NETUREN

Annual Report 2015

For the year ended March 31, 2015

NETUREN CO., LTD.

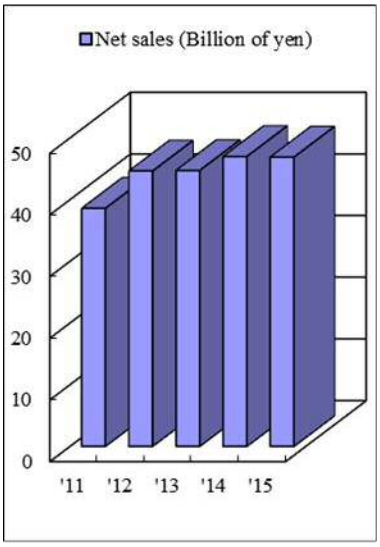
CONTENTS

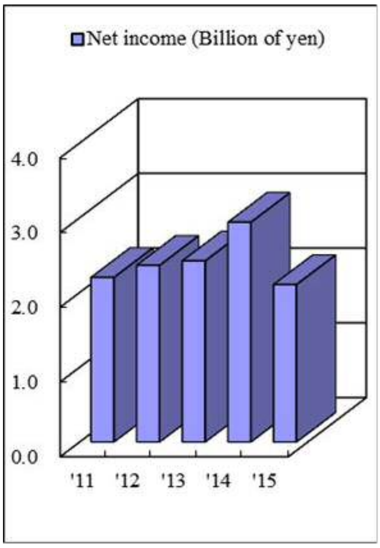
FIVE－YEAR SUMMARY

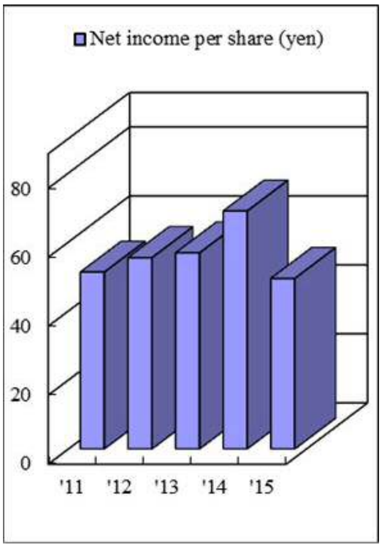
Neturen Co., Ltd. and Consolidated Subsidiaries
Five years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2011	2012	2013	2014	**2015**	**2015**
Net sales…………………………....	¥38,592	¥44,635	¥44,728	¥46,997	**¥46,895**	**$390,240**
Operating income………………….	3,035	4,207	3,826	3,686	**3,001**	**24,974**
Income before minority interesrs….	3,807	4,354	4,201	3,390	**2,520**	**20,974**
Net income………………………....	2,201	2,363	2,422	2,939	**2,105**	**17,524**
Comprehensive income……………	1,628	2,137	4,328	7,208	**5,460**	**45,441**
Total assets………………………....	64,342	66,785	70,583	78,374	**81,828**	**680,941**
Total Net assets……………………	49,344	51,311	55,376	61,658	**66,176**	**550,690**
Per share of common stock (in yen and dollars):						
Net income……………………..	¥ 51.26	¥ 55.43	¥ 56.83	¥ 68.96	**¥49.41**	**$0.41**
Cash dividends…………………	10.00	14.00	15.00	18.00	**14.00**	**0.12**
Stockholders' equity…………....	1,102.56	1,134.81	1,209.91	1,325.53	**1,411.70**	**11.75**

Note: U.S. dollar amounts in this report are translated from Japanese yen, for convenience only, at the rate of ¥120.17=US$1.







TO OUR SHAREHOLDERS

The Group, consisting of the Company (Neturen Co., Ltd.), 16 subsidiaries and 6 affiliates, manufactures and sells prestressing steel bars and deformed steel bars for prestressed concrete used in the civil engineering and construction field; Induction Heated, Quenched and Tempered Wire (ITW) used mainly in suspension springs for automobiles and motorcycles, auto parts and construction machine parts; and induction heating equipment for various industries. It also provides heat treatment services for major security parts of automobiles, machine tools and construction equipment.

(1) Activities and Results

During the fiscal year ended March 31, 2015, Japan's economy followed a moderate recovery trend against the backdrop of counter-deflation measures implemented by the government and the Bank of Japan. However, future economic conditions continue to be uncertain, due partly to the prolonged effects of the consumption tax hike and rising prices of imported goods caused by a rapid depreciation of the yen. Meanwhile, the global economy was generally robust, driven by the strong U.S. economy, although economic conditions in China and other emerging countries remained unstable.

Under such circumstances, the Group strove to reinforce its management base and further increase corporate value by tackling the management issues focused on in the 12th medium-term business plan, "Global Challenge 30." These included implementing growth strategies and establishing a necessary structure, expanding global businesses, and securing and developing human resources.

However, orders received from the construction and construction machinery industries decreased, and this primarily had an adverse impact on the Group's business performance.

As a result, net sales were ¥46,895 million (down 0.2% from the previous fiscal year), with operating income at ¥3,001 million (down 18.6%) and ordinary income at ¥3,620 million (down 18.6%). Net income was ¥2,105 million (down 28.4%).

Status by business segment

a. Specialty Steel and Wire Products Division

The sales volume of our main products, construction-related items, decreased from the previous fiscal year. This was due chiefly to the sluggish growth in the number of construction starts caused mainly by sharp hikes in construction costs.–

Meanwhile, the sales volume of ITW increased from a year earlier as orders from customers were relatively steady. Neturen Czech s.r.o. began production and distribution of ITW effective the fiscal year under review.

As a result, sales in this segment were ¥23,443 million (down 0.4% from the previous fiscal year) and operating income was ¥1,466 million (down 25.1%).

b. Induction Heat Treatment Service and Heating Machine Division

Sales of services related to induction heat treatment increased year on year. On the other hand, sales of products related to construction machine parts and induction-heating equipment dropped, due to a delay in recovery of orders from construction machinery industries and to the stagnancy of orders in China. Sales of auto-parts-related segments were flat from a year earlier, due to a decline in the sales volume in Japan despite a higher sales volume in China.

PT. Neturen Indonesia began the maintenance services business and the induction heat-treatment services business effective the fiscal year under review.

As a result, sales in this segment were ¥23,324 million (down 0.0% from the previous fiscal year) and operating income was ¥1,477 million (down 11.7%).

c. Others

This segment deals with activities such as the real estate leasing business that are not included in the reportable segments.

Rental properties owned by the Company are stably contributing to the business performance although the size of contribution is small.

As a result, sales in this segment were ¥126 million (down 0.6% from the previous fiscal year) and operating income was ¥56 million (up 2.5%).

(2) Cash Flow

At the end of the fiscal year under review, the balance of cash and cash equivalents amounted to ¥13,422 million (up ¥738 million from the previous fiscal year).

a. Cash Flow Provided by Operating Activities

Net cash provided by operating activities amounted to ¥4,692 million (¥5,797 million income in the previous fiscal year).

This was caused mainly by a decrease in notes and accounts payable in addition to a decline in income before income taxes and minority interests.

b. Cash Flow Used in Investing Activities

Net cash used in investing activities amounted to ¥3,017 million (¥5,516 million expenditure in the previous fiscal year).

This was caused primarily by payments for purchases of property, plant and equipment totaling ¥3,350 million.

c. Cash Flow Used in Financing Activities

Net cash used in financing activities amounted to ¥1,393 million (¥581 million income in the previous fiscal year).

This was mainly due to payments of dividends amounting to ¥724 million and repayment of long-term debt totaling ¥434 million.

(3) Equipment Investment

The Group (the Company and its consolidated subsidiaries) has been focused on making capital expenditures for new products and businesses as well as to meet orders received. To cope with changes in the business environment, we also have invested in rationalization. We are rigorously reviewing the effects of individual equipment investments by establishing standards for returns on investments.

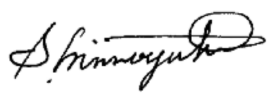
The Group finances capital investments mainly with funds on hand. However, when large investments such as the establishment of a new subsidiary or construction of a new plant are necessary, capital investments are made using external funds.

In the fiscal year under review, equipment investment amounted to ¥3,232 million on a consolidated basis.

(4) Issues for the Coming Term

We recognize that the operating environment surrounding the Group will continue to be harsh going forward.

1. Quicken the speed at which new products that meet the needs of customers are developed and launched in the market, and increase sales.
2. Promote energy-saving measures including the necessary capital investments and minimize the impact of a rise in electricity rates on business results.
3. Supply products of consistent quality to the market in a timely manner by responding appropriately to the demand associated with reconstruction from the Great East Japan Earthquake and large-scale projects.
4. Establish strategies to promote global opportunities, enhance technologies, and urgently secure and develop the human resources needed. In addition, strengthen the management framework to ensure the smooth launch of new overseas businesses, contribute to the Group's consolidated business performance, visualize risks unique to overseas business, and implement countermeasures for those risks.



Shigeru Mizoguchi
President

FORMULATION OF THE 13th MEDIUM-TERM BUSINESS PLAN

Formulation of the 13th Medium-Term Business Plan, "Global Innovation 70th"

In May 2015, the Neturen Group formulated its 13th medium-term business plan, "Global Innovation 70th."

Slogan

In order to carry out growth strategies, it is essential to have aggressive overseas business expansion and innovation in the areas of management, technology, production, function and human resources development.

As the Group celebrates its 70th anniversary in 2016, the plan has been named, "Global Innovation 70th."

Target Period

Three years from April 2015 to March 2018

Basic Approach of Medium-Term Business Plan

The Group's basic approach is to build a foundation toward achieving even more significant growth through further promoting growth strategies and specifically achieving strategic targets. With safety and quality at the base, we will ensure we carry out "NETUREN VISION 2020 (*)" in an aim to become a truly global company.

Neturen celebrates its 70th anniversary in 2016. The year will mark a major milestone for us as we look toward our centennial anniversary.

Three Pillars of the Medium-Term Business Policy

(1) Further enhancement of safety management and quality assurance structures and global deployment
(2) Sure execution of NETUREN VISION 2020 Roadmap
(3) Securing and developing human resources who can drive global activities

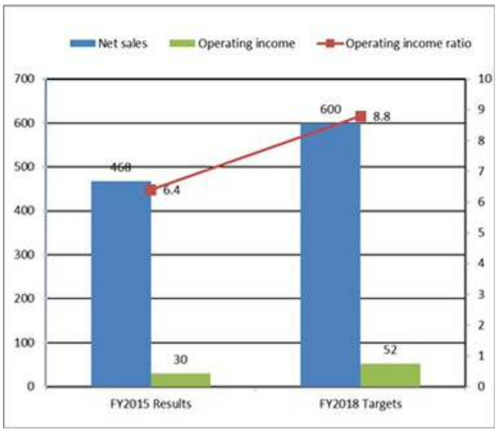
※NETUREN VISION 2020 illustrates the Company's future vision toward realizing the Neturen Group's management philosophy with high-frequency induction heat (IH) treatment technology at the base.

In order to realize our management philosophy, we focus on the following measures.

① Reinforcement and promotion of technology development capabilities
②New product development and new business formation
③Global business expansion
④Reinforcement of organizational structure and wholly optimal operation

Consolidated Management Targets

	FY2015 Results	FY2018 Targets
Net sales	¥468billion	**¥600billion**
Operating income	¥30billion	**¥52billion**
Operating income ratio	6.4%	**8.8%**
ROA(Return on Assets)	4.5%	**6.7%**
ROE(Return on Equity)	3.6%	**5.3%**



Change in Dividend Policy

Reason for Change

We are striving to further return profits to shareholders in order to continue increasing the corporate value of the Company.

Timing of Application

The policy will be adopted starting from dividends (interim dividend, year-end dividend) for the fiscal year ending March 31, 2016.

Basic Policy

The Company's basic stance is to distribute profits in line with business performance in addition to retaining its policy of continuing to offer a stable payout of dividends and to determine the dividend amount by taking into account the operating environment surrounding the Neturen Group, financial conditions, and other factors.

In principle, a "stable payout of dividends" signifies no less than 10 yen per annum for the time being and "profit distribution in line with business performance" aims at a dividend payout ratio (consolidated basis) of no less than 30%.

CONSOLIDATED BALANCE SHEETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note2)
	2014	**2015**	**2015**
ASSETS			
Current assets:			
Cash and deposits(Note4)…………	¥13,191	**¥13,763**	**$114,537**
Notes and accounts receivable-trade(Note4)…………	14,088	**14,307**	**119,058**
Securities(Note4,5)…………	350	**190**	**1,581**
Inventories (Note3)…………	4,347	**4,312**	**35,888**
Deferred tax assets (Note7)…………	486	**416**	**3,465**
Other…………	1,688	**1,779**	**14,810**
Total current assets…………	34,152	**34,770**	**289,342**
Non-current assets:			
Property, plant and equipment:			
Land…………	10,085	**10.209**	**84,957**
Buildings and structures…………	18,308	**19,711**	**164,033**
Machinery, equipment and vehicles…………	40,368	**43,684**	**363,521**
Construction in progress…………	2,168	**719**	**5,983**
Other…………	2,381	**2,496**	**20,774**
Accumulated depreciation…………	(42,427)	**(44,940)**	**(373,972)**
Total property, plant and equipment…………	30,884	**31,880**	**265,297**
Intangible assets:			
Leasehold right…………	701	**973**	**8,105**
Other…………	16	**16**	**136**
Total intangible assets	717	**990**	**8,241**
Investments and other assets:			
Investment securities (Note4,5)…………	12,198	**13,892**	**115,605**
Deferred tax assets (Note7)…………	52	**43**	**358**
Other…………	452	**337**	**2,807**
Allowance for doubtful accounts…………	(84)	**(85)**	**(710)**
Total investments and other assets…………	12,618	**14,187**	**118,060**
Total non-current assets…………	44,221	**47,058**	**391,599**
Total assets…………	78,374	**81,828**	**680,941**

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note2)
	2014	**2015**	**2015**
LIABILITIES			
Current liabilities:			
Notes and accounts payable-trade(Note4)	¥5,743	**¥5,006**	**$41,663**
Short-term loans payable (Note6)	2,149	**2,144**	**17,844**
Lease obligations (Note6)	38	**31**	**264**
Income taxes payable (Note7)	471	**281**	**2,342**
Deferred tax liabilities (Note7)	2	**1**	**14**
Provision for bonuses	624	**539**	**4,488**
Other	4,178	**4,010**	**33,371**
Total current liabilities	13,207	**12,015**	**99,989**
Non-current liabilities:			
Long-term loans payable(Note6)	1,400	**1,020**	**8,492**
Lease obligations (Note6)	82	**64**	**532**
Deferred tax liabilities (Note7)	1,027	**1,440**	**11,988**
Net defined benefit liability (Note11)	762	**901**	**7,504**
Other	235	**209**	**1,742**
Total non-current liabilities	3,507	**3,636**	**30,261**
NET ASSETS			
Shareholders' equity:			
Capital stock	6,418	**6,418**	**53,410**
Capital surplus	5,528	**5,528**	**46,006**
Retained earnings	44,541	**45,768**	**380,867**
Treasury shares	(1,669)	**(1,670)**	**(13,898)**
Total shareholders' equity	54,818	**56,045**	**466,385**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,020	**2,057**	**17,119**
Foreign currency translation adjustment	924	**2,262**	**18,824**
Remeasurements of defined benefit plans	(267)	**(196)**	**(1,631)**
Total accumulated other comprehensive income	1,678	**4,123**	**34,311**
Minority interests	5,161	**6,007**	**49,992**
Total net assets	61,658	**66,176**	**550,690**
Total liabilities and net assets	78,374	**81,828**	**680,941**

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note2)
	2014	**2015**	**2015**
Net sales…………	¥46,997	**¥46,895**	**$390,240**
Cost of sales…………	36,814	**37,465**	**311,769**
Gross profit…………	10,183	**9,429**	**78,470**
Selling, general and administrative expenses (Note8)…………	6,496	**6,428**	**53,496**
Operating income…………	3,686	**3,001**	**24,974**
Other income (expenses):			
Interest and dividend income…………	194	**235**	**1,961**
Share of profit of entities accounted for using equity method	223	**347**	**2,892**
Other net (Note9)…………	510	**2**	**19**
Other income (expenses) - net…………	929	**585**	**4,872**
Income before income taxes and minority interests…………	4,615	**3,586**	**29,847**
Income taxes (Note7)			
Current…………	(1,206)	**(886)**	**(7,375)**
Deferred…………	(18)	**(179)**	**(1,496)**
Total income taxes…………	(1,225)	**(1,066)**	**(8,872)**
Income before minority interests…………	3,390	**2,520**	**20,974**
Minority interests in income…………	(450)	**(414)**	**(3,450)**
Net income…………	2,939	**2,105**	**17,524**
Minority interests in income…………	(450)	**(414)**	**3,450**
Income before minority interests…………	3,390	**2,520**	**20,974**
Other comprehensive income (Note10)			
Valuation difference on available-for-sale securities…………	912	**1,021**	**8,499**
Foreign currency translation adjustment…………	2,347	**1,501**	**12,498**
Remeasurements of defined benefit plans, net of tax…………	―	**71**	**593**
Share of other comprehensive income of entities accounted for using equity method…………	558	**345**	**2,874**
Total other comprehensive income…………	3,817	**2,940**	**24,466**
Comprehensive income…………	7,208	**5,460**	**45,441**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent…………	5,962	**4,550**	**37,869**
Comprehensive income attributable to minority interests…………	1,245	**909**	**7,571**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2013………..	¥6,418	¥5,528	¥42,369	¥(1,669)	¥52,646
Changes of items during period					
Dividends of surplus………...			(767)		(767)
Net income………………….			2,939		2,939
Purchase of treasury shares…...				(0)	(0)
Other………………………...					
Balance at March 31, 2014…...	**6,418**	**5,528**	**44,541**	**(1,669)**	**54,818**
Cumulative effects of changes in accounting policies……………..			**(162)**		**(162)**
Restated balance………………..	**6,418**	**5,528**	**44,379**	**(1,669)**	**54,656**
Changes of items during period					
Dividends of surplus………...			**(724)**		**(724)**
Net income………………….			**2,105**		**2,105**
Purchase of treasury shares…...				**(0)**	**(0)**
Change of scope of consolidation			**8**		**8**
Other………………………...					
Balance at March 31, 2015……	**6,418**	**5,528**	**45,768**	**(1,670)**	**56,045**

	Thousands of U.S. dollars (Note2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2014……	**$53,410**	**$46,006**	**$370,651**	**$ (13,894)**	**$456,174**
Cumulative effects of changes in accounting policies……………..			**(1,349)**		**(1,349)**
Restated balance………………..	**53,410**	**46,006**	**369,302**	**(13,894)**	**454,825**
Changes of items during period					
Dividends of surplus………..			**(6,029)**		**(6,029)**
Net income………………….			**17,524**		**17,524**
Purchase of treasury shares…...				**(4)**	**(4)**
Change of scope of consolidation			**69**		**69**
Other………………………...					
Balance at March 31, 2015……	**53,410**	**46,006**	**380,867**	**(13,898)**	**466,385**

	Millions of yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2013………..	¥ 113	¥ (1,190)	¥—	¥ 3,806	¥55,376
Changes of items during period					
Dividends of surplus………..					(767)
Net income………………….					2,939
Purchase of treasury shares…...					(0)
Other………………………...	907	2,115	(267)	1,355	4,110
Balance at March 31, 2014……	**1,020**	**924**	**(267)**	**5,161**	**61,658**
Cumulative effects of changes in accounting policies……………..					**(162)**
Restated balance………………..	**1,020**	**924**	**(267)**	**5,161**	**61,496**
Changes of items during period					
Dividends of surplus………...					**(724)**
Net income………………….					**2,105**
Purchase of treasury shares…...					**(0)**
Change of scope of consolidation					**8**
Other………………………...	**1,036**	**1,337**	**71**	**846**	**3,290**
Balance at March 31, 2015……	**2,057**	**2,262**	**(196)**	**6,007**	**66,176**

	Thousands of U.S. dollars (Note2)				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at March 31, 2014……	**$8,494**	**$7,697**	**$(2,225)**	**$42,952**	**$513,094**
Cumulative effects of changes in accounting policies……………..					**(1,349)**
Restated balance………………..	**8,494**	**7,697**	**(2,225)**	**42,952**	**511,745**
Changes of items during period					
Dividends of surplus………...					**(6,029)**
Net income………………….					**17,524**
Purchase of treasury shares…...					**(4)**
Change of scope of consolidation					**69**
Other………………………...	**8,625**	**11,126**	**593**	**7,040**	**27,385**
Balance at March 31, 2015……	**17,119**	**18,824**	**(1,631)**	**49,992**	**550,690**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note2)
	2014	**2015**	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests…………	¥4,615	**¥3,586**	**$29,847**
Depreciation…………………………………………………	2,651	**2,967**	**24,691**
Increase (decrease) in provision for bonuses………………...	(21)	**(85)**	**(708)**
Increase (decrease) in provision for retirement benefits……..	(211)	**—**	**—**
Increase (decrease) in net defined benefit liability…………..	282	**77**	**645**
Interest and dividend income………………………………...	(124)	**(164)**	**(1,370)**
Interest expenses……………………………………………..	74	**68**	**572**
Foreign exchange losses (gains)……………………………..	(228)	**(132)**	**(1,101)**
Share of (profit) loss of entities accounted for using equity method..	(223)	**(347)**	**(2,892)**
Loss (gain) on sales of property,plant and equipment……….	(2)	**(0)**	**(6)**
Loss (gain) on disposal of property, plant and equipment…...	15	**50**	**423**
Loss (gain) on sales of investment securities………………..	(66)	**—**	**—**
Decrease (increase) in notes and accounts receivable-trade…	1,151	**67**	**563**
Decrease (increase) in inventories…………………………...	146	**269**	**2,241**
Increase (decrease) in notes and accounts payable-trade……	(198)	**(868)**	**(7,230)**
Increase (decrease) in accrued consumption taxes…………..	(554)	**609**	**5,069**
Other, net……………………………………………………	(199)	**(435)**	**(3,624)**
Subtotal…………………………………………………	7,106	**5,662**	**47,120**
Interest and dividend income received………………………	146	**274**	**2,286**
Interest expenses paid………………………………………..	(69)	**(70)**	**(583)**
Income taxes (paid) refund…………………………………..	(1,386)	**(1,174)**	**(9,771)**
Net cash provided by (used in) operating activities…….	5,797	**4,692**	**39,051**

	Millions of yen		Thousands of U.S. dollars (Note2)
	2014	**2015**	**2015**
Cash flows from investing activities:			
Payments into time deposits………………………………….	¥(456)	**¥(1,030)**	**$(8,575)**
Proceeds from withdrawal of time deposits………………….	5	**1,107**	**9,219**
Proceeds from sales and redemption of securities…………...	100	**300**	**2,496**
Purchase of property, plant and equipment…………………..	(4,189)	**(3,350)**	**(27,877)**
Proceeds from sales of property, plant and equipment………	12	**11**	**91**
Purchase of intangible assets………………………………...	(32)	**(6)**	**(50)**
Purchase of investment securities……………………………	(1,104)	**(13)**	**(111)**
Proceeds from sales and redemption of investment securities….	268	**—**	**—**
Payments of loans receivable………………………………..	(49)	**(9)**	**(77)**
Collection of loans receivable……………………………….	42	**35**	**292**
Purchase of long-term prepaid expenses…………………….	(74)	**(62)**	**(519)**
Other, net…………………………………………………….	(37)	**0**	**1**
Net cash provided by (used in) investing activities……..	(5,516)	**(3,017)**	**(25,111)**
Cash flows from financing activities:			
Increase in short-term loans payable………………………...	105	**—**	**—**
Decrease in short-term loans payable………………………..	(428)	**(120)**	**(1,003)**
Proceeds from long-term loans payable……………………..	2,000	**30**	**249**
Repayments of long-term loans payable…………………….	(364)	**(434)**	**(3,615)**
Purchase of treasury shares…………………………………..	(0)	**(0)**	**(4)**
Proceeds from share issuance to minority shareholders……..	145	**—**	**—**
Cash dividends paid………………………………………….	(767)	**(724)**	**(6,029)**
Cash dividends paid to minority shareholders……………….	(108)	**(107)**	**(894)**
Other, net…………………………………………………….	(0)	**(35)**	**(296)**
Net cash provided by (used in) financing activities…….	581	**(1,393)**	**(11,593)**
Effect of exchange rate change on cash and cash equivalents	423	**301**	**2,506**
Net increase (decrease) in cash and cash equivalents…….	1,286	**583**	**4,852**
Cash and cash equivalents at beginning of period…………...	10,843	**12,684**	**105,557**
Increase in cash and cash equivalents from newly consolidated subsidiary………………………………………..	554	**154**	**1,289**
Cash and cash equivalents at end of period…………………..	12,684	**13,422**	**111,699**

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Neturen Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, 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 dollars) do not necessarily agree with the sum of the individual amounts.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers outside Japan.

(1) Principle of Consolidation and Investments in Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and 14 significant subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. All unrealized profits and losses with regard to intercompany transactions of assets are also wholly eliminated in consolidation. The difference after offsetting the amounts in the investment accounts of the parent company and the capital accounts of the subsidiaries is to be equally amortized for 5 years. The equity method to account for investments in an unconsolidated subsidiary and 5 affiliates has been followed by the Company in the accompanying consolidated financial statements. Accordingly, earnings corresponding to the equity ownership are included as income of the Company and the consolidated subsidiaries in investment accounts.

The fiscal year-end of all subsidiaries differs from that of the Company. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions and the results of operations.

(2) Foreign Currency financial statement

In translating the financial statements of foreign subsidiaries and affiliates into Japanese yen, all assets, liabilities, revenues and expenses are translated at the current exchange rates in effect each balance sheet date except for capital and retained earnings which are translated at the historical exchange rates in effect at the time of the transactions. The resulting translation adjustments are reflected as separate components in the accompanying consolidated financial statements as foreign currency translation adjustments.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the consolidated statements of cash flows include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

(4) Short-term Securities, Investment securities

Short-term securities and investment securities are classified and account for, depending on management's intent, as follows:

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are amortized or accumulated to face value. Other securities, "available-for-sale securities" with fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities are principally determined by the moving-average method.

(5) Inventories

Inventories are principally stated at cost on a first-in, first-out basis, evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability.

(6) Property, Plant and Equipment (except under lease)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is principally computed under the declining-balance method at rates based on estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998, and to the assets of foreign subsidiaries.

The range of useful lives is principally from 5 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment.

(7) Intangible assets

Intangible assets are carried at cost less accumulated amortization, which are amortized by the straight-line method.

(8) Lease assets

Under accounting standards generally accepted in Japan, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciation on a straight-line basis, with lease period used as their useful lives and no residual value. The accounting treatment for finance leases that do not transfer ownership of the leased property to the lessee which took place before March 31, 2008 continues to be in accordance with the method used for operating lease transaction.

(9) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables.

(10) Research and Development Costs

Research and development costs are charged to income as incurred.

(11) Retirement and severance benefits

The retirement benefit obligation are attributed to each period by the benefit formula method.

Actuarial gain / loss is recognized using the straight-line method over mainly 10 years from next fiscal year.

After adjusting for the tax effects, unrecognized actuarial gains / losses are recorded in accumulated adjustment for retirement benefits in accumulated other comprehensive income in the net assets section.

(12) Income Taxes

Income taxes of the Company and subsidiaries are provided on the basis of amounts payable as indicated in the tax returns.

The Company and its consolidated subsidiaries have adopted the assets and liabilities method of tax effect accounting in order to recognize the effect of all temporary differences in the recognition of assets and liabilities for tax financial reporting purpose.

(Change in accounting policies)

Application of the Accounting Standard for Retirement Benefits

For Accounting Standards Board of Japan (ASBJ) Statement No.26 Accounting Standard for Retirement Benefits (May 17, 2012) and ASBJ Guidance No.25 Guidance on Accounting Standard for Retirement Benefits (March 26, 2015, hereinafter "Guidance on Retirement Benefits"), the Company and its domestic consolidated subsidiaries have additionally applied the provisions set forth in the main clause of paragraph 35 of the Accounting Standard for Retirement Benefits and the main clause of paragraph 67 of the Guidance on Retirement Benefits from the fiscal year ended March 31, 2015 and reviewed the determination of retirement benefit obligations and current service cost. In addition, the Company and its domesticconsolidated subsidiaries changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and changed the method for calculating the discount rate.

The Accounting Standard for Retirement Benefits and its guidance are applied with transitional treatments stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits. As of April 1, 2014, impact of this change was reflected inretained earnings.

As a result, as of April 1, 2014, liability for retirement benefits increased ¥251 million($2,095 thousand) and retained earnings decreased ¥162 million ($1,349 thousand). In addition, the impact of these changes on operating income, income before income taxes and minority interests and per share data is immaterial.

In addition, net assets per share of common stock decreased by 3.8 yen (0.03 U.S. Dollars). the impact of these changes on net income per share of common stock is immaterial.

(Accounting standards issued but not yet applied)

On September 13, 2013, the Accounting Standards Board of Japan ("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 Business Divestitures" (ASBJ Statement No.7), "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).

Under these 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 amended. 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.

These standards and related guidance are effective from the beginning of the fiscal year ending on March 31, 2016. The Company is currently evaluating the impact by these modifications will have on its consolidated financial statements.

2. Translation in U.S. Dollars

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥120.17 to $1, the approximate rate of exchange on March 31, 2015, at the Tokyo foreign exchange market. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars amounts at such rate or at any other rate.

3. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Finished goods	¥ 963	**¥958**	**$7,973**
Work in process	1,345	**1,305**	**10,862**
Raw materials and supplies	2,038	**2,049**	**17,052**
	4,347	**4,312**	**35,888**

4. Status of financial instruments

(1) Policies for financial instruments

The Companies raised the funds by bank borrowings and retained earnings according to capital investment. The Companies manage funds only through short-term time deposit and others. The Companies use derivatives for the purposes of managings foreign currency exchange risk related to trading receivables and payables. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk.

Trade receivables —notes receivable and accounts receivable— are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers. Equity securities —the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices. Trade payable —notes payable and accounts payable— mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk. Short-term debt is raised mainly in connection with business activities. Long-term debt is taken out principally for the purpose of capital expenditure. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Company undertakes interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management of financial instruments

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

In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

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

For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirm the effectiveness of hedging and obtain approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instrument.

(c) Monitoring of liquidity risks for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)

The Companies manage the liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

Estimated fair value of financial instruments:

The book value of the financial instruments on the consolidated balance sheets as of March 31, 2014 and 2015 and unrealized gain (loss) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2014		
	Book value	Fair value	Difference
Cash and Deposits	¥13,191	¥13,191	¥—
Notes and accounts receivable	14,088	14,088	—
Marketable securities and investment securities:			
Held-to-maturity securities	300	300	0
Other securities	6,685	6,685	—
Total	34,265	34,265	0
Notes and accounts payable	5,743	5,743	—
Total	5,743	5,743	—

	Millions of yen		
	2015		
	Book value	Fair value	Difference
Cash and Deposits	**¥13,763**	**¥13,763**	**¥—**
Notes and accounts receivable	**14,307**	**14,307**	**—**
Marketable securities and investment securities:			
Held-to-maturity securities			
Other securities	**8,172**	**8,172**	**—**
Total	**36,243**	**36,243**	**—**
Notes and accounts payable	**5,006**	**5,006**	**—**
Total	**5,006**	**5,006**	**—**

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
Cash and Deposits	**$114,537**	**$114,537**	**$—**
Notes and accounts receivable	**119,058**	**119,058**	**—**
Marketable securities and investment securities:			
Held-to-maturity securities			
Other securities	**68,005**	**68,005**	**—**
Total	**301,602**	**301,602**	**—**
Notes and accounts payable	**41,663**	**41,663**	**—**
Total	**41,663**	**41,663**	**—**

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash and deposits and notes and accounts receivable

Since these items are settled in a short period, their book value approximates fair value.

Investment securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 5.

Notes and accounts payable and short-term debt

Since these items are settled in a short period of time, their book value approximates fair value.

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

As of March 31, 2014 and 2015, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Other securities without fair value:			
Unlisted equity securities	¥724	**¥759**	**$6,321**

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2014 and 2015

	Millions of yen			
	2014			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	¥13,191	¥—	¥—	¥—
Notes and accounts receivable	14,088	—	—	—
Marketable securities and investment securities:				
Held-to-maturity securities:				
Bonds	300	—	—	—
Others	—	—	—	—
Total	27,580	—	—	—

	Millions of yen			
	2015			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	**¥13,763**	¥—	¥—	¥—
Notes and accounts receivable	**14,307**	—	—	—
Total	**28,071**	—	—	—

	Thousands of U.S. dollars			
	2015			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	**$114,537**	$—	$—	$—
Notes and accounts receivable	**119,058**	—	—	—
Total	**233,596**	—	—	—

5. Short-term Investment Securities, Investment Securities and Other Securities

The following is an analytical summary of held-to-maturity securities and available-for-sale securities consisted of short-term investment securities, investment securities and stocks of subsidiaries and affiliates as of March 31, 2014 and 2015.

	Millions of yen						Thousands of U.S. dollars		
	2014			**2015**			**2015**		
Held-to-maturity securities:	Book value	Difference	Fair value	Book value	Difference	Fair value	Book value	Difference	Fair value
Bonds…..............	¥300	¥0	¥300	**¥—**	**¥—**	**¥—**	**$—**	**$—**	**$—**
Others..................	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
	300	0	300	**—**	**—**	**—**	**—**	**—**	**—**
Other securities:									
Available-for-sale securities	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition Cost	Unrealized gain (loss)	Book value (Fair value)
Bonds…..............	¥—	¥—	¥—	**¥—**	**¥—**	**¥—**	**$—**	**$—**	**$—**
Equity securities...	4,705	1,877	6,583	**4,722**	**3,206**	**7,928**	**39,302**	**26,678**	**65,981**
Others..................	102	(0)	102	**243**	**(0)**	**243**	**2,019**	**4**	**2,024**
	4,807	1,877	6,685	**4,965**	**3,206**	**8,172**	**41,322**	**26,683**	**68,005**

As of March 31, 2014 and 2015, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Other securities without fair value:			
Unlisted equity securities…...	¥724	**¥759**	**$6,321**
Non-consolidated subsidiaries and affiliates:			
Equity securities..	4,838	**5,150**	**42,858**

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The weighted average interest rates applicable to such loans as of March 31, 2014 and 2015 were approximately 2.3% and 2.4% respectively.

Long-term debt as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Unsecured loans from banks..	¥1,828	**¥1,426**	**$11,871**
Less: current portion..	(427)	**(406)**	**(3,378)**
Lease obligations..	120	**95**	**796**
Less: current portion..	(38)	**(31)**	**(264)**
	1,482	**1,084**	**9,025**

Interest rates applicable to the long-term loans mentioned above ranged from 0.9% and 0.9% as of March 31, 2014 and 2015 respectively.

The aggregate annual maturities of long-term debt payable as of March 31, 2015 were as follows:

As of March 31,	Millions of yen	Thousands of U.S. dollars
2017..	**¥405**	**$3,375**
2018..	**406**	**3,378**
2019..	**206**	**1,714**
2020..	**3**	**24**
	1,020	**8,492**

7. Income Taxes

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purpose for the years ended March 31, 2014 and 2015.

	As of March 31	
	2014	**2015**
Statutory tax rate	38.0%	**35.6%**
Permanent differences-Entertainment expenses and other	0.4	**0.3**
Permanent differences-Dividend income and other	(5.2)	**(10.8)**
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.8)	**(3.4)**
Dividends from consolidated subsidiaries	4.8	**10.1**
Valuation allowance for deferred tax assets	(0.3)	**(0.5)**
Per capita tax	0.9	**1.1**
Recognition of effective tax rate on retained earnings of foreign subsidiaries	2.0	**2.0**
Unrecording dererred tax assets to unrealized gain	0.1	**(0.1)**
Amortization of goodwill	0.3	**—**
Deficit of consolidated subsidiaries	(3.2)	**3.2**
Tax rate differences	(4.0)	**(4.2)**
Tax credit	(5.4)	**(4.1)**
Other-net	0.0	**0.5**
Effective tax rate	26.6%	**29.7%**

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

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Deferred tax assets:			
Inventories	¥ 36	**¥ 33**	**$275**
Depreciation	60	**46**	**390**
Intangible assets	8	**8**	**66**
Unrealized loss on valuation of other securities	26	**23**	**196**
Allowance for doubtful accounts	8	**9**	**82**
Accrued enterprise tax	48	**26**	**223**
Accrued employees' bonuses	252	**203**	**1,697**
Net defined benefit liability	485	**485**	**4,042**
Impairment loss	388	**335**	**2,792**
Valuation allowance	(604)	**(511)**	**(4,257)**
Unrealized loss on available-for-sale securities	185	**146**	**1,221**
Others	323	**294**	**2,453**
Total	1,220	**1,103**	**9,184**
Deferred tax liabilities:			
Accumulated earnings of consolidated subsidiaries	(335)	**(416)**	**(3,468)**
Reserve for deferred capital gains	(428)	**(384)**	**(3,201)**
Unrealized gain on available-for-sale securities	(848)	**(1,193)**	**(9,927)**
Others	(97)	**(91)**	**(764)**
Total	(1,710)	**(2,086)**	**(17,362)**
Net deferred tax assets (liabilities)	(490)	**(982)**	**(8,177)**

Net deferred tax assets are included in the assets and liabilities shown below.

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Deferred tax assets - current	¥486	**¥416**	**$3,465**
Deferred tax assets - non current	52	**43**	**358**
Deferred tax liabilities - current	(2)	**(1)**	**(14)**
Deferred tax liabilities - non current	(1,027)	**(1,440)**	**(11,988)**

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 and, the corporate tax rate etc. was reduced from the fiscal year after starting April 1, 2015. As a result, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for this period has been changed from 35.6% for the previous fiscal year to 33.1% for those which are expected to be recovered or paid from April 1, 2015 to March 31, 2016 and to 32.3% for those which are expected to be recovered or paid from April 1, 2016, respectively.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥9 million ($79 thousand), income taxes - deferred increased by ¥9 million ($79 thousand), valuation difference on available - for-sale securities increased by ¥115 million ($1,304 thousand), and remeasurements of difinited benefit plans increased by ¥ 9 million ($79 thousand) as of and for the year ended March 31, 2015, respectively.

8. Research and Development Costs

Research and development costs are charged to income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Research and development costs	¥904	**¥891**	**$7,416**

9. Other Income / (Expenses) — Other, net

Other income / (expenses) — Other, net consists of the following items:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Gain on sales of scraps	¥94	**¥80**	**$673**
Foreign exchange gains	278	**77**	**643**
Subsidy income	19	**13**	**111**
Amortization of business commencement expenses	—	**(81)**	**(680)**
Other	27	**(87)**	**(729)**
Other income (expenses) - net	510	**2**	**19**

10. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Other consolidated comprehensive income for the year ended March 31, 2015			
Unrealized gain on available-for sale securities			
Amount arising during the year	¥1,296	**¥1,364**	**$11,350**
Reclassification adjustments for gains and losses recognized in the income statement	(63)	**—**	**—**
Amount before tax effect adjustment	1,233	**1,364**	**11,350**
Tax effect	(321)	**(342)**	**(2,850)**
Total	912	**1,021**	**8,499**
Foreign currency translation adjustments			
Amount arising during the year	2,347	**1,501**	**12,498**
Remeasurements of defined benefit plans			
Amount arising during the year	—	**49**	**415**
Reclassification adjustments for gains and losses recognized in the income statement	—	**75**	**628**
Amount before tax effect adjustment	—	**125**	**1,044**
Tax effect	—	**(54)**	**(451)**
Total	—	**71**	**593**
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	569	**359**	**2,993**
Reclassification adjustments for gains and losses recognized in the income statement	(10)	**(14)**	**(118)**
Total	558	**345**	**2,874**
Total	3,817	**2,940**	**24,466**

11. Retirement and severance benefits

The Company has adopted a corporate pension plan and a lump-sum pension plan, both of which are defined benefit plans. The Company also adopted a retirement benefit trust.

Domestic consolidated subsidiaries have adopted lump-sum pension plans, and calculated projected benefit obligations by the simplified method.

Defined benefit plans

Movements in retirement benefit obligations except plan applied simplified method for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Balance at April 1	¥2,193	**¥2,327**	**$19,365**
Cumultive effects of changes in accounting polisies	—	**251**	**2,095**
Restated balance	2,193	**2,578**	**21,460**
Service cost	130	**138**	**1,153**
Interest cost	19	**22**	**190**
Actuarial loss (gain)	3	**38**	**317**
Benefits paid	(19)	**(257)**	**(2,138)**
Balance at March 31	2,327	**2,521**	**20,982**

Movements in plan assets except plan applied simplified method for the years ended March 31, 2014 and 2015 were as follows

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Balance at April 1	¥1,469	**¥1,678**	**$13,969**
Expected return on plan assets	21	**24**	**207**
Acturial loss(gain)	83	**88**	**732**
Contributions paid by the employer	123	**134**	**1,122**
Benefit paid	(19)	**(257)**	**(2,138)**
Balance at March 31	1,678	**1,669**	**13,893**

Movements in liability for retirement benefitts based on the simplified method for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Balance at April 1	¥ 45	**¥ 49**	**$ 413**
Retirement benefit costs	4	**14**	**120**
Benefit paid	0	**(14)**	**(117)**
Balance at March 31	49	**50**	**416**

Reconciliation from retirement benefit obligations and plan assets to liability (asset) for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Funded retirement benefit obligations	¥2,327	**¥2,521**	**$20,982**
Plan assets	(1,678)	**(1,669)**	**(13,893)**
	648	**851**	**7,088**
Unfunded retirement benefit obligations	49	**50**	**416**
Total net liabilitiy (asset) for retirement benefits at March 31	698	**901**	**7,504**
Asset for retirement benefits	(64)	**—**	**—**
Liabilitiy for retirement benefits	762	**901**	**7,504**
Total net liabilitiy (asset) for retirement benefits at March 31	698	**901**	**7,504**

Retirement benefit costs for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Service cost	**¥130**	**¥138**	**$1,153**
Interest cost	**19**	**22**	**190**
Expected return on plan assets	**(21)**	**(24)**	**(207)**
Net actuarial loss amortization	**61**	**75**	**628**
Retirement benefit costs calculated by the simplified method	**4**	**14**	**120**
Total retirement benefit costs for year ended March 31	**194**	**226**	**1,884**

Breakdown of items recognized in other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
actuarial differences	**¥—**	**¥(125)**	**$(1,044)**
Total	**—**	**(125)**	**(1,044)**

Breakdown of items recognized in accumulated other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Unrecognized actuarial differences	**¥415**	**¥289**	**$2,410**
Total	**415**	**289**	**2,410**

Plan assets for the years ended March 31, 2014 and 2015 were as follows:

	As of March 31	
	2014	**2015**
Plan assets comprise:		
Domestic Bonds	7.7%	**8.4%**
Domestic Stocks	20.6	**23.0**
Foreign Bonds	2.4	**2.7**
Foreign Stocks	11.6	**12.2**
Insurance assets (General account)	43.9	**43.0**
Other	13.8	**10.7**
Total	100.0	**100.0**

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Actuarial assumptions for the years ended March 31, 2014 and 2015 were as follows:

	As of March 31	
	2014	**2015**
Discount rate	1.0%	**1.0%**
Expected rate of return on plan assets	1.9	**1.9**
Future salary increase rate	2.6	**2.6**

Defined contribution plans

The estimated amount of contributions to defined contribution plans at March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
The estimated amount of contributions to defined contribution plans	**¥53**	**¥55**	**$459**
Total	**53**	**55**	**459**

12. Segment information

notes:

Summary of report segment

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

The Companies divides the business into 2 segments: Specialty Steel & Wire Products Division-related business segment manufactures prestressing steel bars, deform prestressing steel bars, shear reinforcement bars for civil engineering and construction works, and Induction Heated, Quenched and Tempered Wire (ITW), etc. mainly for automobile and motorcycle suspension springs. The Induction Heat Treatment Service and Heating Machine Division-related business segment provides induction heat treatment services for major security parts of automobiles and machine tools. The segment also manufactures auto parts and construction machine parts, as well as induction heating equipment for various industries.

Calculating methods of amounts of sales, profit (loss), assets and liabilities etc of each reportable segment

The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies (Note 1)". Segment profit (loss) are based on operating income. Intersegment sales are mainly based on market price.

Operations in different industries:

(1) Specialty Steel and Wire Products Division: Prestressing Steel Bars & Wires, Spiral Wires, etc.
(2) Induction Heat Treatment Service and Heating Machine Division: Surface heat treatment, Induction heating machine, automobile components, etc.
(3) Others: Leasing and others

	Millions of yen				
	2014				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	**¥23,530**	**¥23,331**	**¥46,862**	**¥135**	**¥46,997**
Inter-segment	**—**	**53**	**53**	**—**	**53**
Total	**23,530**	**23,385**	**46,915**	**135**	**47,050**
Segment profit	**1,957**	**1,673**	**3,631**	**55**	**3,686**
Segment assets	**21,191**	**36,993**	**58,185**	**2,148**	**60,333**
Other items					
Depreciation and amortization	**709**	**1,732**	**2,441**	**172**	**2,614**
Increase in property, plant and equipment and intangible assets	**1,372**	**2,601**	**3,974**	**97**	**4,071**

	Millions of yen				
	2015				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	¥23,443	¥23,324	¥46,768	¥126	¥46,895
Inter-segment	—	18	18	—	18
Total	23,443	23,342	46,786	126	46,913
Segment profit	1,466	1,477	2,944	56	3,001
Segment assets	22,223	35,303	57,527	2,150	59,678
Other items					
Depreciation and amortization	821	1,973	2,794	119	2,914
Increase in property, plant and equipment and intangible assets	883	2,226	3,109	115	3,224

	Thousands of U.S. dollars				
	2015				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	$195,089	$194,093	$389,183	$1,056	$390,240
Inter-segment	—	152	152	—	152
Total	195,089	194,246	389,336	1,056	390,392
Segment profit	12,204	12,298	24,503	470	24,974
Segment assets	184,937	293,781	478,719	17,895	496,614
Other items					
Depreciation and amortization	6,833	16,423	23,256	995	24,252
Increase in property, plant and equipment and intangible assets	7,350	18,523	25,874	959	26,834

Reconciliation between reportable segment total and amounts disclosed in consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Sales:			
Reportable segment total	¥46,915	¥46,786	$389,336
Sales in "Others"	135	126	1,056
Elimination of inter-segment transaction	(53)	(18)	(152)
Sales in consolidated financial statements	46,997	46,895	390,240

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Profit:			
Reportable segment total	¥3,631	¥2,944	$24,503
Profit in "Others"	55	56	470
Elimination of inter-segment transaction	—	—	—
Operating income in consolidated financial statements	3,686	3,001	24,974

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Assets:			
Reportable segment total	¥58,185	¥57,527	$478,719
Assets in "Others"	2,148	2,150	17,895
Corporate assets	18,040	22,150	184,327
Assets in consolidated financial statements	78,374	81,828	680,941

Other items are as follows:

	Millions of yen			
	2014			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	¥2,441	¥172	¥37	¥2,651
Increase in property, plant and equipment and intangible assets………………………………...	3,974	97	19	4,091

	Millions of yen			
	2015			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	**¥2,794**	**¥119**	**¥52**	**¥2,967**
Increase in property, plant and equipment and intangible assets………………………………...	**3,109**	**115**	**8**	**3,232**

	Thousands of U.S. dollars			
	2015			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	**$23,256**	**$995**	**$439**	**$24,691**
Increase in property, plant and equipment and intangible assets………………………………...	**25,874**	**959**	**66**	**26,901**

Related information

Information about products and services

	Millions of yen						
	2015						
	Prestressing steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers...........	**¥10,961**	**¥11,549**	**¥11,241**	**¥6,426**	**¥5,651**	**¥1,065**	**¥46,895**

	Thousands of U.S. dollars						
	2015						
	Prestressing steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers...........	**$91,213**	**$96,106**	**$93,547**	**$53,475**	**$47,031**	**$8,865**	**$390,240**

Information about geographical areas

	Millions of yen					
	2015					
	Japan	Asia	North America	Europe	Others	Total
Net sales………..	**¥33,888**	**¥9,921**	**¥2,887**	**¥196**	**¥0**	**¥46,895**

	Thousands of U.S. dollars					
	2015					
	Japan	Asia	North America	Europe	Others	Total
Net sales………..	**$282,006**	**$82,563**	**$24,031**	**$1,637**	**$0**	**$390,240**

Note:Net sales is based on a customer's location and classified by countries.

	Millions of yen				
	2015				
	Japan	Asia	North America	Europe	Total
Property,plant and equipment..........	**¥22,408**	**¥6,601**	**¥1,450**	**¥1,420**	**¥31,880**

	Thousands of U.S. dollars				
	2015				
	Japan	Asia	North America	Europe	Total
Property,plant and equipment..........	**$186,472**	**$54,935**	**$12,073**	**$11,816**	**$265,297**

13. Subsequent events

The following appropriations of unappropriated retained earnings were approved at the meeting of shareholders of the Company held on June 25, 2015.

Cash dividends	Millions of yen	Thousands of U.S. dollars
¥7 per share (applicable to the six-month period ended March 31, 2015)……………..	¥298	$2,482

Independent Auditor's Report

To The Board of Directors of Neturen Co., Ltd.

We have audited the accompanying consolidated financial statements of Neturen Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2015, the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Neturen Co., Ltd. and its subsidiaries as of March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2015 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in Note2 of the notes to consolidated financial statements.

Inoue Audit Corporation

INOUE AUDIT CORPORATION

Tokyo, Japan

June 25, 2015

CORPORATE DATA

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Date of Establishment:
May, 1946

Paid-in Capital:
¥6,418 million

Common Stock:
Authorized: 150,000,000 shares
Issued: 44,713,930 shares
Number of shareholders: 3,275

Number of Employees:
1,312(Consolidated)

(As of March 31, 2015)

Directors and Corporate Auditors:

President (Representative Director)
Shigeru Mizoguchi

Senior Managing Director (Representative Director)
Kazuhiro Kawasaki

Managing Director
Yasuyuki Nakao
Shinjiro Motoki

Director
Junichi Goya
Katsumi Omiya
Tomokatsu Yasukawa
Tetsuji Murata

Outside Director
Yasuko Teraura

Standing Audit & Supervisory Board Member
Hitoshi Inagaki

Outside Audit & Supervisory Board Member
Yoshitoshi Urabe
Hiroshi Yoshimine

(As of June 25, 2015)