Consolidated Financial Statements

NHK Spring Co., Ltd.
and Consolidated Subsidiaries

For the years ended March 31, 2014 and 2013
with Report of Independent Auditors

Building a better working world

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Independent Auditor's Report

The Board of Directors
NHK Spring Co., Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	At March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Assets			
Current assets:			
Cash and bank deposits *(Notes 5 and 19)*	¥ 62,256	¥ 57,137	$ 605,018
Notes and accounts receivable, trade *(Note 19)*	126,653	109,536	1,230,833
Allowance for doubtful notes and accounts	(105)	(64)	(1,023)
Inventories *(Note 6)*	37,239	35,236	361,892
Deferred tax assets *(Note 14)*	4,252	4,296	41,321
Other current assets	19,880	15,773	193,205
Total current assets	250,175	221,914	2,431,246
Investments and long-term receivables:			
Investment securities *(Notes 8 and 19)*	41,764	40,100	405,868
Investments in unconsolidated subsidiaries and affiliated companies *(Note 19)*	20,701	20,826	201,177
Long-term loans *(Note 19)*	3,719	3,988	36,143
Deferred tax assets *(Note 14)*	4,096	3,316	39,803
Other investments	2,430	2,529	23,612
Allowance for doubtful receivables	(165)	(154)	(1,603)
Total investments and long-term receivables	72,545	70,605	705,000
Property, plant and equipment:			
Buildings and structures *(Note 11)*	125,626	118,769	1,220,856
Machinery and transport equipment *(Note 11)*	201,819	193,477	1,961,308
Jigs, tools and equipment *(Note 11)*	55,659	51,983	540,902
Land *(Note 11)*	32,167	31,713	312,601
Construction in progress	8,912	7,469	86,606
	424,183	403,411	4,122,273
Less – Accumulated depreciation	(288,092)	(276,488)	(2,799,732)
Net property, plant and equipment	136,091	126,923	1,322,541
Intangible and other assets	6,161	5,608	59,894
Total assets *(Note 21)*	¥464,972	¥425,050	$ 4,518,681

	At March 31,		
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Notes 10 and 19)*	¥ 248	¥ 5,768	$ 2,407
Current portion of long-term debt *(Notes 10 and 19)*	20,512	24,475	199,336
Notes and accounts payable, trade *(Note 19)*	106,610	95,019	1,036,058
Accrued expenses	20,471	18,233	198,940
Accrued income taxes *(Note 19)*	8,120	6,382	78,913
Deferred tax liabilities *(Note 14)*	878	835	8,537
Allowance for directors bonuses	250	260	2,429
Other current liabilities *(Note 19)*	9,599	9,056	93,286
Total current liabilities	166,688	160,028	1,619,906
Long-term liabilities:			
Long-term debt *(Notes 10 and 19)*	40,255	41,716	391,200
Accrued retirement benefits for employees *(Note 9)*	–	11,267	–
Net defined benefit liability *(Note 9)*	15,444	–	150,092
Accrued retirement benefits for directors and corporate auditors	546	588	5,305
Accrued retirement benefits to corporate officers	598	664	5,813
Deferred tax liabilities *(Note 14)*	8,464	8,278	82,259
Other long-term liabilities *(Notes 12 and 19)*	2,937	2,726	28,535
Total long-term liabilities	68,244	65,239	663,204
Contingent liabilities *(Note 16)*			
Net assets:			
Shareholders' equity			
Common stock:			
Authorized: 600,000,000 shares			
Issued: 244,066,144 shares at March 31, 2014; 244,066,144 shares at March 31, 2013	17,010	17,010	165,302
Capital surplus	19,309	19,309	187,645
Retained earnings *(Notes 15 and 23)*	163,920	144,436	1,593,005
Treasury stock	(797)	(795)	(7,745)
Total shareholders' equity	199,442	179,960	1,938,207
Accumulated other comprehensive income:			
Unrealized holding gain on securities	16,740	16,533	162,687
Retirement benefit liability adjustments *(Note 9)*	(2,695)	–	(26,191)
Translation adjustments	4,783	(6,493)	46,479
Total accumulated other comprehensive income	18,828	10,040	182,975
Minority interests	11,770	9,783	114,389
Total net assets	230,040	199,783	2,235,571
Total liabilities and net assets	¥464,972	¥425,050	$4,518,681

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Net sales *(Note 21)*	¥569,711	¥ 507,985	$5,536,554
Cost of sales *(Note 13)*	492,603	441,316	4,787,206
Gross profit	77,108	66,669	749,348
Selling, general and administrative expenses *(Note 13)*	39,628	36,649	385,107
Operating income *(Note 21)*	37,480	30,020	364,241
Other income (expenses):			
Interest income	841	615	8,178
Dividend income	900	809	8,746
Equity in earnings of subsidiaries and affiliated companies	355	336	3,452
Gain on sales of fixed assets	52	199	504
Loss on sales of investment securities	(131)	–	(1,272)
Interest expenses	(538)	(778)	(5,229)
Exchange gain, net	2,305	3,421	22,404
Loss on write-down of investment securities	–	(423)	–
Loss on disposals of fixed assets	(1,081)	(272)	(10,511)
Loss on impairment of long-lived assets *(Note 7)*	(55)	(2,310)	(538)
Other, net	203	1,084	1,971
	2,851	2,681	27,705
Income before income taxes and minority interests	40,331	32,701	391,946
Income taxes *(Note 14)*:			
Current	15,250	10,770	148,202
Deferred	(1,271)	212	(12,350)
	13,979	10,982	135,852
Income before minority interests	26,352	21,719	256,094
Minority interests in net income of consolidated subsidiaries	1,675	1,385	16,276
Net income	¥ 24,677	¥ 20,334	$ 239,818
	(Yen)		*(U.S. cents)*
Net income per share *(Note 15)*			
– Basic	¥ 101.60	¥ 83.70	¢ 98.74
– Diluted	–	–	–
Cash dividends per share	20.00	16.00	19.44

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Income before minority interests	¥ 26,352	¥ 21,719	$ 256,094
Other comprehensive income *(Note 20)*:			
Unrealized holding gain on securities	227	3,139	2,207
Translation adjustments	11,828	10,068	114,944
Share of other comprehensive income of affiliates accounted for by the equity method	497	201	4,831
Total other comprehensive income	12,552	13,408	121,982
Comprehensive income	¥ 38,904	¥ 35,127	$ 378,076
Comprehensive income attributable to:			
Shareholders of the Company	¥ 35,984	¥ 32,932	$ 349,697
Minority shareholders of consolidated subsidiaries	2,920	2,195	28,379

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balances as of April 1, 2013	¥17,010	¥19,309	¥144,436	¥(795)	¥179,960
Changes during the fiscal year:					
Dividends paid			(4,372)		(4,372)
Net income			24,677		24,677
Decrease resulting from change in scope of consolidation			(412)		(412)
Decrease resulting from change in scope of equity method affiliates			(409)		(409)
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	–	19,484	(2)	19,482
Balances as of March 31, 2014	¥17,010	¥19,309	¥163,920	¥(797)	¥199,442

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Retirement benefit liability adjustments	Translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
			(Millions of yen)			
Balances as of April 1, 2013	¥16,533	¥ –	¥(6,493)	¥10,040	¥ 9,783	¥199,783
Changes during the fiscal year:						
Dividends paid						(4,372)
Net income						24,677
Decrease resulting from change in scope of consolidation						(412)
Decrease resulting from change in scope of equity method affiliates						(409)
Purchase of treasury stock						(2)
Net changes of items other than shareholders' equity	207	(2,695)	11,276	8,788	1,987	10,775
Total changes during the fiscal year	207	(2,695)	11,276	8,788	1,987	30,257
Balances as of March 31, 2014	¥16,740	¥(2,695)	¥ 4,783	¥18,828	¥11,770	¥230,040

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Millions of yen)				
Balances as of April 1, 2012	¥17,010	¥17,901	¥127,904	¥(5,345)	¥157,470
Changes during the fiscal year:					
Dividends paid			(3,833)		(3,833)
Net income			20,334		20,334
Increase resulting from change in scope of consolidation			31		31
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Increase resulting from share exchange transaction		1,408		4,552	5,960
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	1,408	16,532	4,550	22,490
Balances as of March 31, 2013	¥17,010	¥19,309	¥144,436	¥ (795)	¥179,960

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Retirement benefit liability adjustments	Translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	(Millions of yen)					
Balances as of April 1, 2012	¥13,413	¥ –	¥(15,971)	¥ (2,558)	¥11,828	¥166,740
Changes during the fiscal year:						
Dividends paid						(3,833)
Net income						20,334
Increase resulting from change in scope of consolidation						31
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Increase resulting from share exchange transaction						5,960
Net changes of items other than shareholders' equity	3,120	–	9,478	12,598	(2,045)	10,553
Total changes during the fiscal year	3,120	–	9,478	12,598	(2,045)	33,043
Balances as of March 31, 2013	¥16,533	¥ –	¥ (6,493)	¥10,040	¥ 9,783	¥199,783

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balances as of April 1, 2013	$165,302	$187,645	$1,403,658	$(7,723)	$1,748,882
Changes during the fiscal year:					
Dividends paid			(42,489)		(42,489)
Net income			239,818		239,818
Decrease resulting from change in scope of consolidation			(4,007)		(4,007)
Decrease resulting from change in scope of equity method affiliates			(3,975)		(3,975)
Purchase of treasury stock				(22)	(22)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	–	189,347	(22)	189,325
Balances as of March 31, 2014	$165,302	$187,645	$1,593,005	$(7,745)	$1,938,207

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Retirement benefit liability adjustments	Translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balances as of April 1, 2013	$160,673	$ –	$(63,099)	$ 97,574	$ 95,073	$1,941,529
Changes during the fiscal year:						
Dividends paid						(42,489)
Net income						239,818
Decrease resulting from change in scope of consolidation						(4,007)
Decrease resulting from change in scope of equity method affiliates						(3,975)
Purchase of treasury stock						(22)
Net changes of items other than shareholders' equity	2,014	(26,190)	109,578	85,402	19,315	104,717
Total changes during the fiscal year	2,014	(26,190)	109,578	85,402	19,315	294,042
Balances as of March 31, 2014	$162,687	$(26,190)	$ 46,479	$182,976	$114,388	$2,235,571

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 40,331	¥ 32,701	$ 391,946
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	21,042	21,394	204,493
Increase in accrued retirement benefits for employees	–	176	–
Decrease in net defined benefit liability	(558)	–	(5,422)
Exchange gain	(720)	(872)	(7,001)
Equity in earnings of unconsolidated subsidiaries and affiliates	(355)	(336)	(3,452)
Loss on disposal of property, plant and equipment	1,051	44	10,210
Loss on impairment of long-lived assets	55	2,310	538
Loss on sales of investment securities	131	–	1,272
Loss on write-down of investment securities	457	423	4,444
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable, trade	(12,319)	824	(119,716)
Decrease in inventories	278	1,995	2,706
Increase (decrease) in notes and accounts payable, trade	6,777	(22,843)	65,861
Other, net	(12,372)	(6,593)	(120,242)
Net cash provided by operating activities	43,798	29,223	425,637
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	1,119	579	10,873
Purchase of property, plant and equipment	(19,295)	(23,462)	(187,511)
Purchase of intangible assets	(546)	(1,083)	(5,308)
Purchase of investment securities	(5,816)	(2,569)	(56,517)
Proceeds from sales of investment securities	1,893	8	18,393
Increase (decrease) in time deposits	(120)	337	(1,166)
Disbursements for loans	(6,127)	(4,287)	(59,542)
Collection of loans	1,122	1,302	10,907
Other, net	(145)	46	(1,410)
Net cash used in investing activities	(27,915)	(29,129)	(271,281)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,000	10,046	97,182
Repayment of long-term debt	(15,426)	(13,854)	(149,910)
Decrease in short-term borrowings	(4,971)	(4,539)	(48,307)
Proceeds from commercial paper	40,000	28,000	388,727
Repayment of commercial paper	(40,000)	(24,000)	(388,727)
Payment for purchase of treasury stock	(2)	(2)	(22)
Cash dividends paid	(4,372)	(3,833)	(42,489)
Cash dividends paid to minority shareholders	(652)	(701)	(6,334)
Other, net	(777)	(1,429)	(7,555)
Net cash used in financing activities	(16,200)	(10,312)	(157,435)
Effect of exchange rate changes on cash and cash equivalents	3,560	4,153	34,601
Net increase (decrease) in cash and cash equivalents	3,243	(6,065)	31,522
Cash and cash equivalents at beginning of year	57,009	58,774	554,026
Increase in cash and cash equivalents resulting from subsidiaries newly included in consolidation	1,741	4,300	16,915
Cash and cash equivalents at end of year (*Note 5*)	¥ 61,993	¥ 57,009	$ 602,463
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ (572)	¥ (795)	$ (5,563)
Income taxes	(13,882)	(8,264)	(134,907)

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements of NHK Spring Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") have been prepared by the Company in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accounts of the Company and its consolidated subsidiaries in Japan are maintained in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and in conformity with generally accepted accounting principles and practices prevailing in Japan.

Foreign consolidated subsidiaries of the Company maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

(2) Scope of consolidation and application of equity method

The Company had 67 subsidiaries at March 31, 2014 (66 at March 31, 2013). The accompanying consolidated financial statements for the year ended March 31, 2014 include the accounts of the Company and its 32 significant subsidiaries (31 in 2013).

The accounts of the remaining 35 unconsolidated subsidiaries for the year ended March 31, 2014 (35 in 2013) were excluded from consolidation since the aggregate amounts of these subsidiaries' combined assets, net sales, net income and retained earnings were immaterial in relation to those of the consolidated financial statements of the Group.

1. Summary of Significant Accounting Policies (continued)

(2) Scope of consolidation and application of equity method (continued)

The Company had 12 (13 in 2013) affiliated companies at March 31, 2014. For the year ended March 31, 2014, the equity method has been applied to the investments in 4 of the major unconsolidated subsidiaries (2 in 2013) and 5 of the major affiliated companies (5 in 2013). The investments in the remaining unconsolidated subsidiaries and affiliated companies were stated at cost or less because they did not have a material effect on the consolidated financial statements.

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Group have been eliminated.

The difference between the cost of an investment in a consolidated subsidiary and the amount of the underlying equity in the net assets of the subsidiary is allocated to identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition.

Goodwill and negative goodwill recognized on or prior to March 31, 2010, are amortized in equal amounts over a five year period. Negative goodwill recognized on or after April 1, 2010, is credited to income for the year of recognition of such negative goodwill.

(3) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the year end. The components of net assets excluding minority interests of foreign subsidiaries and affiliates are translated at historical rates. All income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation differences are debited or credited to translation adjustments, or minority interests in the consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the year end and the resulting gains and losses are included in profit or loss for the year.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(5) Inventories

Inventories are mainly stated at the lower of cost, determined by average cost, or market.

1. Summary of Significant Accounting Policies (continued)

(6) Investment securities

Available-for-sale securities categorized as “other securities” under applicable Japanese accounting standards for which market values are readily available are stated at fair market value at the balance sheet date, with unrealized gains or losses reported as a separate component of net assets, net of applicable income taxes. Available-for-sale securities for which market values are not readily available are stated at weighted average cost.

The amortized cost (straight-line) method has been used for held-to-maturity securities.

(7) Derivative financial instruments and hedge accounting

In accordance with applicable Japanese accounting standards, gains or losses arising from changes in the fair value of derivative financial instruments designated as “hedging instruments” are deferred as an asset or a liability until the gains or losses on the underlying hedged items or transactions are recognized.

In accordance with the exceptional treatment permitted under the Japanese accounting standard for foreign currency translation, the Company does not record certain forward foreign exchange contracts, foreign currency option contracts and certain foreign currency interest arrangements at market value but translates the underlying foreign currency denominated assets and liabilities hedged by derivative transactions into yen using the contractual rates under these arrangements, provided that such arrangements meet the hedging criteria specified under applicable Japanese accounting standards.

In addition, in accordance with the special treatment permitted under applicable Japanese accounting standards, the Company does not record certain interest-rate swap arrangements at market value but charges or credits net cash flows arising from the interest-rate swap arrangements, which satisfy the hedging criteria specified under the standard, to interest expenses arising from the hedged interest-bearing debt.

(8) Property, plant and equipment (excluding leased assets)

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the respective assets as prescribed by the Income Tax Act of Japan.

Buildings and structures at the Company’s headquarters are depreciated by the straight-line method.

1. Summary of Significant Accounting Policies (continued)

(8) Property, plant and equipment (excluding leased assets) (continued)

The Company and its domestic consolidated subsidiaries compute depreciation for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) acquired on or after April 1, 1998 by the straight-line method.

The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gains or losses are reflected in income as incurred.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(9) Intangible assets (excluding leased assets)

Intangible assets are amortized on a straight-line basis.

Expenditure related to computer software development for internal use is capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life (five years) of the software.

(10) Leases

Leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same depreciation methods as applied to equivalent assets owned by the Company and its consolidated subsidiaries using the economic useful lives of the leased assets.

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated with the residual value of zero by the straight-line method using the terms of the contracts as the useful lives.

Those finance lease transactions, other than those deemed to transfer ownership, whose lease commencement date was on or before March 31, 2008 are accounted for by the method applicable to ordinary operating leases.

(11) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts at an amount calculated using a bad debt loss ratio primarily based on historical experience, plus the estimated uncollectible amount of individual receivables.

(12) Allowance for directors bonuses

Bonuses to directors are recorded on an accrual basis with a related charge to income.

1. Summary of Significant Accounting Policies (continued)

(13) Retirement benefits for employees

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

Prior service costs are amortized as incurred by the straight-line method over a certain period (15 to 16 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 to 16 years), which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating net defined benefit liability and retirement benefit expenses.

(14) Accrued retirement benefits for directors and corporate auditors

As is customary practice in Japan, the Company and its domestic consolidated subsidiaries pay lump-sum retirement benefits to retiring directors or corporate auditors, the amounts of which are determined by internal rules. Although the payment of such retirement benefits is subject to approval by shareholders at the time of retirement/resignation, the Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all directors and corporate auditors at the year-end date.

(15) Accrued retirement benefits for corporate officers

The Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all corporate officers at the fiscal year-end.

(16) Income taxes

The asset and liability method 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.

1. Summary of Significant Accounting Policies (continued)

(17) Consumption taxes

In Japan, consumption taxes are imposed at a flat rate of 5% (raised to 8% in April 2014) on all domestic consumption of goods and services (with certain exceptions). Consumption taxes imposed on the Group's domestic sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. Consumption taxes withheld upon sale and consumption taxes paid by the Group on purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

(18) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements in order to conform them to the current year's presentation.

(19) Net income per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

2. Accounting Changes

Adoption of Accounting Standard for Retirement Benefits, etc.

The Company has adopted the "Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (the "ASBJ") Statement No. 26, issued on May 17, 2012)(the "Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (the "Guidance") as of the end of the fiscal year ended March 31, 2014, except for certain provisions described in the main clause of Section 35 of the Accounting Standard and the main clause of Section 67 of the Guidance. Under the new accounting policy, the amount of retirement benefit obligations after deducting pension plan assets is recorded as net defined benefit liability. Unrecognized actuarial gains or losses and unrecognized prior service costs are also recorded in net defined benefit liability.

Concerning the application of the Accounting Standard and the Guidance based on the provisional treatment set out in Section 37 of the Accounting Standard, the effects of the changes in accounting policies were included in retirement benefit liability adjustments through accumulated other comprehensive income as of March 31, 2014.

As a result of this change, net defined benefit liability of ¥15,444 million ($150,092 thousand) was recorded and accumulated other comprehensive income decreased by ¥2,695 million ($26,191 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥11.10 ($0.11).

3. Accounting Standards Issued but Not Yet Effective

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

(1) Overview
The accounting standard and related guidance were revised mainly focusing on the accounting of unrecognized actuarial gains or losses and unrecognized prior service costs, the calculation method of retirement benefit obligations and service costs, and enhancement of disclosures from the viewpoints of improving financial reporting and global trends.

(2) Expected date of adoption
The Company will apply the amendments relating to the calculation method of retirement benefit obligations and service costs from the beginning of the year ending March 31, 2015.

(3) Effects of adoption
The Company is currently evaluating the effect that the amendments relating to the calculation of retirement benefit obligations and service costs will have on its consolidated financial statements.

4. United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and the notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥102.90 = U.S.$1, the approximate rate of exchange prevailing at March 31, 2014. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with an original maturity of three months or less that are exposed to minor risk of fluctuation in value.

A reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2014 and 2013 are as follows:

	At March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and bank deposits	¥ 62,256	¥ 57,137	$ 605,018
Bank deposits with maturity of over three months included in cash and bank deposits	(263)	(128)	(2,555)
Cash and cash equivalents	¥ 61,993	¥ 57,009	$ 602,463

6. Inventories

Inventories at March 31, 2014 and 2013 are as follows:

	At March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥ 14,228	¥ 13,464	$ 138,272
Work in process	8,356	8,492	81,204
Raw materials and supplies	11,106	10,075	107,924
Other	3,549	3,205	34,492
Total	¥ 37,239	¥ 35,236	$ 361,892

7. Loss on Impairment of Long-Lived Assets

Year ended March 31, 2014

The Group has recorded impairment losses for the following assets.

2014		
Location	**Applications**	**Type**
Nagaoka, Niigata Prefecture	Warehouse	Land

[Background of recognition of impairment losses]

As the amount invested in land and buildings held by NHK Sales Co., Ltd., a domestic consolidated subsidiary of the Company, is not expected to be recovered in the future, the difference between the book value and the fair value has been written off.

[Amount of impairment losses]

	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Type of assets:		
Land	¥ 55	$ 538

[Method of grouping assets]

Individual asset items have been grouped on the basis of the management accounting category under which income and loss are regularly monitored. Idle assets are grouped by individual property.

[Method of calculating recoverable values]

Recoverable values have been determined as the net realizable value based on reasonable estimates using the official land prices.

Year ended March 31, 2013

The Group has recorded impairment losses for the following assets.

2013		
Location	**Applications**	**Type**
Toyokawa, Aichi Prefecture	Underutilized real estate	Land
Komagane, Nagano Prefecture	Production equipment for HDD suspension	Buildings and structures Machinery and transport equipment
Koto-ku, Tokyo	Old office computer systems	Leased assets

7. Loss on Impairment of Long-Lived Assets (continued)

[Background of recognition of impairment losses]

Since the Company's idle real estate was not expected to generate rental income and was not scheduled to be used or sold, the book value of such land was reduced to the estimated recoverable value based on a real estate appraisal.

The Komagane plant of the Company recorded weak operating performance and recorded continuous operating losses; consequently, the book value of production equipment for HDD suspension related to the business was written down to the recoverable value.

Since a portion of the old office computer system in NHK Sales Co., Ltd., a domestic consolidated subsidiary of the Company, was no longer expected to be used due to the introduction of a new system, the amount relevant to future lease payments related to such portion was recorded as an impairment loss.

[Amount of impairment losses]

	2013
	(Millions of yen)
Type of assets:	
Buildings and structures	¥ 282
Machinery and transport equipment	1,693
Land	260
Leased assets	75
Total	¥ 2,310

[Method of grouping assets]

Individual asset items have been grouped on the basis of management accounting category under which income and loss are regularly monitored. Idle assets are grouped by individual property.

[Method of calculating recoverable values]

As for the Company's idle real estate, the recoverable value was measured on the basis of the estimated net realizable value assessed based on a real estate appraisal.

With respect to the production equipment for HDD suspension at the Komagane plant, the recoverable value was measured on the basis of the value in use, which is calculated by discounting future cash flows at a discount rate of 4.63%.

Since the old office computer system of NHK Sales Co., Ltd. is not expected to be sold or used, the recoverable value was evaluated as zero.

8. Investment Securities

The aggregate cost, fair value and net unrealized gains or losses of investment securities at March 31, 2014 and 2013 for which market value was readily available are summarized as follows:

Other securities with market value

	At March 31, 2014		
	Cost	**Fair value (carrying amount)**	**Unrealized gains (losses)**
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥12,349	¥39,078	¥26,729
Securities whose fair value does not exceed their cost:			
Equity securities	1,592	1,133	(459)
Total	¥13,941	¥40,211	¥26,270

	At March 31, 2013		
	Cost	**Fair value (carrying amount)**	**Unrealized gains (losses)**
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥10,426	¥37,081	¥26,655
Securities whose fair value does not exceed their cost:			
Equity securities	2,113	1,474	(639)
Total	¥12,539	¥38,555	¥26,016

8. Investment Securities (continued)

	At March 31, 2014		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
	(Thousands of U.S. dollars)		
Securities whose fair value exceeds their cost:			
Equity securities	$120,013	$379,771	$259,758
Securities whose fair value does not exceed their cost:			
Equity securities	15,470	11,010	(4,460)
Total	$135,483	$390,781	$255,298

(Note) Impairment is recognized in case the fair market value decreases by 50% or more compared with the acquisition cost, except if a recovery is expected. If the fair value decreases by 30% or more but less than 50%, the possibility of recovery is assessed. If the Company determines that there is no possibility of recovery, an impairment loss is recognized.

An impairment loss of ¥423 million was recorded for equity securities included in other securities for the year ended March 31, 2013.

Held-to-maturity securities with market value

	At March 31, 2014		
	Cost	Fair value	Net unrealized gains
	(Millions of yen)		
Corporate debt securities	¥500	¥506	¥ 6
Other	–	–	–
	¥500	¥506	¥ 6

	At March 31, 2013		
	Cost	Fair value	Net unrealized losses
	(Millions of yen)		
Corporate debt securities	¥500	¥497	¥ (3)
Other	–	–	–
	¥500	¥497	¥ (3)

8. Investment Securities (continued)

	At March 31, 2014		
	Cost	Fair value	Net unrealized gains
	(Thousands of U.S. dollars)		
Corporate debt securities	$4,859	$4,918	$ 59
Other	–	–	–
	$4,859	$4,918	$ 59

The aggregate carrying amount of the securities for which market value was not readily available at March 31, 2014 and 2013 is summarized as follows:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Equity securities of non-listed companies	¥1,053	¥1,045	$10,229
	¥1,053	¥1,045	$10,229

9. Retirement Benefits for Employees

Year ended March 31, 2014

The Company and its domestic consolidated subsidiaries have defined benefit plans and defined contribution plans such as corporate pension fund plans and lump-sum payment plans. In certain cases, extra retirement benefits are paid when an employee retires.

Two foreign subsidiaries have defined benefit plans. Eight foreign subsidiaries have defined contribution plans. The Company and two domestic consolidated subsidiaries have retirement benefit trusts.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses.

In addition to the above, certain domestic consolidated subsidiaries participate in multi-employer pension plans. These plans are accounted for in the same manner as a defined contribution plan when reasonable estimates for pension assets of the participating companies cannot be obtained.

9. Retirement Benefits for Employees (continued)

Year ended March 31, 2014 (continued)

Defined Benefit Plans

(1) The reconciliation between retirement benefit obligations at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Retirement benefit obligations at beginning of year	¥46,678	$ 453,623
Service costs	2,531	24,597
Interest costs	876	8,511
Actuarial gains or losses	559	5,438
Retirement benefits paid	(2,585)	(25,123)
Retirement benefit obligations at end of year	¥48,059	$ 467,046

(2) The reconciliation between plan assets at the beginning of the year and the end of the year (excluding plans applying simplified method) is as follows:

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Plan assets at beginning of year	¥31,119	$ 302,421
Expected return on plan assets	685	6,661
Actuarial gains or losses	2,759	26,809
Contributions from employer	2,965	28,817
Retirement benefits paid	(1,309)	(12,724)
Plan assets at end of year	¥36,219	$ 351,984

(3) The reconciliation between defined benefit liability of plans applying the simplified method at the beginning of the year and the end of the year is as follows:

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Defined benefit liability at beginning of year	¥ 3,494	$ 33,951
Retirement benefit expenses	440	4,279
Retirement benefits paid	(329)	(3,200)
Defined benefit liability at end of year	¥ 3,605	$ 35,030

9. Retirement Benefits for Employees (continued)

Year ended March 31, 2014 (continued)

(4) The reconciliation between retirement benefit obligations and plan assets at the end of the year and defined benefit liability and defined benefit asset on the consolidated balance sheet is as follows:

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Funded retirement benefit obligations	¥41,949	$ 407,665
Plan assets	(36,219)	(351,984)
	5,730	55,681
Unfunded retirement benefit obligations	9,714	94,411
Net defined benefit liability (asset) recorded on the consolidated balance sheet	¥15,444	$ 150,092
Net defined benefit liability	¥15,444	$ 150,092
Net defined benefit liability (asset) recorded on the consolidated balance sheet	¥15,444	$ 150,092

(Note) The amounts in above table include plans applying the simplified method.

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

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Service costs	¥ 2,523	$ 24,521
Interest costs	873	8,483
Expected return on plan assets	(685)	(6,661)
Amortization of actuarial gains or losses	985	9,575
Amortization of prior service cost	(18)	(178)
Retirement benefit expenses calculated using the simplified method	553	5,378
Retirement benefit expenses on defined benefit plans	¥ 4,231	$ 41,118

(6) The components of retirement benefit liability adjustments (before income tax effect) are as follows:

	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Unrecognized prior service costs	¥ (89)	$ (866)
Unrecognized actuarial gains or losses	4,247	41,275
Total	¥ 4,158	$ 40,409

9. Retirement Benefits for Employees (continued)

Year ended March 31, 2014 (continued)

(7) Plan assets

(i) Breakdown of plan assets

The percentage of various assets to total plan assets by major category as of March 31, 2014 is as follows:

	2014
Equity securities	59%
Debt securities	24
General accounts	13
Other	4
Total	100%

(Note) 41% of the total plan assets are held by retirement benefit trusts, which are established for corporate pension plans.

(ii) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets is determined based on the current and the expected allocation of plan assets and the current and the long-term expected rates of return from various assets constituting the plan assets.

(8) Actuarial assumptions

The major actuarial assumptions for the year ended March 31, 2014 are as follows:

	2014
Discount rates	
Domestic plans	1.0 – 1.5%
Foreign plans	4.5 – 9.3%
Long-term expected rates of return on plan assets	
Domestic plans	1.5 – 3.0%
Foreign plans	–

Defined Contribution Plans

The required contribution to defined contribution plans, including multi-employer pension plans which are accounted for in the same manner as a defined contribution plan, was ¥974 million ($9,467 thousand) for the year ended March 31, 2014.

9. Retirement Benefits for Employees (continued)

Year ended March 31, 2013

Under the terms of the employee severance indemnity plans of the Company and its subsidiaries in Japan, substantially all employees are entitled to indemnities at the time of their severance. The amounts of benefits are, in general, based on the length of service, basic salary at the time of severance and the circumstances under which severance occurs. These amounts are accounted for as retirement expenses when incurred.

The Company and its domestic consolidated subsidiaries have defined benefit plans and defined contribution plans such as corporate pension fund plans and lump-sum payment plans. In certain cases, extra retirement benefits are paid when an employee retires.

Two foreign subsidiaries have defined benefit plans. Six foreign subsidiaries have defined contribution plans. The Company and two domestic consolidated subsidiaries have retirement benefit trusts.

Information regarding the employees' pension and severance plans of the Group for the year ended March 31, 2013 is summarized as follows:

	2013
	(Millions of yen)
Projected benefit obligation	¥ (50,139)
Plan assets	31,639
Funded status of the plans	(18,500)
Unrecognized net actuarial losses	7,497
Unrecognized prior service costs	(264)
Accrued pension and severance costs	¥ (11,267)

	2013
	(Millions of yen)
Service costs	¥ 3,275
Interest costs	843
Expected return on plan assets	(752)
Amortization of net actuarial losses	1,364
Amortization of prior service costs	(38)
Employee pension cost for the year	4,692
Other	275
Total	¥ 4,967

9. Retirement Benefits for Employees (continued)

Year ended March 31, 2013 (continued)

Discount rates used to determine the actuarial present value of projected benefit obligations and expected rates of return on plan assets for the year ended March 31, 2013 are summarized as follows:

	2013
Discount rates	
Domestic plans	1.4 – 1.8%
Foreign plans	4.1 – 8.5%
Expected rates of return on plan assets	
Domestic plans	1.3 – 4.2%
Foreign plans	–

Unrecognized prior service cost is amortized on a straight-line basis over a period within the average remaining years of service (15 – 16 years) of the eligible employees. Unrecognized actuarial gain or loss is amortized on a straight-line basis over a period within the average remaining years of service (10 – 16 years) of the eligible employees from the year following the year in which the gain or loss was recognized.

10. Short-Term Borrowings and Long-Term Debt

The components of short-term borrowings, long-term debt, other interest-bearing debt and lease obligations due within one year as of March 31, 2014 and 2013 are as follows:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term borrowings:			
Loans from banks and other financial institutions with weighted average interest rates of 0.376% and 0.599% at March 31, 2014 and 2013, respectively	¥ 248	¥ 5,768	$ 2,407
Current portion of long-term loans from banks and other financial institutions	10,512	14,475	102,154
Other interest-bearing debt (commercial paper)	10,000	10,000	97,182
Current portion of lease obligations	460	512	4,479
	¥21,220	¥30,755	$206,222

10. Short-Term Borrowings and Long-Term Debt (continued)

Long-term debt and lease obligations

Long-term debt and lease obligations at March 31, 2014 and 2013 are comprised of the following:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Bonds:			
0.789% unsecured bonds due 2015	¥10,000	¥10,000	$97,182
0.544% unsecured bonds due 2016	10,000	10,000	97,182
Loans from banks and other financial institutions with weighted average interest rates of 0.767% and 1.084% at March 31, 2014 and 2013, respectively	30,767	36,191	298,990
Lease obligations (excluding current portion)	1,308	1,768	12,714
	52,075	57,959	506,068
Less: current portion	(10,512)	(14,475)	(102,154)
	¥41,563	¥43,484	$403,914

The aggregate annual maturities of long-term debt at March 31, 2014 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2016	¥ 5,833	$ 56,686
2017	5,126	49,809
2018	7,546	73,335
2019 and thereafter	1,750	17,007
	¥20,255	$196,837

The year-by-year breakdown of lease obligations due as of March 31, 2014 is as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2016	¥265	$2,575
2017	312	3,033
2018	110	1,071
2019 and thereafter	621	6,035
	¥1,308	$12,714

11. Pledged Assets

Assets pledged as collateral primarily for short-term borrowings and long-term debt at March 31, 2014 and 2013 are summarized as follows:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ 291	¥ 7,405	$ 2,828
Machinery and transport equipment	–	36	–
Land	1,092	6,545	10,610
	¥ 1,383	¥13,986	$ 13,438

Long-term debt secured by buildings and structures, machinery and transport equipment, and land totaled ¥611 million ($5,933 thousand) and ¥3,684 million at March 31, 2014 and 2013, respectively.

12. Asset Retirement Obligations

(1) Summary of relevant asset retirement obligations

Asset retirement obligations include obligations associated with the removal of asbestos used in certain property, plant and equipment required under the “Ordinance on Prevention of Health Impairment due to Asbestos of Japan” at the time of their retirement.

(2) Calculation of the amount of relevant asset retirement obligations

Asset retirement obligations are calculated with the remaining useful lives of the relevant assets as the basis for the estimated period until expenditure and a discount rate of 2.1%.

(3) The changes in asset retirement obligations at March 31, 2014 and 2013 are as follows:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	¥305	¥274	$2,971
Increase resulting from change in scope of consolidation	–	31	–
Accretion expense	1	1	7
Balance at end of year	¥306	¥306	$2,978

13. Research and Development Expenses

Research and development expenses included in "Cost of sales" and "Selling, general and administrative expenses" amounted to ¥13,804 million ($134,147 thousand) and ¥11,751 million for the years ended March 31, 2014 and 2013, respectively.

14. Income Taxes

The statutory tax rate in Japan for the years ended March 31, 2014 and 2013 was 37.6%.

At March 31, 2014 and 2013, significant components of deferred tax assets and liabilities are summarized as follows:

	At March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued employees' bonuses	¥ 3,235	¥ 3,207	$ 31,441
Accrued enterprise taxes	470	449	4,570
Accrued retirement benefits for employees	–	4,815	–
Net defined benefit liability	6,011	–	58,419
Depreciation	2,479	2,698	24,095
Allowance for doubtful receivables	262	119	2,541
Accrued retirement benefits for directors and corporate auditors	411	557	3,994
Unrealized inter-company profit	262	240	2,541
Accumulated impairment losses	235	126	2,279
Tax losses carried forward	3,408	3,565	33,124
Loss from securities revaluation	818	621	7,947
Other	1,123	1,694	10,916
Total gross deferred tax assets	18,714	18,091	181,867
Valuation allowance	(2,677)	(5,065)	(26,024)
Total deferred tax assets	¥16,037	¥13,026	$155,843
Deferred tax liabilities:			
Reserved profit of subsidiaries	¥ (888)	¥ (833)	$ (8,634)
Special tax purpose reserve	(3,428)	(3,466)	(33,318)
Unrealized holding gain on securities	(10,038)	(9,955)	(97,549)
Other	(2,677)	(273)	(26,014)
Total deferred tax liabilities	¥(17,031)	¥(14,527)	$(165,515)
Net deferred tax liabilities	¥ (994)	¥ (1,501)	$ (9,672)

14. Income Taxes (continued)

At March 31, 2014 and 2013, reconciliations of the statutory tax rate and the effective tax rate were as follows:

	2014	2013
Statutory tax rate	37.6%	37.6%
Different tax rates applied to foreign subsidiaries	(6.0)	(5.3)
Permanent differences	(6.2)	(7.5)
Foreign tax credit	(0.2)	(0.3)
Investment tax credit	(0.4)	(0.4)
Remeasurement of deferred tax assets resulting from the change in statutory tax rate	0.8	0.1
Increase (decrease) in valuation allowance	(1.1)	0.9
Dividend income from the consolidated subsidiaries	8.1	8.5
Special deduction for research and development expenses	(0.7)	(0.8)
Consolidation adjustments for gain on sales of investments in subsidiaries and affiliated companies	1.7	–
Other	1.1	0.8
Effective income tax rate	34.7%	33.6%

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special corporation tax for reconstruction is not being imposed from fiscal years beginning on or after April 1, 2014. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 37.6% to 35.3% for the temporary differences expected to be realized or settled in the year beginning on April 1, 2014.

As a result of this change, deferred tax assets, net of deferred tax liabilities decreased by ¥342 million ($3,319 thousand) and income taxes – deferred increased by the same amount as of and for the year ended March 31, 2014.

15. Distributions of Retained Earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period or by resolution of the Board of Directors if certain conditions are met. The accounts for that period do not, therefore, reflect such distributions.

16. Contingent Liabilities

As of March 31, 2014 and 2013, the Group had the following contingent liabilities:

	At March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Accounts receivables	¥ –	¥ 1,106	$ –
Borrowings from financial institutions by unconsolidated subsidiaries and employees	2,412	2,589	23,440

17. Leases

[Finance lease transactions]

Finance lease transactions are depreciated by the straight-line method using the lease term as the useful life and a residual value of zero.

Finance lease transactions, other than those deemed to transfer ownership, whose lease commencement date was on or before March 31, 2008 are accounted for by the method applicable to ordinary operating leases. The amounts equivalent to the acquisition cost, cumulative depreciation and balances at the end of the year of finance lease transactions other than those deemed to transfer ownership to the borrower are as follows:

	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition cost equivalents	¥259	¥530	$ 2,518
Accumulated depreciation equivalents	233	466	2,264
Net book value equivalents	¥ 26	¥ 64	$ 254

The amounts equivalent to pro forma depreciation (depreciation computed on a straight-line basis over the respective lease terms of the leased assets with a zero residual value) and interest of the lease payments relating to finance lease transactions accounted for as operating leases for the years ended March 31, 2014 and 2013 are summarized as follows:

	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Lease payments	¥53	¥113	$517
Depreciation equivalents	53	113	517
Interest equivalents	–	–	–

17. Leases (continued)

Future lease payments including the interest portion subsequent to March 31, 2014 and 2013 for finance lease transactions accounted for as operating leases are summarized as follows:

	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due within one year	¥22	¥49	$212
Due over one year	4	15	42
Total	¥26	¥64	$254

Non-cancellable operating lease commitments are as follows:

	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due within one year	¥60	¥121	$587
Due over one year	–	183	–
Total	¥60	¥304	$587

18. Derivative Financial Instruments

In the normal course of business, the Group utilizes derivative financial instruments, including forward foreign exchange contracts, foreign currency options and foreign currency swap contracts, to manage its exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. In addition, the Group uses interest-rate swap contracts to limit its exposure to losses in relation to short-term investments and debt with floating interest rates, resulting from adverse fluctuations in interest rates. The Group does not use derivatives for speculative or trading purposes.

[Derivatives not meeting the criteria for hedge accounting]

The contract amount (notional principal amount), estimated fair value of, and unrealized loss on the outstanding contracts at March 31, 2014 and 2013 are summarized as follows:

	At March 31, 2014			
	Contract amount (notional principal amount)			
	Total	Settled over one year	Fair value (Note 1)	Unrealized loss
	(Thousands of U.S. dollars)		*(Millions of yen)*	
Currency option contracts:				
Selling U.S. dollar	$15,000	$ –	¥ (6)	¥ (6)

18. Derivative Financial Instruments (continued)

	At March 31, 2013			
	Contract amount (notional principal amount)			
	Total	Settled over one year	Fair value (Note 1)	Unrealized loss
	(Thousands of U.S. dollars)		*(Millions of yen)*	
Currency option contracts:				
Selling U.S. dollar	$47,000	$ –	¥(267)	¥(267)

	At March 31, 2014			
	Contract amount (notional principal amount)			
	Total	Settled over one year	Fair value (Note 1)	Unrealized loss
	(Thousands of U.S. dollars)			
Currency option contracts:				
Selling U.S. dollar	$15,000	$ –	$ (62)	$ (62)

[Derivatives meeting the criteria for hedge accounting]

The contract amount (notional principal amount) and estimated fair value of the outstanding contracts at March 31, 2014 and 2013 are summarized as follows:

	At March 31, 2014			
		Contract amount (notional principal amount)		
	Hedged items	Total	Settled over one year	Fair value
		(Millions of yen)		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	¥13,326	¥8,131	(Note)
Interest rate and currency swap contracts:				
To receive Japanese yen floating/ to pay U.S. dollar fixed	Long-term debt	4,546	4,546	(Note)

18. Derivative Financial Instruments (continued)

	At March 31, 2013			
		Contract amount (notional principal amount)		
	Hedged items	Total	Settled over one year	Fair value
		(Thousands of U.S. dollars)		*(Millions of yen)*
Foreign exchange forward contracts:				
Selling U.S. dollar	Receivables and payables denominated in foreign currencies	$ 157	$ –	¥ (1)
		(Millions of yen)		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	¥21,698	¥11,957	(Note)

	At March 31, 2014			
		Contract amount (notional principal amount)		
	Hedged items	Total	Settled over one year	Fair value
		(Thousands of U.S. dollars)		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	$129,502	$79,018	(Note)
Interest rate and currency swap contracts:				
To receive Japanese yen floating/ to pay U.S. dollar fixed	Long-term debt	44,181	44,181	(Note)

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The fair values of interest rate swap contracts and interest rate and currency swap contracts meeting certain conditions for hedge accounting are included in that of the corresponding long-term debt because interest rate swap contracts and interest rate and currency swap contracts are treated together with the long-term debt as the hedged item.

19. Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group invests only in short-term bank deposits and obtains financing through borrowings from banks or the issuance of bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described herein.

(2) Type of financial instruments and related risk

Receivables such as notes and accounts receivable, trade are exposed to customer credit risk. Receivables denominated in foreign currencies arising from global business transactions are exposed to foreign currency exchange fluctuation risk; however, the risk associated with principal export transactions is constantly maintained within the limits established based on historical experience and the exposures are hedged by forward exchange rate contracts. Equity investments are exposed to the risk of market price fluctuations; nevertheless, they mainly consist of equity of companies with which the Company has business relationships, and their fair values are evaluated quarterly and reported to the Board of Managing Directors. Payment terms of payables, such as notes and accounts payable, trade are mostly less than one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, those risks are constantly netted against the balance of receivables denominated in the same foreign currency. Borrowings and commercial papers are used to raise necessary funds for working capital and capital expenditures. Although some borrowings with floating interest rates are exposed to interest rate fluctuation risk, such exposure is hedged by using derivatives (interest rate swaps).

(3) Risk management for financial instruments

1) Monitoring of credit risk (the risk that customer or counterparties may default)

The Group monitors payment terms and the balances of receivables by individual customer in accordance with internal rules on management of accounts receivable and has a system to periodically assess the credit risk of the customers.

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

The Group mitigates foreign currency exchange fluctuation risks in connection with receivables and short/long-term debt denominated in foreign currencies by using exchange rate contracts for a certain proportion of such receivables and debt. In addition, the Company uses interest rate swap contracts for long-term debt to fix interest payments on borrowings with floating interest rates; therefore, there is no interest rate fluctuation risk exposure for interest payments on long-term debt.

19. Financial Instruments (continued)

(3) Risk management for financial instruments (continued)

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

The Group manages liquidity risk by timely projection and revision of cash flow plans by the department in charge of finance based on reports of each relevant department.

(4) Supplementary explanation of estimated fair value of financial instruments

Not applicable

19. Financial Instruments (continued)

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2014 and 2013 are as follows:

	At March 31, 2014		
	Carrying amount	Fair value	Unrealized gain (loss)
		(Millions of yen)	
(1) Cash and bank deposits	¥ 62,256	¥ 62,256	¥ –
(2) Notes and accounts receivable, trade	126,653	126,653	–
(3) Investment securities			
1) Held-to-maturity securities	500	506	6
2) Other securities	40,211	40,211	–
(4) Long-term loans	3,719	3,935	216
Total assets	¥233,339	¥233,561	¥ 222
(1) Notes and accounts payable, trade	¥106,610	¥106,610	¥ –
(2) Short-term borrowings	248	248	–
(3) Current portion of long-term debt	10,512	10,512	–
(4) Accrued income taxes	8,120	8,120	–
(5) Notes payable-facilities	1,464	1,464	–
(6) Bonds	20,000	20,153	153
(7) Long-term debt	20,255	20,192	(63)
(8) Long-term lease obligations	1,308	1,285	(23)
Total liabilities	¥168,517	¥168,584	¥ 67
Derivative financial instruments (*1)	¥ (6)	¥ (6)	¥ –

	At March 31, 2013		
	Carrying amount	Fair value	Unrealized gain (loss)
		(Millions of yen)	
(1) Cash and bank deposits	¥ 57,137	¥ 57,137	¥ –
(2) Notes and accounts receivable, trade	109,536	109,536	–
(3) Investment securities			
1) Held-to-maturity securities	500	497	(3)
2) Other securities	38,555	38,555	–
(4) Long-term loans	3,988	4,287	299
Total assets	¥209,716	¥210,012	¥ 296
(1) Notes and accounts payable, trade	¥ 95,019	¥ 95,019	¥ –
(2) Short-term borrowings	5,768	5,768	–
(3) Current portion of long-term debt	14,475	14,475	–
(4) Accrued income taxes	6,382	6,382	–
(5) Notes payable-facilities	2,584	2,584	–
(6) Bonds	20,000	20,213	213
(7) Long-term debt	21,716	21,713	(3)
(8) Long-term lease obligations	1,768	1,865	97
Total liabilities	¥167,712	¥168,019	¥ 307
Derivative financial instruments (*1)	¥ (267)	¥ (267)	¥ –

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

	At March 31, 2014		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**
	(Thousands of U.S. dollars)		
(1) Cash and bank deposits	$ 605,018	$ 605,018	$ –
(2) Notes and accounts receivable, trade	1,230,833	1,230,833	–
(3) Investment securities			
1) Held-to-maturity securities	4,859	4,918	59
2) Other securities	390,781	390,781	–
(4) Long-term loans	36,143	38,244	2,101
Total assets	$2,267,634	$2,269,794	$2,160
(1) Notes and accounts payable, trade	$1,036,058	$1,036,058	–
(2) Short-term borrowings	2,407	2,407	–
(3) Current portion of long-term debt	102,154	102,154	–
(4) Accrued income taxes	78,913	78,913	–
(5) Notes payable-facilities	14,227	14,227	–
(6) Bonds	194,363	195,850	1,487
(7) Long-term debt	196,837	196,225	(612)
(8) Long-term lease obligations	12,714	12,489	(225)
Total liabilities	$1,637,673	$1,638,323	$ 650
Derivative financial instruments (*1)	$ (62)	$ (62)	$ –

(*1) Receivables and payables under derivative transactions are presented on a net basis. Payables are presented in parentheses.

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

Assets:

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

These assets are recorded using book values because fair values approximate book values due to their short-term maturities.

(3) Investment securities

The fair values of equity securities are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price obtained from the financial institutions.

Please see “Securities” for information on securities by holding purpose.

(4) Long-term loans

The fair values of long-term loans are the present value, calculated based on the estimated amount of principal and interest receivable, reflecting the collectability and discounted using the interest rate of Japanese government bonds with the corresponding maturities.

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Accrued income taxes, and (5) Note payable-facilities

These payables are recorded using book values because fair values approximate book values due to their short-term maturities.

(6) Bonds

The fair values of bonds are determined based on the reference trading price statistics issued by the Japan Securities Dealers Association.

(7) Long-term debt and (8) Lease obligations

The fair values of long-term debt and lease obligations are determined by discounting the aggregated values of the principal and interest using an assumed interest rate applied in case the same type of loans or leases should be newly made. Long-term debt with floating interest rates is hedged by interest rate swap contracts meeting certain conditions for hedge accounting, and the fair values are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using the reasonably estimated interest rate to be applied when the same types of loans are newly made.

Derivative financial instruments:

Please see the note "Derivative Financial Instruments."

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Equity investments of unlisted subsidiaries and affiliates	¥14,096	¥13,370	$136,987
Other unlisted equity securities	1,053	1,045	10,229

The items above are not included in "(3) Investment securities" because there is no market price and it is very difficult to determine their fair values.

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

(Note 3) Redemption schedule of monetary assets and investment securities with contractual maturities

	(Millions of yen)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	¥ 62,256	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	126,653	–	–	–
Investment securities:				
Held-to-maturity securities (bonds)	–	–	500	–
Long-term loans	–	3,620	78	21
Total	¥188,909	¥3,620	¥ 578	¥ 21

	(Thousands of U.S. dollars)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	$ 605,018	$ –	$ –	$ –
Notes and accounts receivable, trade	1,230,833	–	–	–
Investment securities:				
Held-to-maturity securities (bonds)	–	–	4,859	–
Long-term loans	–	35,180	755	208
Total	$1,835,851	$35,180	$5,614	$ 208

(Note 4) Redemption schedule of short-term borrowings, bonds, long-term debt and long-term lease obligations

	(Millions of yen)					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥ 248	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds	–	10,000	10,000	–	–	–
Long-term debt	10,512	5,833	5,126	7,546	1,750	–
Long-term lease obligations	–	265	312	110	554	67
Total	¥10,760	¥16,098	¥15,438	¥7,656	¥2,304	¥ 67

	(Thousands of U.S. dollars)					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	$ 2,407	$ –	$ –	$ –	$ –	$ –
Bonds	–	97,182	97,182	–	–	–
Long-term debt	102,154	56,686	49,809	73,335	17,007	–
Long-term lease obligations	–	2,575	3,033	1,071	5,387	648
Total	$104,561	$156,443	$150,023	$74,406	$22,394	$ 648

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on securities:			
Amount arising during year	¥ 352	¥ 4,436	$ 3,427
Reclassification adjustments	(34)	409	(334)
Amount before the adjustment of tax effect	318	4,845	3,093
Tax effect	(91)	(1,706)	(886)
Unrealized holding gain on securities	227	3,139	2,207
Translation adjustments:			
Amount arising during year	11,828	10,068	114,944
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during year	497	201	4,831
Total other comprehensive income	¥12,552	¥13,408	$121,982

21. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group 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 allocation of management resources and to assess performance.

The Company operates principally in four industrial segments: automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others based on manufacturing divisions of the Company. The main products of each segment are as follows:

Automotive suspension springs:	Leaf springs, coil springs, stabilizer bars, torsion bars, stabilizer links, gas springs, stabilinker and others
Automotive seating:	Seats, mechanical seating components, trim parts and others
Precision springs and components:	HDD suspensions and mechanical components, wire springs, flat springs, LCD/semiconductor testing probe units, fastener (screw), precision machine components and others
Industrial machinery and equipment, and others:	Brazed products, ceramic products, spring mechanisms, pipe support systems, automatic parking systems, polyurethane products, metal-based printed wiring boards, security products, lighting equipment, golf club schafts and others

(2) Calculation method of net sales, income, assets and other items by reportable segment

The accounting treatments for reportable segments are consistent to those described in Note 1. Summary of Significant Accounting Policies. Segment income is based on operating income.

21. Segment Information (continued)

(3) Net sales, income or loss, assets and other items by reportable segment

	Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
				(Millions of yen)			
Sales:							
Sales to external customers	¥120,422	¥245,550	¥128,620	¥75,119	¥569,711	¥ –	¥569,711
Inter-segment sales	1,866	39	1,615	7,460	10,980	(10,980)	–
Net sales	¥122,288	¥245,589	¥130,235	¥82,579	¥580,691	¥(10,980)	¥569,711
Segment income	¥ 15,285	¥ 12,615	¥ 5,597	¥ 3,983	¥37,480	¥ –	¥ 37,480
Segment assets	¥ 81,696	¥107,032	¥114,844	¥68,763	¥372,335	¥92,637	¥464,972
Other items:							
Depreciation and amortization	¥ 4,134	¥ 4,243	¥ 8,961	¥ 2,011	¥ 19,349	¥ 1,693	¥ 21,042
Investments in affiliates accounted for by the equity-method	3,536	932	3,595	222	8,285	–	8,285
Increase in property, plant and equipment and intangible and other assets	4,658	3,639	9,313	1,694	19,304	1,409	20,713

	Year ended March 31, 2013						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
				(Millions of yen)			
Sales:							
Sales to external customers	¥103,213	¥208,773	¥123,374	¥72,625	¥507,985	¥ –	¥507,985
Inter-segment sales	1,666	66	1,616	7,913	11,261	(11,261)	–
Net sales	¥104,879	¥208,839	¥124,990	¥80,538	¥519,246	¥(11,261)	¥507,985
Segment income	¥ 10,246	¥ 13,543	¥ 2,919	¥ 3,312	¥ 30,020	¥ –	¥ 30,020
Segment assets	¥ 71,656	¥ 98,136	¥105,879	¥66,142	¥341,813	¥83,237	¥425,050
Other items:							
Depreciation and amortization	¥ 3,661	¥ 4,252	¥ 9,920	¥ 1,905	¥ 19,738	¥ 1,656	¥ 21,394
Investments in affiliates accounted for by the equity-method	3,210	2,274	646	227	6,357	–	6,357
Increase in property, plant and equipment and intangible and other assets	4,312	6,825	10,618	2,398	24,153	1,354	25,507

21. Segment Information (continued)

(3) Net sales, income or loss, assets and other items by reportable segment (continued)

	Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	(Thousands of U.S. dollars)						
Sales:							
Sales to external customers	$1,170,287	$2,386,296	$1,249,952	$730,019	$5,536,554	$ –	$5,536,554
Inter-segment sales	18,125	377	15,699	72,502	106,703	(106,703)	0
Net sales	$1,188,412	$2,386,673	$1,265,651	$802,521	$5,643,257	$(106,703)	$5,536,554
Segment income	$ 148,541	$ 122,597	$ 54,397	$ 38,706	$ 364,241	$ –	$ 364,241
Segment assets	$ 793,939	$1,040,153	$1,116,078	$668,246	$3,618,416	$900,265	$4,518,681
Other items:							
Depreciation and amortization	$ 40,177	$ 41,240	$ 87,084	$ 19,541	$ 188,042	$16,451	$ 204,493
Investments in affiliates accounted for by the equity-method	34,357	9,060	34,941	2,156	80,514	–	80,514
Increase in property, plant and equipment and intangible and other assets	45,265	35,363	90,510	16,464	187,602	13,694	201,296

(Note 1) Adjustments for segment assets of ¥92,637 million ($900,265 thousand) and ¥83,237 million at March 31, 2014 and 2013, respectively, include corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and deposits that are not attributable to any reportable segment.

(Note 2) Adjustments for depreciation and amortization relate to the head office building.

(Note 3) Adjustments for increase in property, plant, and equipment and intangible and other assets of ¥1,409 million ($13,694 thousand) and ¥1,354 million at March 31, 2014 and 2013, respectively, relate to increased corporate assets that are not attributable to any reportable segment.

21. Segment Information (continued)

(4) Information by geographic area

	As of/ Year ended March 31, 2014				
	Japan	North America	Asia	Other	Total
	(Millions of yen)				
Sales	¥307,937	¥80,004	¥179,267	¥2,503	¥569,711
Property, plant and equipment (excluding leased assets)	83,443	19,314	34,826	-	137,583

	As of/ Year ended March 31, 2013				
	Japan	North America	Asia	Other	Total
	(Millions of yen)				
Sales	¥302,268	¥61,060	¥142,366	¥2,291	¥507,985
Property, plant and equipment (excluding leased assets)	83,505	17,132	28,204	-	128,841

	As of/ Year ended March 31, 2014				
	Japan	North America	Asia	Other	Total
	(Thousands of U.S. dollars)				
Sales	$2,992,582	$777,499	$1,742,144	$24,329	$5,536,554
Property, plant and equipment (excluding leased assets)	810,911	187,695	338,452	-	1,337,058

(5) Information on impairment loss of long-lived assets by reportable segment

	Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	(Millions of yen)						
Impairment loss	¥-	¥-	¥-	¥55	¥55	¥-	¥55

	Year ended March 31, 2013						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	(Millions of yen)						
Impairment loss	¥-	¥-	¥1,975	¥75	¥2,050	¥260	¥2,310

	Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	(Thousands of U.S. dollars)						
Impairment loss	$-	$-	$-	$538	$538	$-	$538

21. Segment Information (continued)

(6) Information on amortization and unamortized balance of goodwill by reportable segment

	As of/ Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
	(Millions of yen)						
Amortization	¥71	¥1	¥0	¥54	¥126	¥-	¥126
Unamortized balance	283	3	1	174	461	-	461

	As of/ Year ended March 31, 2013						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated Total
	(Millions of yen)						
Amortization	¥1	¥-	¥-	¥30	¥31	¥-	¥31
Unamortized balance	-	-	-	229	229	-	229

	As of/ Year ended March 31, 2014						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated Total
	(Thousands of U.S. dollars)						
Amortization	$689	$7	$2	$531	$1,229	$-	$1,229
Unamortized balance	2,755	28	7	1,693	4,483	-	4,483

(7) Information on gains on negative goodwill by reportable segment

Gain on negative goodwill of ¥79 million ($768 thousand) was recorded as a result of the acquisition of treasury stock by three consolidated subsidiaries and the purchase of an allotment of shares of a consolidated subsidiary in the automotive suspension springs segment (¥32 million ($312 thousand)) and in the industrial machinery and equipment, and others segment (¥47 million ($456 thousand)) for the year ended March 31, 2014. Since the gain was recorded under other income (expenses), it is not included in segment income by reportable segment.

Gain on negative goodwill of ¥516 million was recorded as a result of making Topura Co., Ltd., a wholly owned subsidiary through a share exchange as of April 1, 2012 in the precision springs and components segment for the year ended March 31, 2013. Since the gain was recorded under other income (expenses), it is not included in segment income by reportable segment.

22. Related Party Transactions

Year ended March 31, 2014

Transactions between the Company and related parties:

Type:	Affiliate
Name:	Faurecia-NHK Co., Ltd.
Address:	Naka-ku, Yokohama
Capital:	¥400 million ($3,887 thousand)
Business area:	Automotive Seating Division
Proportion of voting rights owned:	50.0%
Related party transactions:	Customer of the Company One concurrent director
Details of transactions:	Purchase of products from the Company
Amount of transactions:	¥7,341 million ($71,338 thousand)
Accounts recorded:	Trade accounts receivable
Balance at end of year:	¥5,103 million ($49,593 thousand)

Transactions with subsidiaries of the Company and related parties:

Type:	Subsidiary
Name:	Nippan Business Support Co., Ltd.
Address:	Koto-ku, Tokyo
Capital:	¥10 million ($97 thousand)
Business area:	Supply of services to all business areas (factoring)
Proportion of voting rights owned:	100%
Related party transactions:	Transfer of accounts payable
Details of transactions:	Transfer of accounts payable by consolidated subsidiaries
Amount of transactions:	¥19,318 million ($187,737 thousand)
Accounts recorded:	Trade accounts payable
Balance at end of year:	¥6,892 million ($66,973 thousand)

22. Related Party Transactions (continued)

Year ended March 31, 2013

Transactions between the Company and related parties:

Type:	Affiliate
Name:	Faurecia-NHK Co., Ltd.
Address:	Naka-ku, Yokohama
Capital:	¥400 million
Business area:	Automotive Seating Division
Proportion of voting rights owned:	50.0%
Related party transactions:	Customer of the Company Five concurrent directors
Details of transactions:	Purchase of products from the Company
Amount of transactions:	¥8,725 million
Accounts recorded:	Trade accounts receivable
Balance at end of year:	¥4,246 million

Transactions with subsidiaries of the Company and related parties:

Type:	Subsidiary
Name:	Nippan Business Support Co., Ltd.
Address:	Koto-ku, Tokyo
Capital:	¥10 million
Business area:	Supply of services to all business areas (factoring)
Proportion of voting rights owned:	100%
Related party transactions:	Transfer of accounts payable
Details of transactions:	Transfer of accounts payable by consolidated subsidiaries
Amount of transactions:	¥21,287 million
Accounts recorded:	Trade accounts payable
Balance at end of year:	¥7,280 million

23. Subsequent Event

[Distribution of retained earnings]

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2014, was approved by the shareholders of the Company at the Annual General Meeting of Shareholders held on June 27, 2014:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends of ¥10.0 ($0.10) per share	¥2,429	$23,605