used in wind power generators.

(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 benefit formula method.

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 use 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

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. As a result, the method for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, retirement benefit liability increased by ¥712 million ($5,925 thousand), retirement benefit asset decreased by ¥128 million ($1,065 thousand) and retained earnings decreased by ¥555 million ($4,618 thousand) at April 1, 2014. The effect of these changes on consolidated operating income, loss before income taxes and minority interests for the year ended March 31, 2015 was immaterial.

In addition, net assets per share decreased by ¥1.50 ($0.01), while the effect of change on net loss per share was immaterial.

(u) Standards issued but not yet effective

Accounting standards for business combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Earnings Per share" (ASBJ Statement No.2) , "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

(1) Overview
Under there revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and transitional provisions for these accounting standards were also defined.

(2) Scheduled date of adoption
The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adopting revised accounting standards and guidance
The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

3. Additional Information

The Company has recorded Provision for loss on wind power generator business, amounting to ¥15,967 million ($132,870 thousand), by estimating the amount of total losses caused by the defects of certain parts used in wind power generators. As a result, loss on wind power generator business, amounting to ¥15,967 million ($132,870 thousand), has been recognized in Other income (expenses).

4. 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 ¥120.17 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2015. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

5. Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Real estate held for sale	¥ 6	¥ 6	$ 50
Finished products	1,795	2,096	17,442
Work in process	59,477	61,517	511,916
Raw materials and supplies	4,208	5,234	43,555
Total	¥65,488	¥68,856	$572,988

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 ¥791 million ($6,582 thousand) at March 31, 2015 and ¥1,291 million at March 31, 2014.

6. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Depreciation expense	¥12,950	¥11,008	$91,604

7. 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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Accumulated advanced depreciation expense	¥1,286	¥1,286	$10,702

8. Contingent Liabilities

Contingent liabilities at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
As endorsers of trade notes receivable:			
Endorsed to other	¥ 98	¥ 68	$ 566
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	526	473	3,936
Gotsu Wind Power Co., Ltd.	1,385	1,236	10,285
Employees and other	153	95	791

9. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.4218% to 1.5293% at March 31, 2015 and 0.5118% to 1.975% at March 31, 2014, were unsecured.

Long-term debt at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans from banks and insurance companies with interest a annual rates ranging from 0.0300% to 1.8863%	¥17,795	**¥17,332**	**$144,229**
Less those maturing within one year	(2,700)	**(11,105)**	**(92,411)**
Lease obligations	2,004	**1,758**	**14,629**
Less those maturing within one year	(754)	**(663)**	**(5,517)**
0.48% straight bonds, due 2015	10,000	**10,000**	**83,215**
Less those maturing within one year	—	**(10,000)**	**(83,215)**
Long-term indebtedness reflected in the consolidated balance sheets	¥26,345	**¥ 7,322**	**$ 60,930**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2015 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	
2016	¥ 10,000	$83,215	¥11,105	$92,411
2017	—	—	240	1,997
2018	—	—	4,095	34,077
2019	—	—	52	433
2020	—	—	40	333
2021 and thereafter	—	—	1,800	14,979

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,	Lease obligations	
2016	¥663	$5,517
2017	495	4,119
2018	342	2,846
2019	180	1,498
2020	71	591
2021 and thereafter	5	42

10. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Research and development expenses	¥3,836	**¥4,104**	**$34,152**

11. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Foreign exchange gain	¥ 376	**¥357**	**$2,971**
Gain on settlement of long-term guarantee deposited	—	**709**	**5,900**
Amortization of negative goodwill	71	**71**	**591**
Commission fee	—	**(310)**	**(2,580)**
Non-deductible consumption tax	(20)	**(135)**	**(1,123)**
Equity in losses of affiliates	(0)	**(0)**	**(0)**
Gain on sales of property, plant and equipment	107	**6**	**50**
Gain on sales of investment securities	46	**2,214**	**18,424**
Gain on bargain purchase	—	**218**	**1,814**
Loss on sales or disposal of property, plant and equipment	(147)	**(343)**	**(2,854)**
Loss on valuation of subsidiaries and associates	(44)	**(55)**	**(458)**
Loss on business of subsidiaries and associates	—	**(6)**	**(50)**
Other, net	(81)	**551**	**4,585**
Total	¥308	**¥3,277**	**$27,270**

12. 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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥4,401	¥7,399	$61,571
Reclassification adjustments for gains and losses realized in net income	(46)	(502)	(4,177)
The amount of unrealized holding gain (loss) on securities before tax effect	4,355	6,897	57,394
Tax effect	(1,537)	(1,994)	(16,593)
Unrealized holding gain (loss) on securities	2,817	4,902	40,792
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	332	(86)	(716)
Tax effect	(130)	21	175
Unrealized gain (loss) from hedging instruments	202	(64)	(533)
Translation adjustments:			
Amount arising during the year	390	358	2,979
Translation adjustments	390	358	2,979
Retirement benefits plans adjustments:			
Amount arising during the year	—	458	3,811
Reclassification adjustments for gains and losses realized in net income	—	545	4,535
The amount of unrealized holding gain (loss) on securities before tax effect	—	1,004	8,355
Tax effect	—	(386)	(3,212)
Retirement benefits plans adjustments	—	617	5,134
Total other comprehensive income	¥3,410	¥5,814	$48,381

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

Year ended March 31, 2015

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

	Number of shares			
	Year ended March 31, 2014	Increase during the year	Decrease during the year	Year ended March 31, 2015
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Note 1 and 2)	1,189,350	3,350	403	1,192,297

Notes: 1. The increase in treasury stock – common stock of 3,350 was due to the acquisition of fractional shares of less than one unit.
2. The decrease in treasury stock – common stock of 403 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 25, 2014
Type of shares: Common stock
Total amount of dividends: ¥925 million ($7,697 thousand)
Dividends per share: ¥2.5 ($0.021)
Cut-off date: March 31, 2014
Effective date: June 26, 2014

② Resolution: Meeting of Board of Directors held on November 4, 2014
Type of shares: Common stock
Total amount of dividends: ¥740 million ($6,158 thousand)
Dividends per share: ¥2 ($0.017)
Cut-off date: September 30, 2014
Effective date: December 5, 2014

(ii) Dividends of which the cut-off date was in the year ended March 31, 2015, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 24, 2015
Type of shares: Common stock
Total amount of dividends: ¥740 million ($6,158 thousand)
Dividends per share: ¥2 ($0.017)
Cut-off date: March 31, 2015
Effective date: June 25, 2015
Source of dividends: Retained earnings

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
Dividends per share: ¥5
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
Dividends per share: ¥2.5
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
Dividends per share: ¥2.5
Cut-off date: March 31, 2014
Effective date: June 26, 2014
Source of dividends: Retained earnings

14. 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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash on hand and in banks in the consolidated balance sheet	¥42,329	¥49,176	$409,220
Time deposits with maturities of more than three months	(32)	(24)	(200)
Cash and cash equivalents in the consolidated statement of cash flows	¥42,297	¥49,152	$409,021

(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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease assets	¥745	¥485	$4,036
Lease obligations	772	522	4,344

15. Leases

Year ended March 31, 2015

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥2,348	$19,539
2017 and thereafter	2,328	19,373
Total	¥4,676	$38,912

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
2015	¥3,129
2016 and thereafter	4,305
Total	¥7,434

16. 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 seven 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 18 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, 2015 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, 2015

Millions of yen

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	¥ 49,176	¥ 49,176	¥ —
Trade notes and accounts receivable	56,678	56,675	(2)
Securities:			
Other securities	37,408	37,408	—
Total assets	¥143,263	¥143,261	¥ (2)
Liabilities			
Trade notes and accounts payable	¥ 42,248	¥ 42,248	¥ —
Short-term borrowings	12,255	12,255	—
Current portion of long-term debt	11,105	11,118	13
Current portion of bonds	10,000	10,014	14
Long-term debt	6,227	6,301	74
Total liabilities	¥ 81,835	¥ 81,937	¥101
Derivatives (*)	¥ (288)	¥ (288)	—

Thousands of U.S. dollars

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	$ 409,220	$ 409,220	$ —
Trade notes and accounts receivable	471,648	471,624	(17)
Securities:			
Other securities	311,292	311,292	—
Total assets	$1,192,169	$1,192,153	$ (17)
Liabilities			
Trade notes and accounts payable	$ 351,569	$ 351,569	$ —
Short-term borrowings	101,981	101,981	—
Current portion of long-term debt	92,411	92,519	108
Current portion of bonds	83,215	83,332	117
Long-term debt	51,818	52,434	616
Total liabilities	$ 680,994	$ 681,842	$840
Derivatives (*)	$ (2,397)	$ (2,397)	—

(*) 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, 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)	—

(*) 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 18, 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	2015	2015
Unlisted stocks	¥1,949	¥1,722	$14,330

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, 2015 and 2014.

Year ended March 31, 2015

	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	¥ 49,176	¥ —	—
Trade notes and accounts receivable	56,050	628	—
Total	¥105,226	¥628	—

	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	$409,220	$ —	—
Trade notes and accounts receivable	466,423	5,226	—
Total	$875,643	$5,226	—

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	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2015

	Millions of yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	¥10,000	¥11,105	¥663
Due after 1 year through 2 years	—	240	495
Due after 2 years through 3 years	—	4,095	342
Due after 3 years through 4 years	—	52	180
Due after 4 years through 5 years	—	40	71
Due after 5 years	—	1,800	5

	Thousands of U.S. dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	$83,215	$92,411	$5,517
Due after 1 year through 2 years	—	1,997	4,119
Due after 2 years through 3 years	—	34,077	2,846
Due after 3 years through 4 years	—	433	1,498
Due after 4 years through 5 years	—	333	591
Due after 5 years	—	14,979	42

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

17. Securities

Other securities:

March 31, 2015

	Millions of yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	¥16,672	¥30,882	¥14,210
Carrying amount not exceeding the acquisition cost:			
Stocks	6,800	6,126	(674)
Total	¥23,472	¥37,008	¥13,536

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	$138,737	$256,986	$118,249
Carrying amount not exceeding the acquisition cost:			
Stocks	56,587	50,978	(5,609)
Total	$195,323	$307,964	$112,640

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

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.

18. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2015

None applicable

Year ended March 31, 2014

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, 2015

Millions of yen

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount		Fair value
					Over one year	
Allocation method	Foreign exchange forward contracts		Notes and accounts receivable			
	Sell:	U.S. dollars		¥16,857	¥2,764	¥(1,413)
		Euros		1,419	11	54
		Sterling pound		277	—	(8)
	Foreign exchange forward contracts		Notes and accounts payable			
	Buy:	U.S. dollars		¥11,815	—	¥ 1,178
		Euros		1,014	—	(96)
		Sterling pound		157	—	(2)
		Swiss franc		13	—	0

Thousands of U.S. dollars

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount		Fair value
					Over one year	
Allocation method	Foreign exchange forward contracts		Notes and accounts receivable			
	Sell:	U.S. dollars		$140,276	$23,001	¥(11,758)
		Euros		11,808	92	449
		Sterling pound		2,305	—	(67)
	Foreign exchange forward contracts		Notes and accounts payable			
	Buy:	U.S. dollars		$ 98,319	—	¥ 9,803
		Euros		8,438	—	(799)
		Sterling pound		1,306	—	(17)
		Swiss franc		108	—	0

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

Year ended March 31, 2014

Millions of yen

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount		Fair value
					Over one year	
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		—	—	—

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

(ii) Interest-related transactions

Year ended March 31, 2015

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	$33,286	$33,286	(*)

(*) 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, 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	Current portion of long-term borrowings Long-term borrowings	¥4,000	¥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.

19. Retirement Benefit Plans

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 for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥20,367	¥19,819	$164,925
Cumulative effect of change in accounting principle	—	840	6,990
Restated balance at the beginning of the year	20,367	20,659	171,915
Service cost	963	972	8,089
Interest cost	272	244	2,030
Actuarial gain and loss	(82)	528	4,394
Retirement benefit paid	(1,701)	(1,915)	(15,936)
Balance at the end of the year	¥19,819	¥20,489	$170,500

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥14,968	¥15,524	$129,184
Expected return on plan assets	224	310	2,580
Actuarial gain and loss	901	987	8,213
Contributions by the Company	459	429	3,570
Retirement benefits paid	(1,030)	(1,149)	(9,561)
Balance at the end the year	¥15,524	¥16,101	$133,985

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥3,804	¥3,729	$31,031
Retirement benefit expenses	561	470	3,911
Retirement benefit paid	(467)	(606)	(5,043)
Contributions	(197)	(193)	(1,606)
Other	28	36	300
Balance at the end the year	¥3,729	¥3,436	$28,593

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥19,093	¥ 19,668	$ 163,668
	(16,338)	(17,013)	(141,574)
Plan assets at the value	2,754	2,655	2,2094
Unfunded retirement benefit obligation	5,223	5,138	42,756
Net liability for retirement benefits in the balance sheet	7,978	7,793	64,850
Retirement benefit liability	10,405	10,857	90,347
Retirement benefit assets	(2,427)	(3,063)	(25,489)
Net liability for retirement benefits in the balance sheet	¥7,978	¥ 7,793	$ 64,850

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥963	¥ 972	$ 8,089
Interest cost	272	244	2,030
Expected return on plan assets	(224)	(310)	(2,580)
Amortization of actuarial gain and loss	139	380	3,162
Amortization of prior service cost	155	180	1,498
Simplified method for retirement benefit expenses	561	470	3,911
Other	65	48	399
Retirement benefit expense	¥1,930	¥1,986	$16,527

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Prior service cost	¥—	¥ 180	$1,498
Actuarial gain and loss	—	823	6,849
Total	¥—	¥1,004	$8,355

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service cost	¥ (180)	¥ —	$ —
Unrecognized actuarial gain and loss	(1,442)	(618)	(5,143)
Total	¥(1,622)	¥(618)	$(5,143)

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

March 31,	2014	2015
Bonds	29%	28%
Stocks	38	41
Cash on hand and in banks	0	0
General account	16	16
Other	16	15
Total	100%	100%

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 19% and 19% of the total plan assets, for the years ended March 31, 2015 and 2014, respectively.

The expected return on 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 are as follows:

March 31,	2014	2015
Discount rates	1.50%	1.09%
Expected rates of return on plan assets	1.50	2.00

Contributions made to defined contribution plans for the years ended March 31, 2015 and 2014 were ¥32 million ($266 thousand) and ¥32 million, respectively.

20. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Accrued enterprise taxes	¥ 180	¥ 142	$ 1,182
Accrued bonuses	1,004	996	8,288
Depreciation	966	913	7,598
Amortization of long-term prepaid expenses	115	111	924
Loss on revaluation of inventory items	1,202	798	6,641
Loss on revaluation of financial instruments	253	214	1,781
Retirement benefit liability	4,612	4,558	37,930
Provision for warranties for completed construction	924	724	6,025
Provision for loss on construction contracts	700	486	4,044
Provision for loss on wind power generator business	—	4,295	35,741
Less allowance for doubtful accounts	169	195	1,623
Asset retirement obligations	450	410	3,412
Percentage-of-completion method	617	948	7,889
Tax loss carry forwards	2,412	2,102	17,492
Unrealized loss on investment securities	341	215	1,789
Deferred loss on hedges	99	506	4,211
Unrealized gain on intercompany transactions	690	688	5,725
Other	534	617	5,134
Gross deferred tax assets	15,276	18,927	157,502
Valuation allowance	(3,706)	(3,456)	(28,759)
Total deferred tax assets	11,569	15,471	128,743
Deferred tax liabilities:			
Reserve for advanced depreciation	1,702	1,479	12,308
Reserve for special depreciation	864	411	3,420
Net defined benefit asset	696	984	8,188
Disposal cost with asset retirement obligations	283	250	2,080
Unrealized gain on investment securities	2,698	4,568	38,013
Deferred gain on hedges	28	413	3,437
Other	64	110	915
Total deferred tax liabilities	6,337	8,217	68,378
Net deferred tax assets	¥ 5,231	¥ 7,254	$ 60,364

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, 2015 and 2014 were as follows:

	2014	2015
Statutory tax rates	37.8%	No reconciliation items are applicable for the year as the Company recorded net loss before income taxes
Effect of:		
Permanent differences	3.0	
Tax credit	(2.5)	
Decrease in deferred tax assets due to tax rate change	3.0	
Other	(0.5)	
Effective tax rates	40.8%	

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.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.4% to 32.9% and 32.1% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and the temporary differences expected to be realized or settled from April 1, 2016, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥767 million ($6,383 thousand), deferred tax liabilities after offsetting deferred tax assets by ¥328 million ($2,729 thousand), unrealized gain (loss) from hedging instruments by ¥8 million ($67 thousand), retirement benefits plans adjustments by ¥13 million ($108 thousand) and increase deferred income taxes by ¥864 million ($7,190 thousand) and unrealized gain (loss) on securities by ¥447 million ($3,720 thousand) as of and for the year ended March 31, 2015.

21. Business Combinations

Business combination through acquisition

(a) Outline of business combination

① Name and business of acquired company
Name: MES AFTY Co., Ltd.
Business: Businesses of manufacture, sales and after-sales service of ECR Plasma Deposition Systems, ALD Systems and Aneal Systems

② Main reason for the business combination
Advancing into deposition business

③ Date of business combination
April 1, 2014

④ Legal form of business combination
Business transfer by cash payment

⑤ Name of company after business combination
JSW AFTY Co., Ltd.

(b) Period for which earnings of the acquired company were included in the consolidated financial statements

The earnings of the acquired company for the period from April 1, 2014 through March 31, 2015 are included in the Company's consolidated statement of income for the year ended March 31, 2015.

(c) Acquisition cost and breakdown
Acquisition price: ¥200 million ($1,664 thousand)
Acquisition cost: ¥200 million ($1,664 thousand)

(d) Amount and reason for gain on negative goodwill

① Amount
¥218 million ($1,814 thousand)
② Reason
The negative goodwill was generated because the fair value of the net assets acquired on the date of the business combination exceeded the acquisition cost.

(e) Assets acquired and liabilities assumed at the date of business combination
Current assets: ¥178 million ($1,481 thousand)
Fixed assets: ¥409 million ($3,404 thousand)
Total assets: ¥588 million ($4,893 thousand)
Current liabilities: ¥115 million ($957 thousand)
Long-term liabilities: ¥54 million ($449 thousand)
Total liabilities: ¥170 million ($1,415 thousand)

Transaction under common control
(a) Outline of the transaction
Combination between Nikko Kouei Co., Ltd., Nikko Design Co., Ltd., Nikko Casting Co., Ltd. and JSW Clad Steel Plate Company Co., Ltd.

① Name and business of companies
Name of surviving company: Nikko Kouei Co., Ltd.
Business: General construction contractor
Name of absorbed company: Nikko Design Co., Ltd.
Business: Designing and drafting of various machineries and equipment
Name of surviving company: Nikko Casting Co., Ltd.
Business: Manufacturing and sales of various steel castings, and materials for steel castings manufacturing
Name of surviving company: JSW Clad Steel Plate Company Co., Ltd.
Business: Manufacturing and processing of various steel plates
② Date of business combination
October 1, 2014
③ Legal form of business combination
Absorption-type merger with Nikko Kouei Co., Ltd. as the surviving company
④ Name of company after business combination
Nikko MEC 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, use human resources effectively and build 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).

22. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Balance at beginning of year	¥1,371	**¥1,271**	**$10,577**
Liabilities incurred due to the acquisition of property, plant and equipment	—	**—**	**—**
Accretion expense	20	**20**	**166**
Liabilities settled	—	**(17)**	**(141)**
Other	(120)	**19**	**158**
Balance at end of year	¥1,271	**¥1,295**	**$10,776**

23. Investment and Rental Properties

The Company has omitted the disclosure of investment and rental properties due to immateriality for the years ended March 31, 2015 and 2014.

24. 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, 2015	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	¥ 66,215	¥126,363	¥ 2,095	¥194,674	¥ —	¥194,674
Intra-segment sales and transfers	5,093	1,379	3,446	9,919	(9,919)	—
Total sales	71,308	127,743	5,542	204,593	(9,919)	194,674
Operating income	¥ (3,200)	¥ 11,370	¥ 962	¥ 9,132	¥ (915)	¥ 8,217
Assets, depreciation, and capital expenditures:						
Total assets	¥112,831	¥108,440	¥13,097	¥234,369	¥86,713	¥321,083
Depreciation and amortization	8,043	2,563	291	10,898	109	11,008
Capital expenditures	3,474	4,414	72	7,960	31	7,992

Thousands of U.S. dollars

	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	$551,011	$1,051,535	$ 17,434	$1,619,988	$ —	$1,619,988
Intra-segment sales and transfers	42,382	11,475	28,676	82,541	(82,541)	—
Total sales	593,393	1,063,019	46,118	1,702,530	(82,541)	1,619,988
Operating income	$(26,629)	$ 94,616	$8,005	$75,992	$ (7,614)	$ 68,378
Assets, depreciation, and capital expenditures:						
Total assets	$938,928	$ 902,388	$108,987	$1,950,312	$721,586	$2,671,906
Depreciation and amortization	66,930	21,328	2,422	90,688	907	91,604
Capital expenditures	28,909	36,731	599	66,239	258	66,506

Notes: 1. Adjustments and eliminations for segment profit of ¥915 million ($7,614 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 ¥86,713 million ($721,586 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 ¥109 million ($907 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥31 million ($258 thousand) include capital expenditures for corporate assets.

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

Notes: 1. Adjustments and eliminations for segment profit of ¥864 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 ¥69,283 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 ¥122 million include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥117 million include capital expenditures for corporate assets.

(a) Product and service information

Millions of yen

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	¥66,215	¥126,363	¥2,095	¥194,674

Thousands of U.S. dollars

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	$551,011	$1,051,535	$17,434	$1,619,988

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

(b) Geographical information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Japan	¥ 95,966	¥ 100,417	$ 835,625
China	27,159	29,131	242,415
Others	65,593	65,125	541,941
Consolidated	¥188,719	¥194,674	$1,619,988

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, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014 are summarized as follows:

Year ended March 31, 2015
None applicable

Year ended March 31, 2014
None applicable

(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, 2015 and 2014 by reportable segment:

Millions of yen

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥71	—	—	¥71
Balance as of March 31	—	—	—	—	—

Thousands of U.S. dollars

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	$591	—	—	$591
Balance as of March 31	—	—	—	—	—

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

(f) Information on gain on negative goodwill

Year ended March 31, 2015

In the Industrial Machinery Products segment, JSW AFTY Co., Ltd., a consolidated subsidiary take over retail deposition business from MES AFTY Co., Ltd. This resulted in a gain on negative goodwill of ¥218 million ($1,814 thousand) in the fiscal year ended March 31, 2015.

Year ended March 31, 2014
None applicable

25. 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.

26. 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, 2015 and 2014 and for the years then ended were as follows:

	Yen		U.S. dollars
	2014	**2015**	**2015**
Net income	¥ 14.92	**¥ (10.10)**	**$(0.08)**
Net assets	372.83	**373.09**	**3.10**

27. Subsequent Events

Transaction under common control

(a) Transfer of business

Based on the resolution at the Board of Directors meeting held on January 26, 2015, the Company took over simultaneous biaxial stretching machine business from Hitachi Plant Mechanics Co., Ltd., effective on April 1, 2015.

① Name of counter party and business
Name: Hitachi Plant Mechanics Co., Ltd.
Business: Simultaneous biaxial stretching machine business
② Assets acquired in business transfer
Current assets: ¥280 million ($2,330 thousand)
Fixed assets: ¥101 million ($840 thousand)
Goodwill: ¥138 million ($1,148 thousand)
Total assets: ¥520 million ($4,327 thousand)
③ The date of transfer
April 1, 2015

(b) Significant borrowings

Based on the resolution at the Board of Directors meeting held on January 26, 2015, the Company entered into a syndicated loan agreement of which Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Ltd. are the arrangers on April 7, 2015.

① Usage of funds
Redemption of bond, repayment of borrowings and investment funds
② Lenders
Sumitomo Mitsui Banking Corporation etc.
③ Aggregate amount of borrowings
¥ 30,000 million ($249,646 thousand)
④ Execution date
April 7, 2015
⑤ Repayment deadline
April 7, 2020: ¥5,000 million ($41,608 thousand)
April 7, 2022: ¥15,000 million ($124,823 thousand)
April 7, 2025: ¥10,000 million ($83,215 thousand)
⑥ Repayment method
Bullet repayment
⑦ Pledged assets
None

(C) Business combination

Based on the resolution at the Board of Directors meeting held on April 21, 2015, the Company entered into a stock purchase agreement with a stockholder of SM PLATEK Co., LTD. on April 22, 2015. The Company acquired the shares of SM PLATEK Co., LTD. on May 8, 2015 and SM PLATEK Co., LTD. has become a subsidiary of the Company.

① The purpose of stock acquisition
Business expansion of Twin Screw Extruder
② Name of acquired company
SM PLATEK Co., LTD.
③ Business of acquired company
Production of Twin Screw Extruder
④ Date of combination
May 8, 2015
⑤ Total acquisition value of shares acquired
8,000 shares
⑥ Acquisition price
¥2,635 million ($21,927 thousand)
⑦ Costs incurred directly in the acquisition
¥114 million ($949 thousand)
⑧ Share of voting rights acquired
80%
⑨ Procurement method of fund for purchase
Funds on hand

(d) Acquisition of treasury stock

Based on the resolution at the Board of Directors meeting held on May 26, 2015, in accordance with Article 156 of the Companies Act applied by replacing the phrases pursuant to Article 165 Paragraph 3, the Company has acquired treasury stocks.

① Reason for acquisition
For the implementation of flexible capital policies in response to changes in the business environment
② Type of stock to be acquired
Common stock of the Company
③ Total number of shares to be acquired
¥5,173,000 shares
④ Total acquisition value of shares to be acquired
¥2,938 million ($24,449 thousand)
⑤ Acquisition date
May 27, 2015
⑥ Acquisition method
Purchase of treasury stock using the off-hours trading system (ToSTNeT-3) of the Tokyo Stock Exchange

Independent Auditor's Report

EY
Building a better working world

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, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Japan Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As described in Note 3 to the consolidated financial statements, the Company has recorded Provision for loss on wind power generator business, amounting to ¥15,967 million, by estimating the amount of total losses caused by the defects of certain parts used in wind power generators.
2. As described in Note 27(b) to the consolidated financial statements, the Company made significant borrowings on April 7, 2015.

Our opinion is not qualified in respect of these matters.

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 4.

Ernst & Young ShinNihon LLC

June 24, 2015
Tokyo, Japan

A member firm of Ernst & Young Global Limited