Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the “Company”) and consolidated subsidiaries (together, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

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

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2014 include the accounts of the Company and its 48 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (47 and 5 in 2013).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. The financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill and negative goodwill (incurred before March 31, 2010) resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 years, except that immaterial amounts are charged to income as incurred.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments (“derivatives”), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraph b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

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

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employee participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

(Changes in accounting policies)

The company has adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as net defined benefit liability (or asset). In addition, unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as net defined benefit liability (or asset). Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in remeasurements of defined benefit plans through accumulated other comprehensive income. As a result of this change, net defined benefit liability was recognized in the amount of ¥34,236 million ($335,651 thousand), net defined benefit asset was recognized in the amount of ¥31,263 million ($306,505 thousand), deferred tax liabilities decreased by ¥4,960 million ($48,627 thousand), and accumulated other comprehensive income decreased by ¥10,614 million ($104,068 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥14.86 ($0.15).

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts can not be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and minority interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at year end.

q. Standards Issued But Not Yet Effective

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

(1) Overview

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

(2) Scheduled date of adoption

The revised accounting standard and guidance have been adopted as of the end of the fiscal year ended March 31, 2014. Revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015. In addition, no retroactive application to the Company's consolidated financial statements in prior periods will be made based on the provisional treatment set out in the standard.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect that revisions to the calculation methods for the retirement benefit obligation and service costs will have on its consolidated results of operations and financial position.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥102=U.S.$1, the approximate exchange rate as of March 31, 2014. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Merchandise and finished goods	**¥ 43,180**	¥ 42,464	**$ 423,341**
Work in process	**48,030**	39,294	**470,891**
Raw materials	**30,233**	25,964	**296,391**
Inventories	**¥121,443**	¥107,722	**$1,190,623**

Losses (gains) on valuation of inventories with lower profitability were ¥(522) million ($(5,120) thousand) and ¥(266) million for the years ended March 31, 2014 and 2013, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Time deposits	**¥ 60**	¥ 60	**$ 588**
Investment securities	**418**	297	**4,105**
Property, plant and equipment	**16,325**	16,491	**160,048**
Total	**¥16,803**	¥16,848	**$164,741**

Collateralized liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Trade payables	¥ 12	¥ 15	$ 124
Short-term debt	3,200	3,900	31,373
Long-term debt	859	7,665	8,421
Total	¥4,071	¥11,580	$39,918

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 10 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2014 and 2013, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2014		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	**¥ 33,412**	**¥ 33,412**	**¥ —**
Trade receivables	**222,481**	**222,449**	**(32)**
Investment securities	**127,601**	**127,601**	**—**
Trade payables	**(142,087)**	**(142,087)**	**—**
Short-term debt	**(52,713)**	**(52,713)**	**—**
Current portion of long-term debt	**(23,698)**	**(23,698)**	**—**
Lease obligations (Current Liabilities)	**(13,521)**	**(13,521)**	**—**
Long-term debt	**(123,092)**	**(124,107)**	**1,015**
Lease obligations (Long-term Liabilities)	**(20,726)**	**(20,810)**	**84**
Derivatives			
Derivative transactions to which hedge accounting is not applied	**(61)**	**(61)**	**—**
Derivative transactions to which hedge accounting is applied	**27**	**27**	**—**

	Millions of yen		
	2013		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 39,688	¥ 39,688	¥ —
Trade receivables	216,852	216,820	(32)
Investment securities	90,065	90,065	—
Trade payables	(129,934)	(129,934)	—
Short-term debt	(77,413)	(77,413)	—
Current portion of long-term debt	(23,180)	(23,180)	—
Lease obligations (Current Liabilities)	(11,832)	(11,832)	—
Long-term debt	(126,123)	(126,322)	199
Lease obligations (Long-term Liabilities)	(18,555)	(18,665)	110
Derivatives			
Derivative transactions to which hedge accounting is not applied	(232)	(232)	—
Derivative transactions to which hedge accounting is applied	(129)	(129)	—

	Thousands of U.S. dollars (Note 3)		
	2014		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	**$ 327,576**	**$ 327,576**	**$ —**
Trade receivables	**2,181,188**	**2,180,875**	**(313)**
Investment securities	**1,250,999**	**1,250,999**	**—**
Trade payables	**(1,393,018)**	**(1,393,018)**	**—**
Short-term debt	**(516,799)**	**(516,799)**	**—**
Current portion of long-term debt	**(232,342)**	**(232,342)**	**—**
Lease obligations (Current Liabilities)	**(132,563)**	**(132,563)**	**—**
Long-term debt	**(1,206,791)**	**(1,216,743)**	**9,952**
Lease obligations (Long-term Liabilities)	**(203,206)**	**(204,027)**	**821**
Derivatives			
Derivative transactions to which hedge accounting is not applied	**(599)**	**(599)**	**—**
Derivative transactions to which hedge accounting is applied	**268**	**268**	**—**

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Carrying amounts	Carrying amounts	Carrying amounts
	2014	2013	**2014**
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	**¥21,266**	¥29,399	**$208,491**

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2014 and 2013:

	Millions of yen			
	2014			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**¥ 33,412**	**¥ —**	**¥—**	**¥—**
Trade receivables	**218,615**	**3,866**	**—**	**—**
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	**0**	**—**	**—**	**—**
Total	**¥252,027**	**¥3,866**	**¥—**	**¥—**

	Millions of yen			
	2013			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 39,688	¥ —	¥—	¥—
Trade receivables	213,793	3,059	—	—
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	0	—	—	—
Total	¥253,481	¥3,059	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2014			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**$ 327,576**	**$ —**	**$—**	**$—**
Trade receivables	**2,143,283**	**37,905**	**—**	**—**
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	**3**	**—**	**—**	**—**
Total	**$2,470,862**	**$37,905**	**$—**	**$—**

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen			
	2014			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥58,693	¥127,601	¥69,480	¥572
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥58,693	¥127,601	¥69,480	¥572

	Millions of yen			
	2013			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥59,364	¥90,065	¥35,250	¥4,549
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥59,364	¥90,065	¥35,250	¥4,549

	Thousands of U.S. dollars (Note 3)			
	2014			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$575,430	$1,250,996	$681,182	$5,616
Debt securities	3	3	—	—
Others	—	—	—	—
Total	$575,433	$1,250,999	$681,182	$5,616

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2014 and 2013 were ¥6,507 million ($63,801 thousand) and ¥7,195 million, respectively.)

2. Sales of other securities for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Proceed from sales	¥767	¥1,216	$7,529
Gain on sales	359	750	3,526
Loss on sales	9	1	92

3. Impairment of other securities for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Impairment losses	¥1,134	¥511	$11,124

4. Investments in unconsolidated subsidiaries and affiliates as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Investments in the stock of jointly controlled companies included in investments in unconsolidated subsidiaries and affiliates	¥5,110	¥13,087	$50,104

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**¥2,358**	**¥—**	**¥(23)**	**¥(23)**
Euro	**1,465**	**—**	**(27)**	**(27)**
Korean Won	**175**	**—**	**(3)**	**(3)**
Canadian dollars	**71**	**—**	**(8)**	**(8)**
Payables:				
Korean Won	**8**	**—**	**0**	**0**
Total	**¥4,077**	**¥—**	**¥(61)**	**¥(61)**

	Millions of yen			
	2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	¥3,391	¥—	¥(182)	¥(182)
Euro	1,409	—	(47)	(47)
Korean Won	163	—	(2)	(2)
Payables:				
Singapore dollars	92	—	(1)	(1)
Vietnamese Dong	1	—	0	0
Total	¥5,056	¥—	¥(232)	¥(232)

	Thousands of U.S. dollars (Note 3)			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**$23,094**	**$—**	**$(216)**	**$(216)**
Euro	**14,372**	**—**	**(271)**	**(271)**
Korean Won	**1,723**	**—**	**(35)**	**(35)**
Canadian dollars	**702**	**—**	**(81)**	**(81)**
Payables:				
Korean Won	**88**	**—**	**4**	**4**
Total	**$39,979**	**$—**	**$(599)**	**$(599)**

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contacts

			Millions of yen		
			2014		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		**¥ 3,069**	**¥363**	**¥(80)**
	Euro		**607**	**—**	**(2)**
	Canadian dollars		**702**	**123**	**(88)**
	Payables:	Accounts payable–trade			
	U.S. dollars		**9,495**	**—**	**187**
	Euro		**211**	**—**	**20**
	Singapore dollars		**26**	**—**	**1**
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			**(Note 2)**
	U.S. dollars		**¥ 1,782**	**¥ —**	
	Total		**¥15,892**	**¥486**	**¥ 38**

			Millions of yen		
			2013		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		¥ 705	¥ —	¥ (74)
	Canadian dollars		1,157	627	(112)
	Payables:	Accounts payable–trade			
	U.S. dollars		169	—	3
	Euro		726	13	34
	Swedish krona		56	—	5
	Pounds sterling		47	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			(Note 2)
	U.S. dollars		¥ 614	¥ —	
	Total		¥3,474	¥640	¥(144)

			Thousands of U.S. dollars (Note 3)		
			2014		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		**$ 30,089**	**¥3,562**	**$ (794)**
	Euro		**5,954**	**—**	**(22)**
	Canadian dollars		**6,886**	**1,209**	**(864)**
	Payables:	Accounts payable–trade			
	U.S. dollars		**93,097**	**—**	**1,842**
	Euro		**2,069**	**—**	**205**
	Singapore dollars		**242**	**—**	**9**
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			**(Note 2)**
	U.S. dollars		**$ 17,474**	**$ —**	
	Total		**$155,811**	**$4,771**	**¥ 376**

Notes 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable–trade and accounts payable–trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable–trade or accounts payable–trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Millions of yen 2014 Contract amount over 1 year	Millions of yen 2014 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	**¥28,735**	**¥25,897**	**(Note 2)**

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2013 Contract amount	Millions of yen 2013 Contract amount over 1 year	Millions of yen 2013 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥24,500	¥24,500	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2014 Contract amount	Thousands of U.S. dollars (Note 3) 2014 Contract amount over 1 year	Thousands of U.S. dollars (Note 3) 2014 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	**$281,717**	**$253,902**	**(Note 2)**

Notes 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

(3) Commodity-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Millions of yen 2014 Contract amount over 1 year	Millions of yen 2014 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	**¥233**	**¥—**	**¥(10)**

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2013 Contract amount	Millions of yen 2013 Contract amount over 1 year	Millions of yen 2013 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	¥250	¥—	¥15

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2014 Contract amount	Thousands of U.S. dollars (Note 3) 2014 Contract amount over 1 year	Thousands of U.S. dollars (Note 3) 2014 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	**$2,291**	**$—**	**$(108)**

Note: The fair value is principally based on the quotes obtained from the correspondent financial institutions.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2014
Loans, principally from banks	**¥52,713**	¥49,413	**$516,799**
Commercial paper	**—**	28,000	**—**
Short-term Debt	**¥52,713**	¥77,413	**$516,799**

The weighted average interest rates on short-term debt as of March 31, 2014 and 2013 were 1.16% and 0.73%, respectively.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Loans, principally from banks and insurance companies	¥ 86,290	¥ 98,804	$ 845,996
Bonds issued by the Companies:			
1.44% Yen unsecured straight bonds due 2013	—	10,000	—
0.79% Yen unsecured straight bonds due 2015	15,000	15,000	147,059
0.86% Yen unsecured straight bonds due 2016	20,000	20,000	196,078
1.00% Yen unsecured straight bonds due 2017	5,000	5,000	49,020
0.90% Yen unsecured straight bonds due 2018	20,000	—	196,078
Zero coupon convertible bonds with stock acquisition rights due 2016	500	500	4,902
	146,790	149,303	1,439,133
Less: Portion due within one year	23,698	23,180	232,342
Long-term Debt	¥123,092	¥126,123	$1,206,791

The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2014 and 2013 were 0.79% and 0.93%, respectively.

As of March 31, 2014, the aggregate annual maturities of long-term debt were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	¥ 34,733	$ 340,528
2017	36,443	357,293
2018	29,740	291,574
2019	20,084	196,905
2020 thereafter	2,092	20,491
Total	¥123,092	$1,206,791

Note 10. Lease Obligations

Lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Short-term	¥13,521	¥11,832	$132,563
Long-term	20,726	18,555	203,206
Total	¥34,247	¥30,387	$335,769

The weighted average interest rates on lease obligations as of March 31, 2014 and 2013 were 2.28% and 2.24%, respectively.

As of March 31, 2014, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	¥ 8,159	$ 79,995
2017	5,447	53,406
2018	3,721	36,484
2019	2,280	22,355
2020 thereafter	1,119	10,966
Total	¥20,726	$203,206

Note 11. Retirement Benefits

For the year ended March 31, 2014

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. As of March 31, 2014, the Company and certain domestic consolidated subsidiaries revised defined benefit corporate pension plans and transferred all benefit accrual occurred after April 1, 2014 to defined contribution pension plans. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense.

Certain domestic consolidated subsidiaries have multiemployer pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Retirement benefit obligation at April 1, 2013	**¥199,254**	**$1,953,473**
Service cost	**4,764**	**46,711**
Interest cost	**4,903**	**48,070**
Actuarial loss	**1,148**	**11,263**
Retirement benefits paid	**(12,818)**	**(125,667)**
Prior service cost	**(9,730)**	**(95,393)**
Others	**34**	**320**
Retirement benefit obligation at March 31, 2014	**¥187,555**	**$1,838,777**

Note : Prior service cost occurred due to the revision of defined benefit plans as of March 31, 2014.

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Plan assets at fair value at April 1, 2013	**¥153,278**	**$1,502,733**
Expected return on plan assets	**2,535**	**24,859**
Actuarial gain	**31,429**	**308,130**
Contributions by the Companies	**9,395**	**92,115**
Retirement benefits paid	**(9,821)**	**(96,290)**
Others	**28**	**265**
Plan assets at fair value at March 31, 2014	**¥186,844**	**$1,831,812**

(3) The changes in net defined benefit liability calculated by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Net defined benefit liability at April 1, 2013	**¥2,545**	**$24,958**
Retirement benefit expenses	**5**	**57**
Retirement benefits paid	**(80)**	**(787)**
Contributions	**(292)**	**(2,864)**
Others	**84**	**817**
Net defined benefit liability at March 31, 2014	**¥2,262**	**$22,181**

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet were outlined as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Funded retirement benefit obligation	¥ 188,014	$ 1,843,276
Plan assets at fair value	(190,101)	(1,863,744)
	(2,087)	(20,468)
Unfunded retirement benefit obligation	5,060	49,614
Net amount of liabilities and assets recognized in the consolidated balance sheet	2,973	29,146
Net defined benefit liability	34,236	335,651
Net defined benefit asset	(31,263)	(306,505)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,973	$ 29,146

Note: Plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Service cost	¥ 4,764	$ 46,711
Interest cost	4,903	48,070
Expected return on plan assets	(2,535)	(24,859)
Amortization of actuarial loss	9,485	92,995
Amortization of prior service cost	33	324
Retirement benefit expenses calculated by a simplified method	5	57
Others	754	7,381
Retirement benefit expenses	¥17,409	$170,679

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Unrecognized prior service cost	¥ (7,884)	$ (77,300)
Unrecognized actuarial loss	23,079	226,274
Total	¥15,195	$148,974

(7) The breakdown of plan assets by major category as of March 31, 2014 was as follows:

Equity securities	54%
Debt securities	31
General accounts at life insurance companies	12
Others	3
Total	100

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 24% of total amount of plan assets.

The long-term expected rates of return on plan assets have been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the defined benefit plans as of March 31, 2014, were as follows:

Discount rates	Mainly 2.5%
Long-term expected rates of return on plan assets	Mainly 2.5%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the year ended March 31, 2014 were ¥1,563 million ($15,324 thousand).

4. Information on multiemployer pension plans

Contributions to multiemployer pension plans accounted for by the same methods used for defined contributions plans for the year ended March 31, 2014 were ¥68 million ($668 thousand).

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have a pension fund, and contract-type corporate pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

In certain cases, the Companies pay additional retirement benefits other than the above plans.

The liability (asset) for employees' retirement benefits as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥(204,703)
Fair value of plan assets	156,182
Excess projected benefit obligation over plan assets	(48,521)
Unrecognized actuarial loss	62,845
Unrecognized prior service cost	1,879
Carrying amount	16,203
Prepaid pension expense	27,884
Net liability	¥ (11,681)

Note: Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

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

	Millions of yen
	2013
Service cost	¥ 5,192
Interest cost	5,056
Expected return on plan assets	(3,518)
Recognized actuarial loss	9,386
Amortization of prior service cost	35
Retirement benefit expenses	16,151
Contributory portion to a defined contribution pension plan	1,443
Total	¥17,594

Notes 1. Special additional termination benefits which have not been included in the amounts shown in the preceding table were ¥924 million for the year ended March 31, 2013, and were charged to income as paid.
2. Retirement benefit expenses for domestic consolidated subsidiaries adopting the simplified method are included in "Service cost."

Assumptions used for the year ended March 31, 2013 were as follows:

Discount rates	Mainly 2.5 %
Expected rates of return on plan assets	Mainly 2.5 %

The prior service costs are amortized by the straight-line method within the expected remaining working lives of the employees.

The actuarial gains and losses are amortized by the straight-line method within the expected remaining working lives of the employees from the next period in which they arise, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act 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 shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2014 and 2013 were as follows:

	Thousands of shares			
	March 31, 2013	Increase in the year	Decrease in the year	March 31, 2014
Shares outstanding:				
Common stock	**746,484**	**—**	**—**	**746,484**
Total	**746,484**	**—**	**—**	**746,484**
Treasury stock:				
Common stock	**31,912**	**76**	**3**	**31,985**
Total	**31,912**	**76**	**3**	**31,985**

	Thousands of shares			
	March 31, 2012	Increase in the year	Decrease in the year	March 31, 2013
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	31,888	27	3	31,912
Total	31,888	27	3	31,912

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at requests of shareholders who own less than one voting unit for the years ended March 31, 2014 and 2013.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	**¥2,143**	**$21,017**	**¥3.0**	**$0.03**	March 31, 2013	June 4, 2013
Meeting of the Board of Directors on October 24, 2013	Common stock	**2,143**	**21,017**	**3.0**	**0.03**	September 30, 2013	December 3, 2013

For the year ended March 31, 2013

Resolution	Type of shares	Total Dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 24, 2012	Common stock	¥1,429	¥2.0	March 31, 2012	June 5, 2012
Meeting of the Board of Directors on October 25, 2012	Common stock	1,429	2.0	September 30, 2012	December 3, 2012

(2) Dividends with the cut-off date in the year ended March 31, 2014 and effective date in the year ending March 31, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2014	Common stock	**¥2,857**	**$28,020**	Retained Earnings	**¥4.0**	**$0.04**	March 31, 2014	June 9, 2014

Dividends with the cut-off date in the year ended March 31, 2013 and effective date in the year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	¥2,143	Retained Earnings	¥3.0	March 31, 2013	June 4, 2013

Note 13. Research and Development Costs

Research and development costs charged to income were ¥32,029 million ($314,014 thousand) and ¥31,160 million for the years ended March 31, 2014 and 2013, respectively.

Note 14. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Salaries and wages	**¥67,891**	¥67,657	**$665,603**
Retirement benefit expenses	**6,944**	7,088	**68,079**
Research and development costs	**25,969**	25,747	**254,601**

Note 15. Extraordinary Loss, Net

Extraordinary loss, net, for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Extraordinary income			
Gain on sales of noncurrent assets	**¥ 543**	¥ 29	**$ 5,330**
Gain on sales of investment securities	**370**	750	**3,628**
Insurance income	**—**	265	**—**
Extraordinary loss			
Loss on disposal of noncurrent assets	**(1,304)**	(404)	**(12,786)**
Loss on devaluation of investment securities	**(1,134)**	(520)	**(11,124)**
Impairment loss	**(641)**	(6,446)	**(6,292)**
Settlement package	**(420)**	(700)	**(4,118)**
Loss on liquidation of subsidiaries	**—**	(827)	**—**
Others	**(408)**	(1,244)	**(3,991)**
Extraordinary Loss, Net	**¥(2,994)**	¥(9,097)	**$(29,353)**

Note 16. Impairment Loss

For the year ended March 31, 2014, impairment loss has not been disclosed because it does not have significant impact on the consolidated financial statements.

Note 17. Income Taxes

The components of income taxes for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Current	**¥ 9,005**	¥ 5,725	**$ 88,292**
Deferred	**2,978**	(17,152)	**29,182**
Income Taxes	**¥11,983**	¥(11,427)	**$117,474**

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Deferred tax assets			
Employees' retirement benefits	¥ —	¥ 24,311	$ —
Net defined benefit liability	28,760	—	281,961
The investment deduction of the foreign consolidated subsidiaries	20,952	19,414	205,412
Investment securities	8,501	8,443	83,350
Tax loss carryforwards	6,872	9,653	67,382
Accrued employees' bonuses	6,574	6,640	64,452
Inventories	5,458	4,582	53,513
Tangible fixed assets	3,693	5,850	36,211
Other	6,247	7,604	61,224
Gross deferred tax assets	87,057	86,497	853,505
Less: Valuation allowance	(32,318)	(32,905)	(316,840)
Total deferred tax assets	54,739	53,592	536,665
Deferred tax liabilities			
Unrealized gain on other securities	(24,561)	(11,458)	(240,800)
Gain on securities contribution to employee retirement benefit trust	(19,422)	(20,853)	(190,416)
Investment securities	(5,717)	(5,718)	(56,053)
Other	(877)	(761)	(8,581)
Gross deferred tax liabilities	(50,577)	(38,790)	(495,850)
Net deferred tax assets (liabilities)	¥ 4,162	¥ 14,802	$ 40,815

The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2014 and 2013 was as follows:

	2014	2013
Statutory income tax rate	38.0%	38.0%
Valuation allowance	(6.9)	(97.4)
Tax credits	(4.8)	(3.3)
Tax rate difference of overseas consolidated subsidiaries	(2.2)	(3.6)
Permanent difference resulting from non-taxable income, including dividends received	(2.0)	(10.0)
Decrease in deferred tax assets due to the revision of statutory income tax rate	4.4	—
Permanent difference resulting from expenses not deductible for income tax purposes	3.7	5.1
Foreign taxes	0.6	2.2
Other	4.7	0.2
Effective income tax rate	35.5%	(68.8)%

Decrease in deferred tax assets due to the revision of statutory income tax rate

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

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥995 million ($9,758 thousand) and increase deferred income taxes by ¥995 million ($9,764 thousand) as of and for the year ended March 31, 2014, respectively.

In addition, the "Act for Partial Amendment of the Local Corporate Tax Act, etc."(Act No. 11 of 2014) was promulgated on March 31, 2014 and, as a result, a reduction of in inhabitant tax rate and imposition of the local corporate tax will be effective for fiscal years beginning on or after October 1, 2014. As a result, there was no change in the effective statutory tax rate used to measure the Company' deferred tax assets and liabilities, but the inhabitant tax rate will be reduced by 4.4%. The effect of the above was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥496 million ($4,870 thousand) and increase deferred income taxes by the same amount, respectively.

Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 37,567	¥1,864	$ 368,305
Reclassification adjustments	(12)	42	(118)
Before tax effect	37,555	1,906	368,187
Tax effect	(13,087)	(352)	(128,298)
Valuation difference on available-for-sale securities	24,468	1,554	239,889
Deferred gains or losses on hedges:			
Amount arising during this year	170	(26)	1,670
Asset acquisition cost adjustments	(14)	23	(137)
Before tax effect	156	(3)	1,533
Tax effect	(59)	1	(576)
Deferred gains or losses on hedges	97	(2)	957
Foreign currency translation adjustments:			
Amount arising during this year	4,279	5,762	41,954
Reclassification adjustments	72	—	709
Before tax effect	4,351	5,762	42,663
Tax effect	—	—	—
Foreign currency translation adjustments	4,351	5,762	42,663
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during this year	30	35	268
Total Other Comprehensive Income	¥ 28,946	¥7,349	$ 283,777

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Guarantees	¥9,705	¥3,584	$95,148

Note 20. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an “as if capitalized” basis for the years ended March 31, 2014 and 2013 were as follows:

(1) Acquisition cost, accumulated depreciation and accumulated impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Acquisition cost	¥5,518	¥11,598	$54,106
Accumulated depreciation	4,114	8,030	40,333
Accumulated impairment loss	—	1,132	—
Net leased property	¥1,404	¥ 2,436	$13,773

(2) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 710	¥2,462	$ 6,962
Due after one year	863	1,650	8,462
Total	¥1,573	¥4,112	$15,424

(3) Lease expense, reversal of accumulated impairment loss on leased assets, depreciation expense, interest expense and impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Lease expense	¥2,202	¥3,696	$21,592
Reversal of accumulated impairment loss on leased assets	1,132	113	11,104
Depreciation expense	1,132	3,518	11,103
Interest expense	77	131	757
Impairment loss	—	1,132	—

(4) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(5) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 759	¥ 831	$ 7,451
Due after one year	729	416	7,142
Total	¥1,488	¥1,247	$14,593

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities. Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power & Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food & Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2013, reflecting change of organization structure, the reporting segments were reclassified in Power and Social Infrastructure, Industrial Infrastructure and Power Electronics, and contents of Others were changed. The reporting segment information for the year ended March 31, 2013 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydroelectric power generation, nuclear power-related equipment, solar power generation systems, energy management systems, watt-hour meters, information systems
Industrial Infrastructure	Power receiving and distribution substation equipment, industrial power supply equipment, industrial drive systems, heating and induction furnace equipment, factory energy management systems, data centers, plant control systems, measurement system, radiation control systems, electrical equipment installation work, water supply/drainage installation work
Power Electronics	Inverters/servo systems, motors, EV systems, transport systems, uninterruptible power supply systems (UPSs), power conditioners (PCSs), power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductive drums, solar cells, magnetic disks
Food and Beverage Distribution	Food and beverage vending machines, retail distribution systems, showcases, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2014 and 2013 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2014	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	**¥151,881**	**¥185,174**	**¥150,932**	**¥120,231**	**¥119,830**	**¥31,863**	**¥759,911**	**¥ —**	**¥759,911**
Inter-segment sales and transfers	**1,772**	**3,474**	**14,591**	**3,620**	**226**	**28,138**	**51,821**	**(51,821)**	**—**
Total sales	**153,653**	**188,648**	**165,523**	**123,851**	**120,056**	**60,001**	**811,732**	**(51,821)**	**759,911**
Segment profits (losses)	**¥ 8,138**	**¥ 9,209**	**¥ 5,435**	**¥ 6,302**	**¥ 8,047**	**¥ 1,914**	**¥ 39,045**	**¥ (5,909)**	**¥ 33,136**
Segment assets	**¥123,919**	**¥142,629**	**¥143,110**	**¥164,161**	**¥ 65,909**	**¥33,750**	**¥673,478**	**¥137,296**	**¥810,774**
Other items									
Depreciation and amortization	**¥ 2,080**	**¥ 2,565**	**¥ 4,189**	**¥ 17,839**	**¥ 2,574**	**¥ 751**	**¥ 29,998**	**¥ 851**	**¥ 30,849**
Investments for companies applied equity method	**¥ 6,107**	**¥ 683**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 6,790**	**¥ —**	**¥ 6,790**
Capital expenditures	**¥ 2,027**	**¥ 2,857**	**¥ 8,741**	**¥ 15,150**	**¥ 3,412**	**¥ 532**	**¥ 32,719**	**¥ 931**	**¥ 33,650**

	Millions of yen								
Year ended March 31, 2013	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	¥155,546	¥195,479	¥140,539	¥110,584	¥111,891	¥ 31,742	¥745,781	¥ —	¥745,781
Inter-segment sales and transfers	1,349	3,246	7,818	3,007	195	28,844	44,459	(44,459)	—
Total sales	156,895	198,725	148,357	113,591	112,086	60,586	790,240	(44,459)	745,781
Segment profits (losses)	¥ 8,421	¥ 11,026	¥ 1,236	¥ (1,416)	¥ 6,423	¥ 1,629	¥ 27,319	¥ (5,327)	¥ 21,992
Segment assets	¥131,693	¥133,889	¥125,808	¥160,771	¥ 64,421	¥34,075	¥650,657	¥114,906	¥765,563
Other items									
Depreciation and amortization	¥ 2,033	¥ 2,371	¥ 3,758	¥ 18,661	¥ 2,613	¥ 805	¥ 30,241	¥ 813	¥ 31,054
Investments for companies applied equity method	¥ 13,946	¥ 612	¥ —	¥ —	¥ —	¥ —	¥ 14,558	¥ —	¥ 14,558
Capital expenditures	¥ 2,758	¥ 3,199	¥ 7,269	¥ 8,515	¥ 2,750	¥ 706	¥ 25,197	¥ 947	¥ 26,144

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2014	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	$1,489,030	$1,815,433	$1,479,734	$1,178,739	$1,174,806	$312,375	$7,450,117	$ —	$7,450,117
Inter-segment sales and transfers	17,378	34,059	143,044	35,492	2,218	275,849	508,040	(508,040)	—
Total sales	1,506,408	1,849,492	1,622,778	1,214,231	1,177,024	588,224	7,958,157	(508,040)	7,450,117
Segment profits (losses)	$ 79,790	$ 90,292	$ 53,292	$ 61,787	$ 78,894	$ 18,746	$ 382,801	$ (57,931)	$ 324,870
Segment assets	$1,214,896	$1,398,329	$1,403,048	$1,609,430	$ 646,169	$330,857	$6,602,729	$1,346,037	$7,948,766
Other items									
Depreciation and amortization	$ 20,396	$ 25,151	$ 41,071	$ 174,892	$ 25,239	$ 7,356	$ 294,105	$ 8,339	$ 302,444
Investments for companies applied equity method	$ 59,875	$ 6,698	$ —	$ —	$ —	$ —	$ 66,573	$ —	$ 66,573
Capital expenditures	$ 19,882	$ 28,012	$ 85,704	$ 148,530	$ 33,460	$ 5,187	$ 320,775	$ 9,131	$ 329,906

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, and etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Corporate expense*	¥(5,894)	¥(5,581)	$(57,792)
Elimination of intersegment sales	(15)	254	(139)
Total	¥(5,909)	¥(5,327)	$(57,931)

*Corporate expense mainly consisted of administration cost of the Company

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Corporate assets*	¥ 256,485	¥ 230,387	$ 2,514,565
Elimination of intersegment transactions	(119,189)	(115,481)	(1,168,528)
Total	¥ 137,296	¥ 114,906	$ 1,346,037

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related Information

Related information as of March 31, 2014 and 2013 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Japan	¥582,223	¥567,314	$5,708,076
Asia (except for China), Others	77,260	95,782	757,440
China	68,401	54,553	670,603
Europe	17,362	14,355	170,216
America	14,665	13,777	143,782
Consolidated	¥759,911	¥745,781	$7,450,117

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

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Japan	**¥126,032**	¥121,878	**$1,235,613**
Asia (except for China), Others	**32,674**	34,742	**320,329**
China	**13,368**	11,394	**131,060**
Europe	**414**	299	**4,061**
America	**131**	129	**1,288**
Consolidated	**¥172,619**	¥168,442	**$1,692,351**

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the year ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Industrial Infrastructure	**¥—**	¥ 0	**$—**
Power Electronics	**—**	5	**—**
Electronic Devices	**—**	6,408	**—**
Others	**—**	33	**—**
Total	**¥—**	¥6,446	**$—**

Note: Information for the year ended March 31, 2014 has not been disclosed because it does not have significant impact on the consolidated financial statements.

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment has not been disclosed because it does not have significant impact on the consolidated financial statements.

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

Note to a significant affiliate

Summarized financial information of a significant affiliate

METAWATER Co., Ltd. was a significant affiliate for the years ended March 31, 2014 and 2013, and its summarized financial information were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
METAWATER Co., Ltd.	**2014**	2013	**2014**
Total Current Assets	**¥61,643**	¥69,454	**$604,350**
Total Fixed Assets	**11,259**	10,667	**110,389**
Total Current Liabilities	**49,831**	43,892	**488,542**
Total Long-term Liabilities	**2,219**	1,957	**21,756**
Total Net Assets	**20,852**	34,272	**204,441**
Net Sales	**95,146**	96,733	**932,806**
Income Before Income Taxes and Minority Interests	**7,480**	7,696	**73,341**
Net Income	**4,326**	4,737	**42,421**

Note 23. Business Combinations

For the year ended March 31, 2014, business combinations have not been disclosed because they do not have significant impact on the consolidated financial statements.

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses to remove asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 4 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.2% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Balance at beginning of year	**¥2,370**	¥2,293	**$23,244**
Increase due to change in scope of consolidation	**—**	19	**—**
Increase due to acquisition of property, plant and equipment	**49**	68	**489**
Adjustment due to passage of time	**8**	8	**82**
Decrease due to fulfillment of obligations	**(223)**	(18)	**(2,205)**
Balance at end of year	**¥2,204**	¥2,370	**$21,610**

Note 25. Amounts Per Share

Information of amounts per share for the year ended March 31, 2014 and 2013 were as follows:

	Yen		U.S. dollars (Note 3)
	2014	2013	**2014**
Net assets per share	**¥317.96**	¥272.29	**$3.117**
Net income per share	**¥ 27.41**	¥ 36.90	**$0.269**
Diluted net income per share	**¥ 27.39**	¥ 36.87	**$0.269**

Note 26. Subsequent Events

For the year ended March 31, 2014

None