DAIICHI JITSUGYO CO., LTD.

ANNUAL REPORT 2015

Year ended March 31, 2015

Our Advantages

DAIICHI JITSUGYO CO., LTD. ("DJK") is a general machinery trading company that supplies industries worldwide with optimum production equipment and systems.

DJK has a wealth of experience with more than 60 years in global commercial transactions of ever-changing industrial technologies. Based on its long experience, DAIICHI JITSUGYO CO., LTD. and its subsidiaries (the "DJK Group") supports customers' future growth not only with its trading company functions, but also with its coordinator functions to respond to diversified customer needs including the development of cutting-edge technologies, logistics, after-sales services, and proposals that lead to the creation of added value.

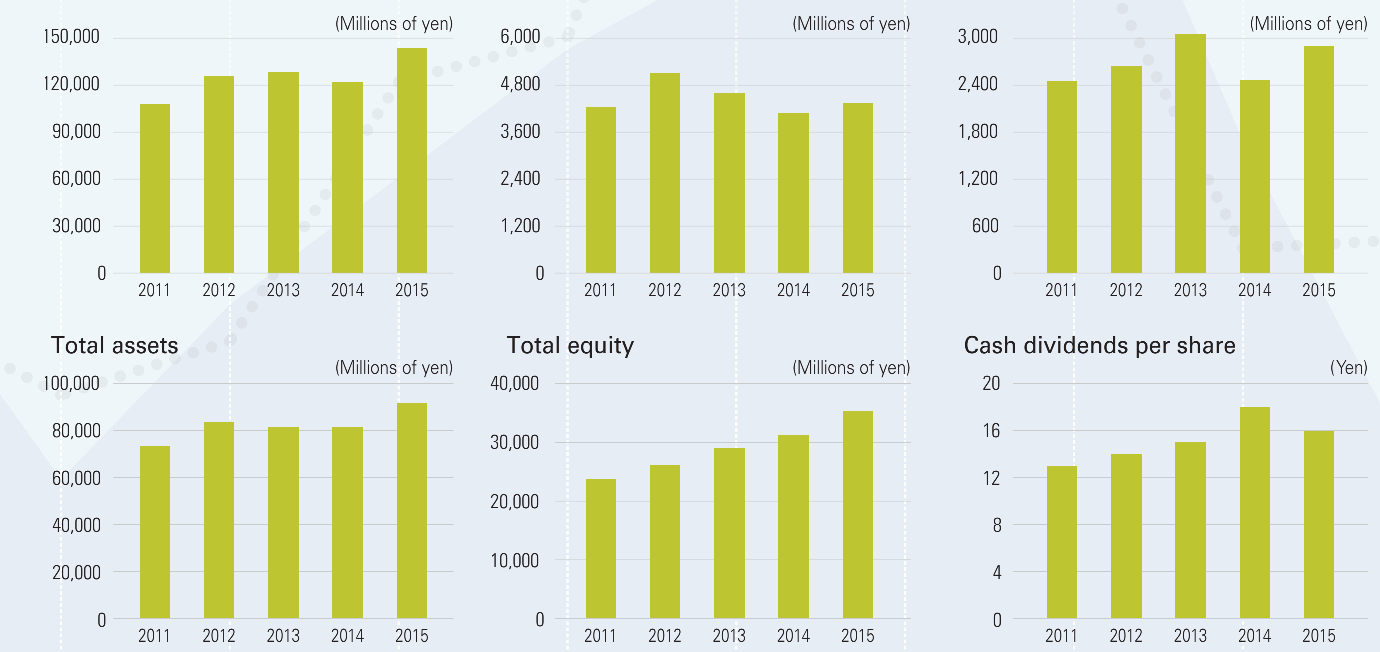
High-value total solutions designed to meet your needs

Our greatest strength is our "one-stop solution" approach. In addition to our primary machinery, we provide peripheral equipment and plant equipment to offer total support, including engineering, on-site coordination, and after-sales service. Based on a wealth of know-how and wide-ranging domestic and global networks, we provide machinery and equipment tailored to the needs of our customers. In this way, we offer total solutions that have been vetted by extensive real-world experience.

Using a global network to stay in close contact with those in the field

Given the global reach of our customers' operations, cross-border support has become critical. As a general machinery trading company engaged in many businesses, the DJK Group stays in close contact with those in the field, providing them with timely support. Our four primary regions consist of the Americas, Europe, Southeast Asia and India, and China.

SELECTED FINANCIAL DATA



DIVISIONAL REVIEW

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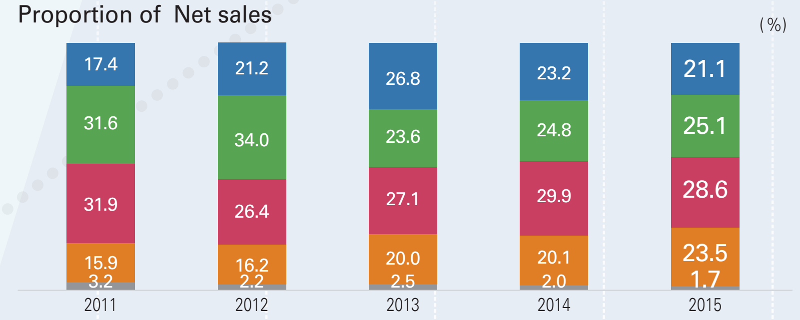
Proportion of Net sales



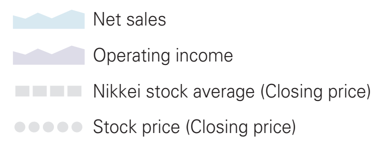
Plant & Energy Business
Orders received surged due to the receipt of large-scale orders of facilities and equipment for various types of plants.

Industrial Machinery Business
Demand for production equipment for overseas automobile-related industries and the domestic pharmaceutical industry was steady.

Electronics Business
Demand for production equipment for IT and digital device-related manufacturing companies progressed favorably.

Overseas Company
Sales of production equipment in Asia and Europe were favorable.

Others



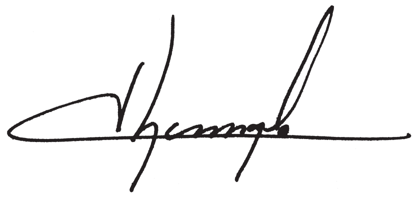
Contents

Disclaimer regarding forward-looking statements

Statements made in this annual report with respect to DJK's forecasts and business targets that are not historical facts, are forward-looking statements about the future performance of DJK and its consolidated subsidiaries and are based on information currently available. Readers are cautioned that for a variety of reasons actual results could differ significantly from the projections presented in this report.

I would like to take this opportunity to thank our stakeholders for their support over the past fiscal year.

Having completed the fiscal year from April 1, 2014, to March 31, 2015, I am pleased to report the overview of the business performance of the DJK Group.



Koji Yamagata
President & CEO

Please provide a summary of the operating results for the fiscal year under review.

With favorable demand for equipment in each industry, we achieved our target orders received and net sales.

With brisk demand for capital investments in each region worldwide, the DJK Group was able to address such demand and steadily increased its orders received. We saw a trend of production sites returning to Japan in some industries and were able to adopt to such demand as well.

By industry, significant growth in demand for production equipment was seen in the pharmaceutical industry, especially for the production of generic pharmaceutical products; the medical equipment industry, such as equipment for the production of catheters and other products; and the food industry for the production mainly of plastic products. In December 2014, we opened an office in Toyama Prefecture, an area said to be Japan's pharmaceutical hub, developing sales activities suited to the locality, and we expect that our sales efforts will gradually come into fruition. In the automobile-related industries, business was extremely favorable in Mexico where many Japanese companies are expanding widely. With regard to products handled by the DJK Group, sales of compact binary power generation systems, on which we are focusing, expanded steadily, producing solid sales results.

By segment, in our Plant & Energy Business, demand for various types of plant equipment was brisk mainly in overseas markets and the Industrial Machinery Business saw favorable demand for various types of equipment. In the Electronics Business, as demand recovered along with business expansion by our business partners and the increase in products handled by the DJK Group, we started seeing a recovery and a return to a normal level.

In these circumstances, we were able to surpass its target with consolidated net sales of ¥143.4 billion, recording historical high consolidated net sales and consolidated gross profit. Despite the recording of an allowance for doubtful accounts due to the bankruptcy of one of our business partners, which occurred during the first half, and a loss on transfer of business due to a business transfer of a DJK consolidated subsidiary during the second half, operating income was ¥4.3 billion versus the target of ¥5.0 billion, ordinary income was ¥4.8 billion versus the target of ¥5.2 billion and net income was ¥2.9 billion versus the target of ¥3.2 billion, achieving approximately 90% of each target. Despite facing major negative factors, we made every possible effort to meet our targets. Through this tenacious endeavor, a strong sense of profitability has been nurtured in each employee of the DJK Group, which will bear significant fruit in the future.

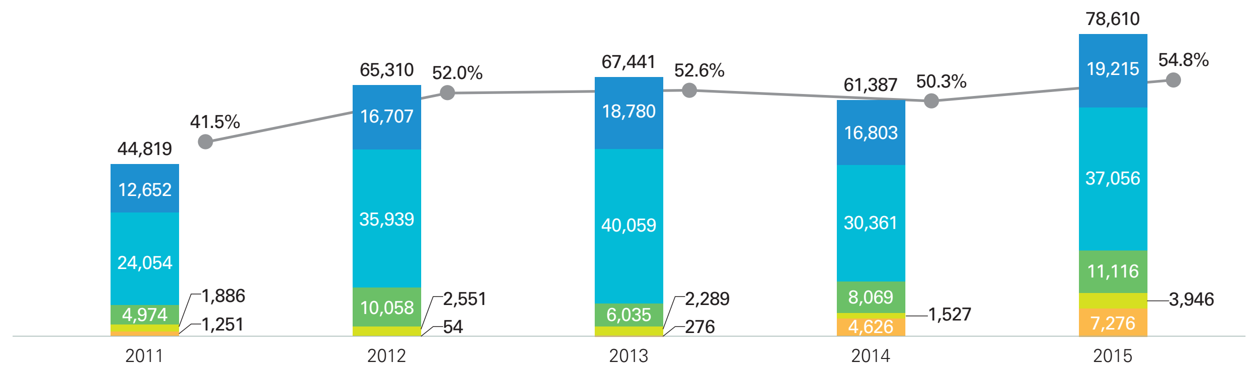
CONSOLIDATED FINANCIAL HIGHLIGHTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. Dollars (Note)
	2015	2014	2015
For the year:			
Net sales	¥ 143,361	¥ 122,102	$ 1,192,988
Operating income	4,341	4,074	36,130
Net income	2,897	2,459	24,107
At the year-end:			
Total assets	91,835	81,443	764,211
Total equity	35,310	31,197	293,839
	Yen		U.S. Dollars (Note)
	2015	2014	2015
Per share data:			
Cash dividends	¥ 16.00	¥ 18.00	$ 0.13

Note: U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥120.17 to U.S.$1.

OVERSEAS SALES



Please explain the current status of the mid-term management plan "AIM2015." Are you seeing solid leads?

With the shift from regional axis management to business axis management and with a new management structure already in place, I have high expectations for the future.

During the fiscal year ended March 31, 2015, the second year of the mid-term management plan "AIM2015," with regard to the quantitative targets, despite the impact of the aforementioned temporary loss, DJK was able to achieve record high net sales, which I recognize as a significant achievement. Concerning qualitative targets, with business axis management starting during the fiscal year ending March 31, 2016, preparation has been completed for an organizational structure based on the five business axes—Plant & Energy Business, Industrial Machinery Business, Electronics Business, Pharmaceuticals Business and Aviation Business.

For example, in the Pharmaceuticals Business, while Osaka was mainly for sales of testing equipment, and Tokyo was primarily for the development of new products, as business activities transcending the regional borders became active, I believe it helped create synergies and boosted business results. In recent years, DJK has been handling not only equipment for pharmaceutical products production processes but also expanding even in the R&D process to create pharmaceutical products such as the iPS cell incubation system. By having each business team on the same business axis sharing information, I believe that will help us cultivate more new business opportunities.

Also, with regard to the Industrial Machinery Business, even under regional axis business management, there was a tendency that those with strengths in a particular field developed business activities mainly in the region where such strengths were desired. For example, in Tokyo, DJK has strengths in the food-related industry, Nagoya the automobile-related industries and Osaka the household appliance-related business, each region being focused on those particular businesses. By shifting such regional axis business management to business axis management, the regional areas covered by the business activities with skilled human resources may be expanded, which will help in the acquisition of new business partners and customers in a broad range of regions. We are already seeing increases in the number of new customers in certain customer areas, and I expect similar synergies to be created in each field and business.

Since its establishment, DJK has developed business activities with an organizational structure based on a regional axis such as in Osaka and Nagoya. However, from now on, by piercing a horizontal business axis across the regions, it will become possible to address the diverse needs of our business partners. While maintaining the traditional localized operations for specific customers, combining the know-how nurtured in each region with each business, I believe such fusion will help develop well-thought-out and aggressive sales strategies.

Business axis management, which is intended only for Japan at this time, will be extended to overseas sites gradually in the future.

"AIM2015" TARGET

(Millions of yen)

	2014 (Results)	2015 (Plan)	2015 (Results)	2016 (Plan)
Net sales	122,102	140,000	**143,361**	155,000
Operating income	4,074	5,000	**4,341**	5,500
Net income	2,459	3,200	**2,897**	3,700
Total assets	81,443	88,000	**91,835**	92,000
Shareholders' equity	31,104	33,000	**35,214**	36,000
Interest-bearing debt	8,809	8,000	**11,035**	8,000
Return on equity (%)	8.2	10.0	**8.7**	10.7

Note: Shareholders' equity = Excluding minority interests and stock acquisition rights.

Toward the formulation of the next mid-term management plan, please tell us the issues that you recognize need to be resolved and the measures to address such issues.

As business fields and regions expand, DJK will take specific measures to address any issues that surface.

Our first issue is to reduce our dependence on particular users, as seen in the Electronics Business. Demand for production equipment related to smartphone and display terminals, which has been favorable, has been highly dependent on big users of such electronics devices, and the status of their capital investment has a major influence on DJK's business results. In the future, based on the prospects of the market environment, by further expanding business in other fields and increasing the number of products handled by the DJK Group, we will develop a business structure without particular vulnerability across industries.

Our second issue is cost control at local subsidiaries in our overseas businesses. While we develop businesses on a global scale, labor and purchase costs are increasing dramatically at overseas bases, and needs to be addressed quickly. For this purpose, we will introduce a profitability-oriented evaluation system during the fiscal year ending March 31, 2016. We will promote cost-conscious order-receiving activities for all projects. For local procurement, we will select suppliers carefully and reduce costs, aiming to increase profits.

Our third issue is to nurture and secure human resources. Although DJK has education systems including a job rotation system to nurture human resources with diverse experience and values, in light of the recent trend of orders we are receiving—orders that require integrated production such as for a whole set of production lines, rather than an order for a single equipment, or engineering-type orders for the whole production including construction of infrastructure at a local factory, it has become necessary to secure human resources who can oversee the entire production site. To this end, instead of relying on our suppliers and business partners with regard to the operations at production sites, we will use our human resources on various projects, leading them to accumulate a wide range of knowledge and experience, thereby nurturing high-caliber human resources.

I intend to implement initiatives to solve these issues so that the Group can achieve further expansion of business results under the next mid-term management plan.

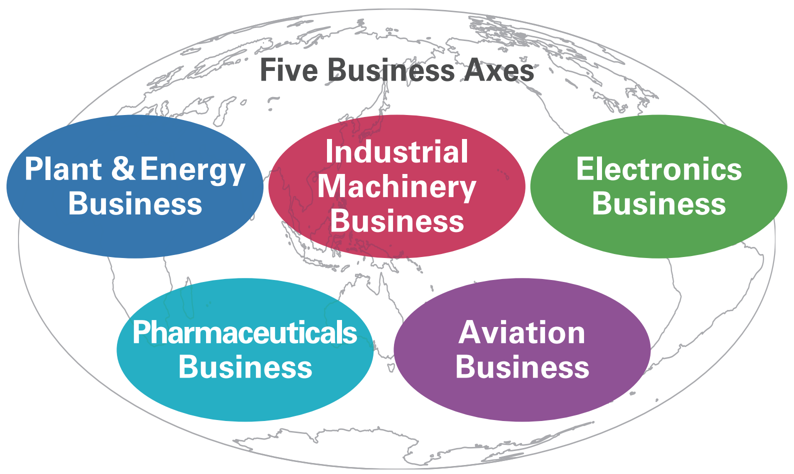
"AIM2015" BASIC CONCEPT

1. Expanding Business through the Shift to Business Axis Management

1) Thoroughly pursue and seize global business opportunities
2) Create a wide range of sales/marketing capabilities, engineering-based group strengths and high added value

2. Shifting to Business Axis Management and Strengthening as well as Increasing Efficiency of Corporate Management

1) Streamlining and transformation of the business axis management system
2) Raise awareness and develop human resources
3) Strengthen financial position



Please explain your priority initiatives.

While fully familiarizing the Group with business axis management, we will focus on new businesses and strive to expand sales of new products.

First, we need to thoroughly familiarize the Group with business axis management and then implement our initiatives, of which the targeted progress during the year should be explained clearly. Although all our initiatives are important, our priorities are to put the domestic production of the compact binary power generation system on track in the Plant & Energy Business, and in the Pharmaceuticals Business to further expand sales of our pharmaceutical tablet printer, which was developed using the DJK Group company's proprietary technology.

Our pharmaceutical tablet printer is an innovative product that can be fitted to DJK's existing tablet visual inspection system retrospectively and allows the previously separately operated processes of tablet inspection, printing and inspection of print to be operated as an integrated series of operations. As an integrated system that helps enhance production efficiency and save space, we will develop aggressive sales activities for this pharmaceutical tablet printer to our business partners that already have adopted DJK's tablet visual inspection system and in areas where growth in demand for the system is projected, thereby expanding DJK's market share.

Finally, what message would you like to send to your stakeholders?

We will strive to achieve the targets under the mid-term management plan and solidify our business foundation toward further growth.

For the fiscal year ending March 31, 2016, while producing the fruits of business axis management, we aim to achieve consolidated net sales of ¥155.0 billion, consolidated operating income of ¥5.5 billion, consolidated ordinary income of ¥5.7 billion and consolidated net income of ¥3.7 billion, to set a clear path toward our next mid-term management plan. After achieving these goals, we will target consolidated net sales of ¥200.0 billion as our medium-term vision under the next mid-term management plan. To pave the road to success, DJK shifted to an organizational structure suited for business axis management and implemented a number of transfers of management staff and executive officers. We will also move the DJK headquarters to a new office to enhance motivation among our employees.

I believe the fiscal year ending March 31, 2016, will be a significant year that will likely go down in DJK's history. All the officers and employees of DJK will endeavor to improve business results with a fresh mindset, thereby achieving our targets and striving to return profits to shareholders.

We ask that our stakeholders continue to support us in our endeavors in view of the DJK Group's initiatives toward further growth.

Our Business Axis Management Has Started under "AIM2015."

In line with the shift to business axis management under the mid-term management plan "AIM2015," we formed a business axis–based organization structure, which started operation as of April 1, 2015.

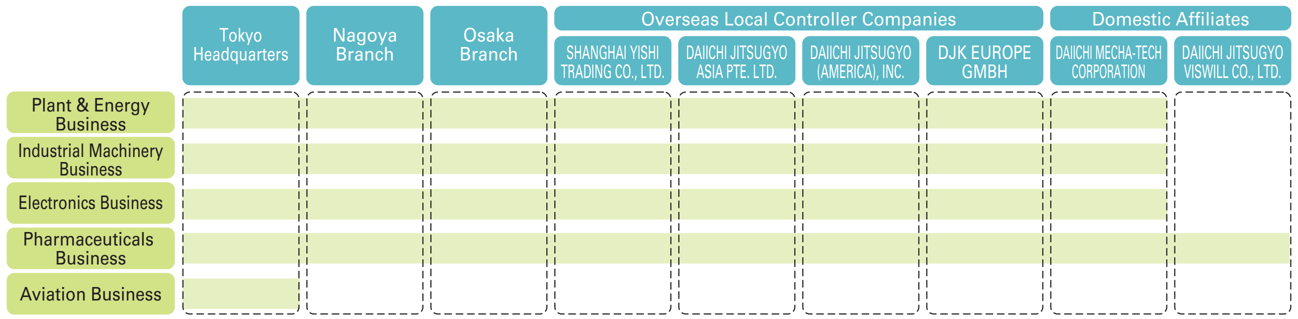
In regard to the business axis management, which includes overseas local controller companies and domestic affiliates, each business division belongs to five business axes—Plant & Energy Business, Industrial Machinery Business, Electronics Business, Pharmaceuticals Business and Aviation Business.

Under the new management structure, we will implement flexible allocation of personnel, capital injection and sales strategies, while adapting to regional characteristics and the market environment, and engage in group-wide efforts to expand businesses and improve business results.

■ Old Regime (Local Axis System)

Plant & Energy Business Div.
Aviation & Industrial Machinery Business Div.
Electronic Systems Business Div.
Nagoya Business Div.
Osaka Business Div.
Overseas Local Controller Companies
Domestic Affiliates

■ New Structure (Business Axis System)



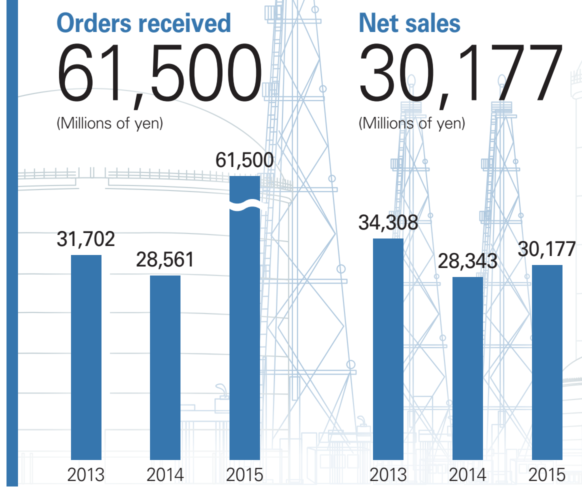
Relocation of the DJK Headquarters and New Management

DJK relocated its headquarters on June 29, 2015, for the purpose of improving its operational environment and productivity in line with shifting to business axis management. Toward the expansion of business scale, we will strengthen measures to cope with natural disasters and security measures while prioritizing customers' convenience, aiming to optimize office functionality and cost efficiency.

At DJK's general meeting of shareholders held on June 23, 2015, we have elected new member of directors. We will push forward with business axis management and further accelerate decision making, thereby expanding the business performance of the DJK Group.

PLANT & ENERGY BUSINESS

Business Fields
Machinery and equipment for energy development and production, oil and gas refining, chemicals, engineering, construction, and pulp and paper.



Orders received surged due to the receipt of large-scale orders of facilities and equipment for various types of plants.

Net sales increased due to deliveries of large-scale orders already received of facilities and equipment for various overseas plants. In addition, we received an order for a power plant fuel conversion project for leading petroleum companies, and large-scale orders for facilities and equipment for overseas ethylene plants, fertilizer plants and liquefied gas plants through leading engineering companies, boosting orders received, and thus future sales are projected to be stable.

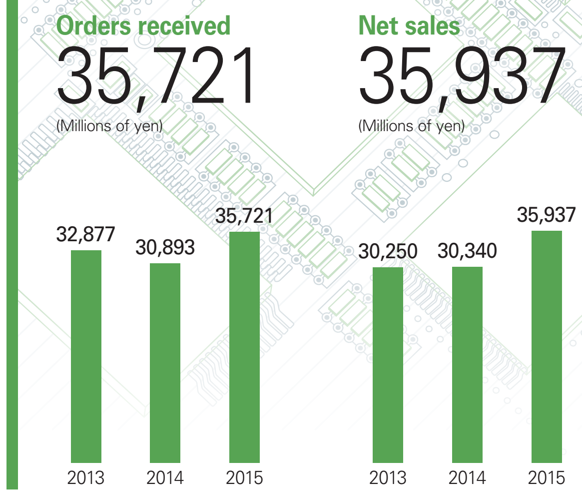
Description of Business

Against the backdrop of its rich experience and solid technologies accumulated over the years, DJK has actively addressed diverse tasks and achieved considerable results in such business fields as energy conservation, petroleum substitute energy and new energy. In addition, DJK has provided fine-tuned services for its customers from gas and petroleum refining plants, petrochemical plants, construction and maintenance, to consulting services for soil remediation.

In the fields related to pulp and paper manufacturing, we handle a wide range of equipment by manufacturing process and provide various types of machinery including environment-related equipment.

ELECTRONICS BUSINESS

Business Fields
Machinery and equipment for the industries of electronics, IT, electric machinery, precision, optical, audio and musical instruments.



Demand for production equipment for IT and digital device-related manufacturing companies progressed favorably.

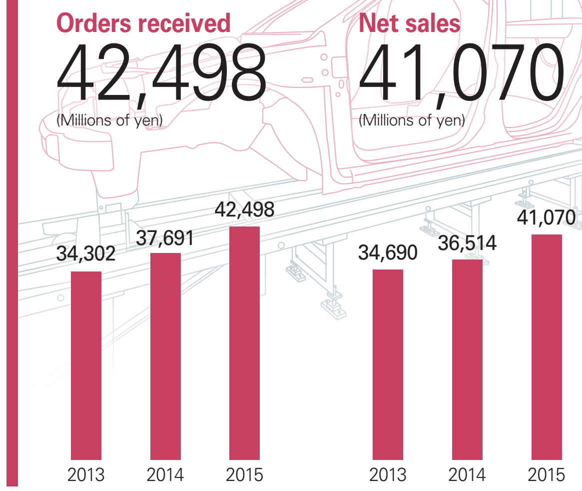
Demand for production equipment for IT and digital device-related manufacturing companies mainly in China and Vietnam, including the demand for electronics parts mounting equipment, progressed favorably, and both orders received and net sales increased. Our business environment is projected to progress steadily mainly in Asia. DJK will make focused efforts to address demand for equipment in new areas as well, in addition to demand for production equipment for smartphones, in-vehicle electronics and other electronics devices.

Description of Business

In the fields of surface mounting technology (SMT) and semiconductor/LC module assembly, DJK comprehensively provides various types of PCB inspection equipment, peripheral equipment and electronic parts around its core circuit formation technology through the reform of production processes. DJK proposes new business models adapted to the times by fully demonstrating its originally developed domestic and global networks.

INDUSTRIAL MACHINERY BUSINESS

Business Fields
Machinery and equipment for plastics, rubber, automobiles, steel, pharmaceuticals, food, and aviation industries.



Demand for production equipment for overseas automobile-related industries and the domestic pharmaceutical industry was steady.

Demand for various types of equipment and systems mainly for overseas automobile-related industries progressed steadily and demand for pharmaceutical filling devices and packaging equipment for the domestic pharmaceutical industry was favorable, thereby increasing orders received and net sales. Demand for equipment for the automobile-related and pharmaceutical industries is projected to continue to be favorable and a future increase in sales is projected.

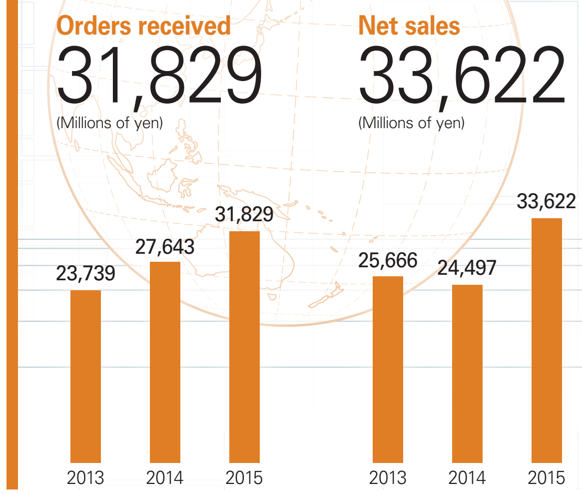
Description of Business

DJK's FA systems, flexible manufacturing systems (FMSs), and various automated assembly lines have been highly acclaimed by many customers in the field where they seek enhanced efficiency, labor-saving, and streamlining. DJK handles plastic/rubber molding machines, metal processing machines, and ceramic processing machines in the automobile and consumer electronics-related fields. Meanwhile, as for pharmaceutical and food manufacturing, DJK handles a variety of equipment and products including pharmaceutical filling devices, various types of inspection equipment, and the latest packaging production lines.

As for LIB manufacturing, DJK handles the incinerators and drying furnaces that are indispensable in manufacturing the raw materials of secondary batteries. DJK also supplies ground-support equipment and other airport facility-related equipment for the aviation industry.

OVERSEAS COMPANY

Business Fields
Machinery and equipment sold by overseas branches and subsidiaries.

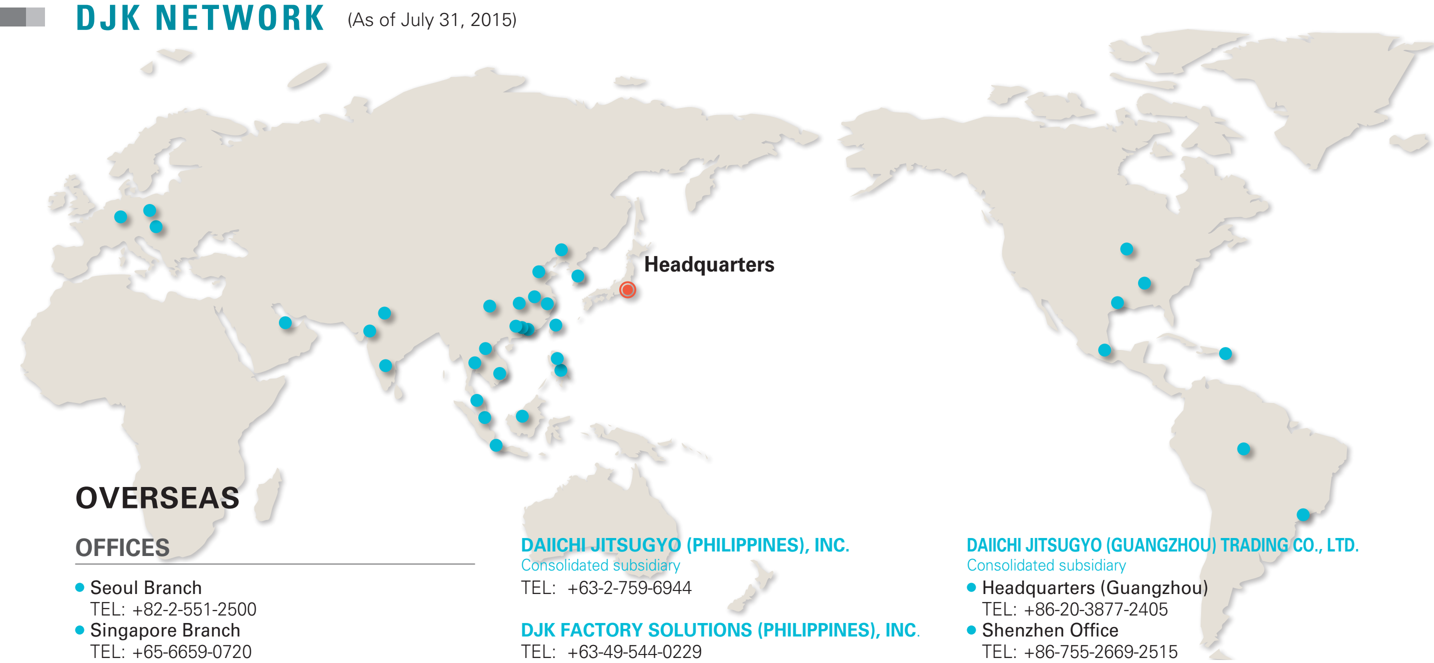


Sales of production equipment in Asia and Europe were favorable.

Sales of production equipment related to electronic parts mounting equipment and in-vehicle electronics devices were favorable in Asia. In Europe, the DJK Group recorded solid sales from large-scale orders for equipment for the automobile-related industries, which increased net sales significantly. In Asian and emerging countries, capital investments are continuing as consumption is expanding. We aim to receive an increasing number of orders in the year ahead.

Description of Business

DJK manages its overseas offices in 36 cities in 18 countries around the world. The DJK headquarters in each area of the four axes network (China, Southeast Asia and India, the Americas, and Europe) coordinates with each other to implement business activities. In addition to sales of various kinds of machinery and equipment handled by the DJK Group in the respective areas, each headquarters sells merchandise that it directly purchases locally.



OVERSEAS

OFFICES

- Seoul Branch
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- Qatar Representative Office
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- Malaysia Regional Office
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- Budapest Branch
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- Bangalore Branch
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- Ahmedabad Office
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DJK FACTORY SOLUTIONS (PHILIPPINES), INC.
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- Ho Chi Minh Branch
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- Suzhou Office
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- Chongqing Office
  TEL: +86-23-6779-7543
- Wuhan Office
  TEL: +86-27-8757-2857
- Shenyang Office
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- Houston Office
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- Knoxville Office
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- Manaus Office
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SIGNIFICANT AFFILIATES

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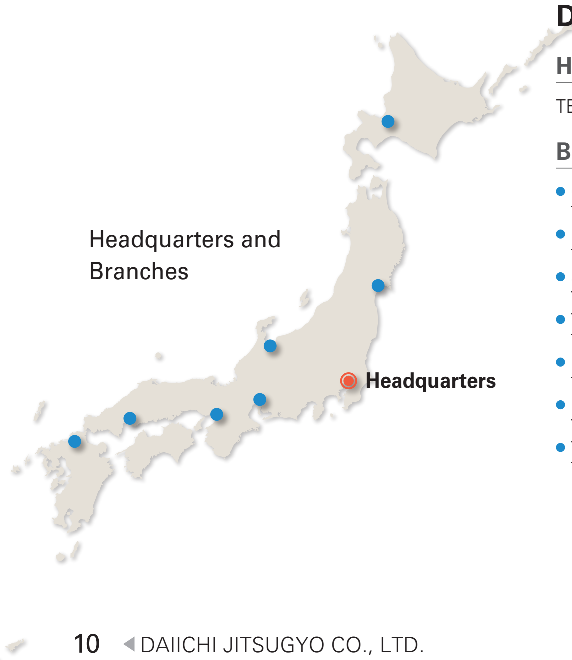
TEL: +86-519-8899-8882



DOMESTIC

HEADQUARTERS (Tokyo)

TEL: +81-3-6370-8600 (Information desk)

BRANCHES

- Osaka Branch
  TEL: +81-6-6366-2800
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- Tohoku Branch
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- Fukuoka Branch
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SIGNIFICANT SUBSIDIARIES

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FLOW DYNAMICS, INC.
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DJK SOLAR SOLUTION CO., LTD.
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ASANO LABORATORIES CO., LTD.
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BASIC CORPORATE GOVERNANCE POLICY

From the perspective of reinforcing our corporate capabilities to survive global competition, we place high priority on promoting accurate and speedy business decision-making, while at the same time, enhancing our management oversight function to ensure the transparency of our business.

CORPORATE GOVERNANCE ORGANIZATION

Our Board of Directors comprises six directors (including one outside director) and meets in principle once a month or as necessary. The board determines basic business policies and other important matters through vigorous exchanges of opinions while also fulfilling its function as an oversight body for business execution. The board also places directors at consolidated subsidiaries in Japan and abroad to be in charge of those companies and to manage and oversee their business execution. According to the Company's Articles of Incorporation, the Board of Directors shall comprise seven members or less, who shall be elected by a general meeting of shareholders. To elect directors, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said directors. The Articles of Incorporation also stipulate that cumulative voting shall not be used in resolutions for electing directors thereof.

Moreover, in an effort to further enhance its corporate value, the Company has adopted the executive officer system to conduct flexible and efficient business operations by reinforcing the business decision-making and supervising functions, as well as separating the business execution function. The Company dispatches certain executive officers to be in charge of its consolidated subsidiaries in Japan and overseas and to manage their business execution.

The Company uses an Audit & Supervisory Board system comprised of four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition to attending every Board of Directors meeting, these Audit & Supervisory Board members attend other important internal meetings to monitor the business execution performance of directors from an objective perspective. Audit & Supervisory Board members work to ensure the effective implementation of the audit by receiving reports on and explanations of the audit plan and results from independent auditor; exchanging opinions on the areas to be covered by the audit, the audit methods, and the audit results; sharing information; and taking other measures. According to the Articles of Incorporation, the Company shall have five Audit & Supervisory Board members or less, who shall be elected by a general meeting of shareholders. To elect Audit & Supervisory Board members, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said Audit & Supervisory Board members.

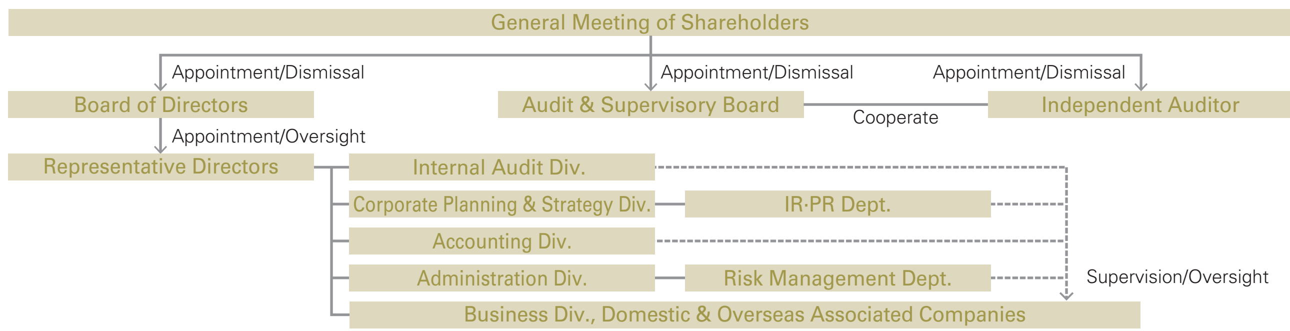
The Company has concluded an auditing agreement with the certified public accounting firm Deloitte Touche Tohmatsu LLC to act as its independent auditor. In addition to providing accounting auditing services in a fair and unbiased manner, the auditing firm provides advice on accounting matters as appropriate.

As for the internal audit system of which the central organ is the Internal Audit Division, the job execution of employees is checked and assessed as to whether it is in accordance with laws and regulations and the Articles of Incorporation, as well as with the basic internal control policy and the code of conduct.

The Company has also concluded advisory agreements with several law offices to act as its legal advisors, from which the Company receives advice as necessary, including not only for legal consulting on business affairs but also regarding the maintenance of its compliance system.

To increase the transparency of its business, the Company proactively discloses information through its IR·PR Department. In addition, as one of its IR activities, the Company holds results briefing meetings every fiscal year and information meetings for individual shareholders. In these meetings, the Company reports on and explains business conditions and the future direction of the Group Company to shareholders and investors. In conjunction with these meetings, the Company makes timely and appropriate disclosure of business information through its website.

CORPORATE GOVERNANCE SYSTEM



ESTABLISHING AN INTERNAL CONTROL SYSTEM

As a necessary tool to ensure that directors execute their business duties and conduct their business practices in accordance with laws and regulations and the Articles of Incorporation and other methods necessary to ensure proper company operations, the Company has formulated a "basic internal control policy," the details of which are as follows.

1. Systems to ensure that directors comply with laws and regulations and Articles of Incorporation in the execution of their business duties

(1) In accordance with our business practices policy and code of conduct, the representative director shall ensure that business activities are premised on compliance with laws and regulations, the Articles of Corporation, and corporate ethics by repeatedly reminding the officers and employees of the Company of this policy.

(2) To ensure that the business execution of the Company is carried out in an overall appropriate and sound manner, the directors shall endeavor to establish a practical internal control system and an overall legal compliance system from the perspective of further strengthening the Company's corporate governance. Furthermore, Audit & Supervisory Board members shall audit the effectiveness and functional capability of the internal control system, and if necessary report recommendations on improvements for the system to directors.

(3) To deal with antisocial forces, the Company shall thoroughly manage information on the elimination and the eradication of such influences in a unified manner. External pressure applied by such antisocial forces shall be reported to the risk management committee for assessment of its importance and investigation.

2. System to store and manage information on business execution by directors

Information on business execution by directors shall be recorded in written form or electronic media (Hereinafter referred to as "written, etc. records") based on the Company's filings rules. These records shall be stored and managed so that they can be easily searched in an appropriate and accurate manner.

Directors and Audit & Supervisory Board members shall have free access to view these written, records.

3. Systems providing rules to manage possible losses and other matters of DAIICHI JITSUGYO CO., LTD. (the "Company"), and its subsidiaries

As a foundation for the risk management system, the Company will determine risk management rules, assign managers to be in charge of the different types of risk, and establish a risk management system based on those rules.

When a management crisis occurs as determined by said rules, the Company shall set up a task force with the representative director as its head as well as an information liaison team and an outside advisory team including legal counsels. Based on these actions, the Company shall establish an organization to minimize damages and prevent them from growing through quick response.

4. Systems to ensure that directors carry out job execution effectively

(1) In the Company's mid-term management and annual business plans that are built around its corporate principles, each operating section and the DJK Group companies shall work toward achieving the goals of the plan and check whether the business plan is proceeding on schedule on a monthly basis based on performance reports.

(2) In executing their duties, directors shall comply with all of the obligations of the Board of Directors regarding business decisions as set out in the rules of the Board of Directors. Based on the principles of business decision-making, the Company will set up a system that distributes adequate information on items prior to their discussion to all directors and Audit & Supervisory Board members.

(3) As the foundation of the system to ensure that directors carry out the execution of their duties effectively, in principle, the Board of Directors will meet regularly once a month and as otherwise necessary. Important matters regarding the business policy and strategy of the Company will first be discussed by an Executive Committee comprising directors with a ranking of managing director or above, and passed on for approval by the Board of Directors before execution.

(4) The business execution of decisions made by the Board of Directors shall be carried out by directors and executive officers in accordance with the division of duties decided at the start of each fiscal year, with assignments, responsibilities, and execution procedures determined in detail.

5. Systems for ensuring that directors, executive officers, and employees execute their business duties in accordance with laws and regulations and the Articles of Incorporation

(1) As a foundation for the compliance system, employees will be made thoroughly aware of the code of conduct.

(2) An Internal Audit Division will be established under the supervision of the representative director and will determine internal audit rules and establish, maintain, and improve an internal control system. As necessary, the Division shall carry out audits and training sessions in all business sections.

(3) When a major legal violation or other significant incident regarding compliance has been discovered, directors shall promptly report it to the representative director and to Audit & Supervisory Board members.

(4) As an in-house information system to report legal violations or other incidents regarding compliance, the manager of the Internal Audit Division will promptly establish an internal communication system where information can be directly reported and operate it in accordance with the internal communications rules.

(5) When Audit & Supervisory Board members recognize that there is a problem with the operation of the Company's legal compliance system or internal communication system, they may give their opinion and require that improvement measures be formulated.

6. System to ensure the fairness of operations of the corporate group comprising the parent company and its subsidiaries

(1) Based on the management rules for subsidiaries/associated companies determined by the Company, the DJK Group's sales results, financial position and other important information shall be reported to the Company regularly and the DJK Group meetings shall be held as necessary.

(2) To ensure the appropriate and fair conduct of the Group companies, each Group company will create a code of conduct and formulate its own related rules based on it.

(3) The Company will appoint a director in charge of business administration to implement optimal management strategies whereby prior consultation with the Company and reporting systems, as well as monitoring structure, if necessary, is in place.

(4) If a director recognizes that a Group company has violated some aspect of the business management or business guidance systems or if a compliance problem is discovered, the director shall report it to the representative director.

(5) DJK Group companies shall be audited by the internal audit department of the Company, and the audit results shall be reported to the Company's representative director.

7. System for requesting staff to aid Audit & Supervisory Board members and ensuring the independence of those staff members from the influence of directors and the effectiveness of instructions given to such assisting staff

(1) Audit & Supervisory Board members may instruct the Internal Audit Division manager to provide assistance in matters necessary to the auditing process. The staff of the Internal Audit Division who have been instructed by Audit & Supervisory Board members to provide assistance regarding matters necessary to the auditing process may not receive other instructions regarding those matters from directors.

(2) Based on meetings with the Audit & Supervisory Board, the Internal Audit Division manager will perform internal audits on items requested by Audit & Supervisory Board members and report the results to the Audit & Supervisory Board.

8. System for directors, executive officers, and employees of the Company and its subsidiaries to report to Audit & Supervisory Board members of the Company, system for making other reports to Audit & Supervisory Board members, and system to ensure effective audit of Audit & Supervisory Board members

(1) Directors, executive officers, and employees of the Company and the Group Company shall report the following important items regarding the Company's business or influence on business performance to the Audit & Supervisory Board members of the Company on a case-by-case basis.

- Activities of the sections related to the establishment of the internal control system of the Company and the Group Company.
- The principal accounting policies and standards system of the Company and the Group Company and any changes in them.
- Details of announcements on business performance or business forecasts, details of important disclosure items.
- Details of operations and communications of internal communications system.
- Internal management approval (Ringi) documents, applications for different types of transactions, and keeping minutes of meetings as required by Audit & Supervisory Board members.

(2) As necessary, Audit & Supervisory Board members may request reports on preceding issues from directors, executive officers, and employees of the Company and the Group Company.

(3) The Audit & Supervisory Board and the representative director shall establish regular meetings to exchange opinions.

(4) The Company will ensure an appropriate system for reporting to Audit & Supervisory Board members on legal violations and other compliance issues by maintaining the proper application of the in-house communication rules.

(5) Audit & Supervisory Board members will check the objectivity of the work of the Company's independent certified public accounting firm, and will request reports and explanations of the details of the independent certified public accounting firm's audit and collaborate with the audit firm through periodic exchanges of information and other activities.

(6) Persons who have reported to Audit & Supervisory Board members shall not be treated in a detrimental way because of such reporting. This matter shall be disseminated among DJK and DJK Group's officers and employees.

(7) When Audit & Supervisory Board members request the prepayment of expenses to be incurred in the execution of their duties, etc., such shall be treated promptly except in cases where such expenses are determined to be unnecessary for their execution of duties.

CONSOLIDATED FIVE-YEAR SUMMARY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen					Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2012	2011	**2015**
For the year:						
Net sales	**¥143,361**	¥122,102	¥128,229	¥125,502	¥108,079	**$ 1,192,988**
Gross profit	**18,922**	17,363	16,710	16,813	15,224	**157,467**
Operating income	**4,341**	4,074	4,590	5,098	4,243	**36,130**
Net income	**2,897**	2,459	3,051	2,643	2,448	**24,107**
Comprehensive income	**4,482**	3,430	4,485	3,008	2,159	**37,302**
Overseas sales:	**78,610**	61,387	67,441	65,310	44,819	**654,162**
Asia	**56,271**	47,164	58,839	52,646	36,706	**468,266**
Europe	**3,946**	1,527	2,289	2,551	1,886	**32,840**
North and Central America	**10,146**	8,068	5,197	5,511	4,546	**84,432**
Other	**8,246**	4,626	1,114	4,600	1,678	**68,623**
Depreciation and amortization	**874**	352	316	353	356	**7,274**
Capital expenditures	**4,050**	1,052	1,065	427	381	**33,709**
At year-end:						
Total assets	**¥ 91,835**	¥ 81,443	¥ 81,478	¥ 83,759	¥ 73,322	**$ 764,211**
Working capital	**22,670**	21,935	20,322	18,855	17,180	**188,652**
Interest-bearing debt	**11,035**	8,809	7,486	14,942	10,560	**91,831**
Total equity	**35,310**	31,197	29,013	26,167	23,777	**293,839**
Per share of common stock (in yen and U.S. dollars):						
Net income	**¥ 54.46**	¥ 46.45	¥ 57.97	¥ 50.55	¥ 46.90	**$ 0.45**
Cash dividends	**16**	18	15	14	13	**0.13**
Shareholders' equity	**659.44**	586.85	545.78	485.23	445.88	**5.49**
Other statistics:						
Number of shares of common stock outstanding (in thousands)	**53,401**	53,002	52,811	52,565	52,213	
Number of employees	**1,080**	1,069	1,043	1,008	992	
Key ratios (%):						
Gross profit margin	**13.2**	14.2	13.0	13.4	14.1	
Operating income margin	**3.0**	3.3	3.6	4.1	3.9	
Return on sales	**2.0**	2.0	2.4	2.1	2.3	
Return on assets	**3.3**	3.0	3.7	3.4	3.8	
Return on equity	**8.7**	8.2	11.2	10.8	10.9	
Asset turnover (times)	**1.65**	1.50	1.55	1.60	1.68	
Current ratio	**143.4**	145.4	139.8	133.1	135.3	
Equity ratio	**38.3**	38.2	35.4	30.5	31.8	
Debt-to-equity ratio	**0.31**	0.28	0.26	0.59	0.45	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥120.17 to U.S.$1.
2. Minority interests in equity have been excluded from equity when key ratio is calculated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PERFORMANCE

During the consolidated fiscal year under review, the Japanese economy saw a continued moderate recovery trend, reflecting improvement in corporate business performance and the employment environment with the effects of economic and financial measures taken by the Japanese government. However, uncertainty persisted because of a surge of raw material prices due to yen depreciation despite a plunge in crude oil prices, the prolonged effect of the consumption tax hike, the unstable political situation in some countries and regions and slowed economic growth in China and other emerging countries.

In these circumstances, all employees and executives of the DJK Group strove to focus on sales activities. As a result, orders received increased 37.0% year on year to ¥174,007 million and net sales increased 17.4% to ¥143,361 million. Operating income increased ¥267 million, or 6.6%, to ¥4,341 million, and net income advanced ¥437 million, or 17.8%, to ¥2,897 million.

Performance by business segment was as follows.

(1) Plant & Energy Business

Although net sales increased ¥1,834 million, or 6.5%, to ¥30,177 million due to the large-scale orders received for facilities and equipment for overseas fertilizer plants and ethylene plants for petroleum companies through leading engineering companies, the costs primarily for the amortization of the manufacturing and marketing rights for a binary power generation system, which we acquired in April 2014, led to a year-on-year decline in segment income (operating income) of ¥367 million, or 28.3%, to ¥932 million.

(2) Electronics Business

Demand for equipment for mounting electronic parts for manufacturers of IT and digital devices mainly in China and Vietnam progressed favorably. Net sales increased ¥5,596 million, or 18.4%, to ¥35,937 million, and segment income (operating income) advanced ¥254 million, or 15.6%, to ¥1,888 million.

(3) Industrial Machinery Business

Due to solid demand for equipment mainly for automobile-related industries and the recording of sales of manufacturing equipment for the pharmaceutical industry, net sales increased ¥4,555 million, or 12.5%, to ¥41,070 million, and segment income (operating income) advanced ¥379 million, or 13.4%, to ¥3,216 million.

(4) Overseas Company

Sales of equipment for mounting electronic parts and manufacturing equipment for in-vehicle equipment in Asia were favorable, and we recorded sales from large-scale orders for equipment for automobile-related industries in Europe. Net sales increased ¥9,124 million, or 37.2%, to ¥33,622 million, and segment income (operating income) advanced ¥396 million, or 37.0%, to ¥1,465 million.

FINANCIAL POSITION

As of March 31, 2015, total assets amounted to ¥91,835 million, increasing ¥10,392 million, or 12.8%, year on year. Current assets increased ¥4,603 million, or 6.5%, year on year to ¥74,879 million, whereas fixed assets increased ¥5,788 million, or 51.8%, year on year to ¥16,955 million.

The increase in current assets mainly was attributable to the increase in cash and cash equivalents and the increase in advance payments related to plants. The increase in fixed assets mainly was attributable to the increase in the book value of investment securities, which resulted from the rise of stock prices, and the acquisition of the manufacturing and marketing rights for the binary power generation system.

Total liabilities amounted to ¥56,524 million, increasing ¥6,278 million, or 12.5%, from the previous year. Current liabilities increased ¥3,867 million, or 8.0%, to ¥52,209 million, whereas long-term liabilities surged ¥2,410 million, or 126.6%, to ¥4,315 million.

The main factor of the increase in current liabilities was an increase in advances received related to plants. The main factor of the increase in long-term liabilities was long-term debt related to the acquisition of the manufacturing and marketing rights for the binary power generation system.

Total equity amounted to ¥35,310 million, increasing ¥4,113 million, or 13.2%, from the previous year. The main factor of this increase was the recording of net income of ¥2,897 million despite the payment of dividends. As a result, the equity ratio was 38.3%, which was 0.1 percentage point higher than the 38.2% of the previous fiscal year.

Interest-bearing debt amounted to ¥11,035 million, increasing ¥2,225 million, or 25.3%, year on year. This consisted of short-term bank loans of ¥8,672 million (including the current portion of long-term debt), long-term debt of ¥2,313 million and other debt of ¥49 million. The long-term debt corresponds to the acquisition of the manufacturing and marketing rights for the binary power generation system. The debt-to-equity ratio (DER) at the end of the fiscal year under review was 0.31 times, up from 0.28 times at the end of the previous fiscal year.

In the near future, we intend to further reinforce our financial structure by effectively utilizing group-wide funds at the global level while steadily carrying out the execution of plans in accordance with the vision and basic policies of the mid-term management plan AIM2015.

Cash Flow from Operating Activities

Net cash provided by operating activities for the consolidated fiscal year under review totaled ¥3,835 million, an increase of ¥2,923 million from the previous fiscal year. This was mainly because of the recording of income before income taxes and minority interests and the increase in advances received related to plants despite the increase in advance payments related to plants.

Cash Flow from Investing Activities

Net cash used in investing activities totaled ¥4,024 million, decreasing ¥3,136 million from the previous fiscal year. The principal cash outflows were the acquisition of the manufacturing and marketing rights for the binary power generation system.

Cash Flow from Financing Activities

Net cash provided by financing activities totaled ¥1,450 million, increasing ¥1,026 million from net cash used in financing activities for the previous fiscal year. The principal factor was loans related to the acquisition of the manufacturing and marketing rights for the binary power generation system despite the payment of dividends.

BUSINESS RISKS

The following section indicates matters that could have a significant bearing on the investment decision of those considering investment in DJK with regard to the business conditions and accounting procedures stated in this annual report. However, it does not represent in any way an exhaustive description of business risks.

Risk of change in the macroeconomic environment

The DJK Group's major business involves the sale of various types of machinery, fixtures, parts, and lease services of various types of machinery and fixtures, which it sells domestically, imports, and exports. Overseas, under the mid-term management plan, AIM2015, which began in April 2013, the DJK Group is accelerating its business development based on its global four axes network, which has been pursued, to strengthen its profit-earning capacity. Therefore, the DJK Group's business performance may be affected by changes not only in economic trends in Japan but also on a global scale. Especially with the economic growth in China and the Asian region as well as in the North, Central, and South Americas and Europe, while these conditions provide the possibility of expanded business opportunities for the DJK Group, a slowdown in economic activity in these regions could have a negative impact on the business results of the DJK Group.

Risk of increased in proportion of overseas sales

Japanese companies continued to enter overseas markets and transferred their production bases overseas. In response, the DJK Group also is proceeding with the globalization of its operations by expanding its overseas network and other activities, aiming to expand its business opportunities. The proportion of overseas sales to the consolidated net sales in the fiscal year under review rose to 54.8% from 50.3% for the previous fiscal year, accounting for over half of the total. With the steady implementation of the mid-term management plan AIM2015, it is expected that the overseas sales in net sales will continue to swing upwards. As a result, there is a possibility that the international financial environment, exchange rate trends, international trends in crude oil and raw material prices, and capital investment trends for customers' production bases could affect the business results of the DJK Group. In addition, DJK's overseas business activities are exposed to the risk of unexpected changes in political systems or economic environments and social disturbances based on legal and regulatory changes.

Risk of increases in interest rates

DJK has signed trade commitment agreements with five banks and is progressing with the reduction of interest-bearing debt. The interest-bearing debt of the DJK Group at March 31, 2015 amounted to ¥11,035 million. Going forward, DJK will aim to systematically and stably procure working capital and to reduce interest expenses. However, should the balance of the DJK Group's financial income and expenses deteriorate because of the trend in net sales or in interest rates, it could impact negatively on the DJK Group's business results and financial position. In addition, if substantial turmoil occurs in major financial markets in Japan or overseas, financing costs could increase.

Credit risk

At March 31, 2015, the total sales receivables of the DJK Group amounted to ¥35,741 million, or 38.9% of total assets. As a result, DJK is exposed to the risk of losses due to the credit of its clients worsening or their businesses failing. DJK places orders with each supplier for the production of various machinery and equipment upon receiving orders from clients. For that reason, DJK acts in accordance with its rules regarding trading rights and risk management, setting maximum credit and transaction amounts in its required transaction approval procedures, requires collateral or guarantees depending on the credit rating of the debtor, and puts in place risk hedges, such as the factoring or securitization of debt. Despite these measures, if the client experiences a liquidity crisis or a chain reaction bankruptcy due to a worsening of the business environment or a specific major debtor experiences business problems resulting in it becoming impossible to recover credit extended, it could have a negative influence on the business results and financial position of the DJK Group.

Business development risk related to mid-term management plan

Under the AIM2015, the mid-term management plan which began in April 2013, the DJK Group's basic policy is to shift its focus to "business axis" management for further business expansion and to reinforce its operations and make them more efficient.

Nevertheless, depending on the cost required for strategic business development and whether or not the timing and scale of the effective allocation of business resources tailored to the progress of business development is appropriate, the DJK Group could lose earnings opportunities and increase its financial burden, resulting in a negative impact on its business results and financial position.

Risk of disaster

Should a disaster, such as an earthquake, typhoon, fire or infectious disease epidemic occur, the DJK Group's offices; factories; computer systems; directors, executive officers, and employees; or other related assets may suffer damages or interruptions may occur in the DJK Group's business or production activities. To be able to determine whether or not its directors, executive officers, and employees are safe and to implement its business continuity plan (BCP), DJK has produced risk management manuals for the different possible disasters and established such measures as backup systems for computer system data and emergency fire drills, and implemented other disaster-related activities. Nevertheless, there is no guarantee that these measures will allow the DJK Group to completely avoid any damages from disasters, and should major damages occur, they could impact negatively on the business results and financial position of the DJK Group.

Furthermore, should one of the DJK Group's major customers or vendors suffer substantial damages from a disaster, the suspension of the business and production activities of the customer or vendor could have a negative effect on the performance of the DJK Group.

CONSOLIDATED BALANCE SHEET

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2015

	Millions of yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and cash equivalents (Note 14)	**¥ 15,234**	¥13,585	**$ 126,775**
Time deposits (Note 14)	**126**	72	**1,051**
Receivables (Note 14):			
Notes receivable	**3,504**	2,836	**29,165**
Accounts receivable	**31,232**	30,936	**259,972**
Unconsolidated subsidiaries and associated companies	**44**	198	**305**
Other	**3,542**	3,236	**7,866**
Electronically recorded monetary claims (Note 14)	**945**	321	**29,478**
Lease investment assets (Note 13)	**34**	86	**283**
Inventories (Note 4)	**9,129**	9,861	**75,974**
Deferred tax assets (Note 10)	**646**	522	**5,381**
Accounts prepaid	**9,347**	7,515	**77,784**
Other current assets	**1,435**	1,351	**11,943**
Allowance for doubtful accounts	**(344)**	(247)	**(2,869)**
Total current assets	**74,879**	70,276	**623,113**
Property, plant and equipment (Note 5):			
Land	**610**	610	**5,083**
Buildings and structures	**1,470**	1,309	**12,236**
Machinery and equipment	**1,448**	1,444	**12,052**
Furniture and fixtures	**901**	945	**7,505**
Leased assets (Note 13)	**984**	610	**8,193**
Construction in progress	**32**	326	**269**
Total	**5,448**	5,247	**45,340**
Accumulated depreciation	**(2,410)**	(2,092)	**(20,055)**
Net property, plant and equipment	**3,038**	3,155	**25,284**
Investment and other assets:			
Investment securities (Notes 3 and 14)	**7,023**	4,961	**58,443**
Investment in and advances to unconsolidated subsidiaries and associated companies	**1,762**	1,686	**14,668**
Manufacturing and sales right	**2,791**		**23,229**
Long-term deposits	**691**	905	**5,755**
Deferred tax assets (Note 10)	**328**	149	**2,730**
Assets for retirement benefits (Note 7)	**732**		**6,096**
Other assets	**1,215**	548	**10,118**
Allowance for doubtful accounts	**(628)**	(239)	**(5,228)**
Total investment and other assets	**13,917**	8,011	**115,813**
TOTAL	**¥ 91,835**	¥81,443	**$ 764,211**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2015**	2014	**2015**
Current liabilities:			
Short-term bank loans (Notes 6 and 14)	**¥ 8,209**	¥ 8,041	**$ 68,316**
Current portion of long-term debt (Notes 6 and 14)	**463**	104	**3,854**
Payables (Note 14):			
Notes payable	**936**	829	**7,791**
Accounts payable	**25,775**	25,682	**214,489**
Unconsolidated subsidiaries and associated companies	**1,070**	759	**8,905**
Other	**391**	180	**3,260**
Income taxes payable	**869**	1,064	**7,237**
Accrued expenses	**1,438**	1,163	**11,969**
Advances received	**11,578**	9,605	**96,349**
Allowance for after-sales service	**168**	225	**1,400**
Other current liabilities	**1,308**	683	**10,885**
Total current liabilities	**52,209**	48,341	**434,460**
Long-term liabilities:			
Long-term debt (Notes 6 and 14)	**2,313**	546	**19,251**
Liability for retirement benefits (Note 7)	**296**	605	**2,467**
Deferred tax liabilities (Note 10)	**913**	526	**7,600**
Other long-term liabilities	**792**	227	**6,592**
Total long-term liabilities	**4,315**	1,904	**35,911**
Commitments and contingent liabilities (Notes 13, 15 and 16)			
Equity (Notes 8, 9 and 19)			
Common stock, authorized, 160,000,000 shares; issued, 55,432,000 shares in 2015 and 2014	**5,105**	5,105	**42,481**
Capital surplus	**3,786**	3,786	**31,506**
Stock acquisition rights	**88**	93	**738**
Retained earnings	**24,170**	21,808	**201,136**
Treasury stock — at cost, 2,031,420 shares in 2015 and 2,429,663 shares in 2014	**(866)**	(1,029)	**(7,213)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**1,871**	1,128	**15,574**
Deferred loss on derivatives under hedge accounting	**(101)**	(15)	**(846)**
Foreign currency translation adjustments	**1,363**	646	**11,345**
Defined retirement benefit plans	**(113)**	(325)	**(944)**
Total	**35,303**	31,197	**293,778**
Minority interests	**7**		**61**
Total equity	**35,310**	31,197	**293,839**
TOTAL	**¥ 91,835**	¥81,443	**$ 764,211**

CONSOLIDATED STATEMENT OF INCOME
DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Net sales	**¥ 143,361**	¥ 122,102	**$1,192,988**
Cost of sales	**124,438**	104,739	**1,035,520**
Gross profit	**18,922**	17,363	**157,467**
Selling, general and administrative expenses (Notes 11 and 12)	**14,581**	13,288	**121,337**
Operating income	**4,341**	4,074	**36,130**
Other income (expenses):			
Interest and dividend income	**224**	226	**1,866**
Interest expense	**(80)**	(94)	**(667)**
Purchase discount	**196**	154	**1,633**
Amortization of negative goodwill		27	
(Loss) gain on sales of property, plant and equipment	**(3)**	0	**(28)**
Gain on sales of investment securities		43	
Loss on liquidation of subsidiaries and affiliates		(7)	
Impairment loss		(29)	
Loss on business of business	**(356)**		**(2,968)**
Other – net	**70**	115	**582**
Other income – net	**50**	437	**418**
Income before income taxes and minority interests	**4,392**	4,511	**36,548**
Income taxes (Note 10):			
Current	**1,905**	1,917	**15,858**
Deferred	**(410)**	129	**(3,417)**
Total income taxes	**1,495**	2,046	**12,441**
Net income before minority interests	**2,897**	2,464	**24,107**
Minority interests in net income	**0**	5	**0**
Net income	**¥ 2,897**	¥ 2,459	**$ 24,107**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2.s and 18)			
Basic net income	**¥ 54.46**	¥ 46.45	**$ 0.45**
Diluted net income	**53.96**	46.10	**0.45**
Cash dividends applicable to the year	**16.00**	18.00	**0.13**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Net income before minority interests	**¥ 2,897**	¥ 2,464	**$ 24,107**
Other comprehensive income (Note 17):			
Unrealized gain on available-for-sale securities	**742**	284	**6,179**
Deferred loss on derivatives under hedge accounting	**(85)**	(36)	**(715)**
Foreign currency translation adjustments	**682**	660	**5,679**
Defined retirement benefit plans	**211**		**1,763**
Share of other comprehensive income in associates	**34**	55	**288**
Total other comprehensive income	**1,585**	965	**13,194**
Comprehensive income (Note 17)	**¥ 4,482**	¥ 3,430	**$ 37,302**
Total comprehensive income attributable to (Note 17):			
Owners of the parent	**¥ 4,482**	¥ 3,427	**$ 37,302**
Minority interests	**0**	3	**0**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2015

	Thousands	Millions of yen											
							Accumulated other comprehensive income (loss)						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
BALANCE, APRIL 1, 2013	52,881	¥5,105	¥3,786	¥ 96	¥20,258	¥ (1,079)	¥ 844	¥ 20	¥ (72)		¥28,958	¥ 55	¥29,013
Net income					2,459						2,459		2,459
Cash dividends, ¥18.00 per share					(899)						(899)		(899)
Purchase of treasury stock	(85)					(36)					(36)		(36)
Disposal of treasury stock	206				(10)	87					76		76
Net change in the year				(3)			284	(36)	718	(325)	639	(55)	583
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	53,002	5,105	3,786	93	21,808	(1,029)	1,128	(15)	646	(325)	31,197		31,197
Cumulative effect of accounting change					337						337		337
BALANCE, APRIL 1, 2014 (As restated)	53,002	5,105	3,786	93	22,145	(1,029)	1,128	(15)	646	(325)	31,535		31,535
Net income					2,897						2,897		2,897
Cash dividends, ¥16.00 per share					(850)						(850)		(850)
Purchase of treasury stock	(60)					(32)					(32)		(32)
Disposal of treasury stock	459				(22)	195					173		173
Net change in the year				(4)			742	(85)	717	211	1,581	7	1,588
BALANCE, MARCH 31, 2015	**53,400**	**¥5,105**	**¥3,786**	**¥ 88**	**¥24,170**	**¥ (866)**	**¥ 1,871**	**¥ (101)**	**¥ 1,363**	**¥ (113)**	**¥35,303**	**¥ 7**	**¥35,310**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	$ 42,481	$ 31,506	$ 775	$ 181,478	$ (8,564)	$ 9,394	$ (130)	$ 5,377	$ (2,707)	$ 259,611		$ 259,611
Cumulative effect of accounting change				2,809						2,809		2,809
BALANCE, APRIL 1, 2014 (As restated)	42,481	31,506	775	184,288	(8,564)	9,394	(130)	5,377	(2,707)	262,421		262,421
Net income				24,107						24,107		24,107
Cash dividends, $0.13 per share				(7,074)						(7,074)		(7,074)
Purchase of treasury stock					(274)					(274)		(274)
Disposal of treasury stock				(185)	1,625					1,439		1,439
Net change in the year			(36)			6,179	(715)	5,967	1,763	13,158	61	13,219
BALANCE, MARCH 31, 2015	**$ 42,481**	**$ 31,506**	**$ 738**	**$ 201,136**	**$ (7,213)**	**$ 15,574**	**$ (846)**	**$ 11,345**	**$ (944)**	**$ 293,778**	**$ 61**	**$ 293,839**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Operating activities:			
Income before income taxes and minority interests	**¥ 4,392**	¥ 4,511	**$ 36,548**
Adjustments for:			
Income taxes – paid	**(2,099)**	(2,105)	**(17,471)**
Depreciation and amortization	**874**	352	**7,274**
Loss on transfer of business	**356**		**2,968**
Impairment loss		29	
Amortization of negative goodwill		(27)	
Changes in operating assets and liabilities:			
(Decrease) increase in allowance for after-sales service	**(57)**	12	**(478)**
(Increase) Decrease in notes and accounts receivable – trade	**(792)**	4,715	**(6,591)**
(Increase) in advance payments to suppliers	**(1,706)**	(387)	**(14,199)**
Decrease (Increase) in inventories	**931**	(775)	**7,751**
Increase (Decrease) in notes and accounts payable – trade	**79**	(5,254)	**661**
Increase in advances from customers	**1,653**	820	**13,758**
Other – net	**203**	(979)	**1,694**
Total adjustments	**(556)**	(3,600)	**(4,632)**
Net cash provided by operating activities	**3,835**	911	**31,916**
Investing activities:			
Acquisition of property, plant and equipment	**(547)**	(475)	**(4,559)**
Proceeds from sales of property, plant and equipment	**11**	6	**96**
Purchase of intangible assets	**(2,086)**	(94)	**(17,364)**
Acquisition of marketable and investment securities	**(1,092)**	(98)	**(9,088)**
Proceeds from sales of marketable and investment securities		162	
Payments of loans receivable	**(7)**	(418)	**(63)**
Collection of loans receivable	**79**	10	**659**
Payments of long-term deposits	**(381)**	(34)	**(3,174)**
Other – net	**0**	54	**1**
Net cash used in investing activities	**(4,024)**	(888)	**(33,493)**
Financing activities:			
Increase in short-term bank loans – net	**137**	1,090	**1,147**
Proceeds from issuance of long-term debt	**2,500**	300	**20,803**
Repayment of long-term debt	**(373)**	(60)	**(3,107)**
Dividends paid	**(851)**	(897)	**(7,083)**
Other – net	**37**	(8)	**309**
Net cash provided by financing activities	**1,450**	423	**12,070**
Foreign currency translation adjustments on cash and cash equivalents	**388**	244	**3,233**
Net increase in cash and cash equivalents	**1,649**	691	**13,726**
Cash and cash equivalents, beginning of year	**13,585**	12,894	**113,049**
Cash and cash equivalents, end of year	**¥ 15,234**	¥ 13,585	**$ 126,775**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DAIICHI JITSUGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and thousand in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 14 significant (14 in 2014) subsidiaries (together, the "Group"). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

An investment in 2 (2 in 2014) associated companies is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and other associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in the equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) exclusion of minority interests from net income, if contained in net income.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Inventories
Inventories are stated at the lower of cost, determined by the average cost method for merchandise and finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

f. Marketable and Investment Securities
Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and
ii) available-for-sale securities are reported at their fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment
Property, plant and equipment are stated at cost.
Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 2 to 50 years for buildings, from 2 to 17 years for machinery, equipment and vehicles, and from 2 to 23 years for furniture and fixtures.

h. Long-Lived Assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.
The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans
The Company and certain domestic consolidated subsidiaries have noncontributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.
In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.
(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.
(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.
With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.
As a result, liability for retirement benefits and assets for retirement benefits as of April 1, 2014, decreased by ¥311 million ($2,595 thousand) and increased by ¥212 million ($1,766 thousand), respectively, and retained earnings as of April 1, 2014, increased by ¥337 million ($2,809 thousand), though the effect of operating income and income before income taxes and minority interests for the year ended March 31, 2015, were not material.
The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.
Effective June 23, 2011, the Company terminated its unfunded retirement allowance plan for all directors and Audit & Supervisory Board Members. The outstanding balance of retirement allowances for directors and Audit & Supervisory Board Members as of March 31, 2011, was reclassified to long-term liabilities in the year ended March 31, 2012.
Retirement benefits for directors and Audit & Supervisory Board Members of certain domestic consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board Members retired at the balance sheet date.

j. Asset Retirement Obligations
An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. Stock Options
The accounting standard and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

l. Research and Development Costs
Research and development costs are charged to income as incurred.

m. Leases
(Lessee)
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.
In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.
The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.
(Lessor)
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in lease.

n. Bonuses to Directors and Audit & Supervisory Board Members
Bonuses to directors and Audit & Supervisory Board Members are accrued at the end of the year to which such bonuses are attributable.

o. Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 income tax rates to the temporary differences.

p. Foreign Currency Transactions
All short-term and long-term 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 statement of income to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities
The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are deferred until maturity of the hedged transaction. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense.

s. Per Share Information
Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Non-current:			
Marketable equity securities	**¥ 6,274**	¥ 4,544	**$ 52,214**
Government bonds	**9**	9	**79**
Other	**738**	408	**6,149**
Total	**¥ 7,023**	¥ 4,961	**$ 58,443**

The ¥9 million of government bonds are a mortgage for guarantee of dealings.

The costs and aggregate fair values of investment securities at March 31, 2015 and 2014, were as follows:

	Millions of yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥3,627**	**¥2,873**	**¥ 225**	**¥6,274**
Held-to-Maturity	**9**	**0**		**9**
March 31, 2014				
Securities classified as:				
Available-for-sale: Equity securities	¥2,855	¥1,919	¥ 230	¥4,544
Held-to-Maturity	9	0		9

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$ 30,186**	**$ 23,907**	**$ 1,879**	**$ 52,214**
Held-to-Maturity	**79**	**2**		**81**

4. INVENTORIES

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

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise and finished products	**¥7,795**	¥8,579	**$ 64,873**
Work in process	**796**	962	**6,631**
Raw materials and supplies	**537**	319	**4,470**
Total	**¥9,129**	¥9,861	**$ 75,974**

5. LONG-LIVED ASSETS

Year ended March 31, 2015
The Group recognized an extraordinary impairment loss of ¥298 million ($2,484 thousand) in the transfer of a business which is scheduled for April 1, 2015 in a subsidiary. The subsidiary made a contract of transfer of business on February 18, 2015, but the transfer price of the business was less than the book value, therefore the book value of the asset was written down to the transfer price that is considered the recoverable amount.

In addition, the impairment loss is included in loss on transfer of business in the consolidated statement of income.

Year ended March 31, 2014
The Group recognized an extraordinary impairment loss of ¥29 million in the software work in progress account. The impairment loss was due to discontinuation of a new software introduction plan, which turned out not to be as cost reducing as originally expected, and the book value of the asset was written down to the recoverable amount.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2015 and 2014, consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.53% to 1.40% and 0.60% to 1.42% at March 31, 2015 and 2014, respectively.

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

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loan from financial institution, due serially to 2021, with interest rates ranging 0.95% (2015)			
Unsecured	**¥ 2,230**		**$ 18,562**
Loan from financial institution, due serially to 2020, with interest rates ranging 0.92% (2015 and 2014)			
Unsecured	**¥ 290**	¥ 350	**$ 2,413**
Loan from financial institution, due serially to 2021, with interest rates ranging 0.85% (2015 and 2014)			
Unsecured	**¥ 256**	¥ 300	**$ 2,130**
Total	**¥ 2,776**	¥ 650	**$ 23,105**
Less current portion	**(463)**	(104)	**(3,854)**
Long-term debt, less current portion	**¥ 2,313**	¥ 546	**$ 19,251**

Annual maturities of long-term debt as of March 31, 2015, were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2016	**¥ 463**	**$ 3,854**
2017	**463**	**3,854**
2018	**463**	**3,854**
2019	**463**	**3,854**
2020	**453**	**3,771**
2021 and there after	**470**	**3,916**
Total	**¥ 2,776**	**$ 23,105**

In order to procure operating funds efficiently and stably, loan commitments were signed with five banks. The unused credit balance under those loans as of March 31, 2015, was as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	**¥ 10,000**	**$ 83,215**
Amount loaned	**6,500**	**54,090**
Unused credit balance	**¥ 3,500**	**$ 29,125**

7. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors and Audit & Supervisory Board Members.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. In certain circumstances, the Company might pay the severance premium on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The Welfare Pension Fund, in which the Company and certain domestic consolidated subsidiaries participate, is a multi-employer defined benefit corporate pension plan.

Assets contributed by an employer participating in the Welfare Pension Fund are not segregated in a separate account or restricted to provide benefits only to employees of that employer. Therefore, the contributions to the multi-employer defined benefit corporate plan are recognized as paid and accounted for as a component of net periodic retirement benefit costs.

The liability for retirement benefits for directors and Audit & Supervisory Board Members was ¥24 million ($201 thousand) and ¥42 million at March 31, 2015 and 2014, respectively. The retirement benefits for directors and Audit & Supervisory Board Members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2015 and 2014, consisted of the following:

a. Contributory funded defined benefit pension plan

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 2,985**	¥ 2,878	**$ 24,840**
Cumulative effect of accounting change	**(524)**		**(4,362)**
Balance at beginning of year (as restated)	**¥ 2,460**	¥ 2,878	**$ 20,478**
Current service cost	**167**	168	**1,397**
Interest cost	**30**	40	**257**
Actuarial losses	**103**	37	**857**
Benefits paid	**(73)**	(177)	**(610)**
Others	**21**	38	**182**
Balance at end of year	**¥ 2,711**	¥ 2,985	**$ 22,562**

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 2,422**	¥ 1,942	**$ 20,161**
Expected return on plan assets	**33**	29	**282**
Actuarial losses	**331**	189	**2,759**
Contributions from the employer	**456**	439	**3,800**
Benefits paid	**(73)**	(177)	**(610)**
Balance at end of year	**¥ 3,171**	¥ 2,422	**$ 26,392**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥ 2,439**	¥ 2,734	**$ 20,297**
Plan assets	**(3,171)**	(2,422)	**(26,392)**
	(732)	311	**(6,095)**
Unfunded defined benefit obligation	**272**	250	**2,265**
Net (asset) liability arising from defined benefit obligation	**¥ (460)**	¥ 562	**$ (3,829)**

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥ 272**	¥ 562	**$ 2,265**
Assets for retirement benefits	**(732)**		**(6,095)**
Net (asset) liability arising from defined benefit obligation	**¥ (460)**	¥ 562	**$ (3,829)**

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥ 167**	¥ 168	**$ 1,397**
Interest cost	**30**	40	**257**
Expected return on plan assets	**(33)**	(29)	**(282)**
Amortization of prior service cost	**24**	24	**698**
Recognized actuarial losses	**83**	88	**207**
Others	**128**	55	**1,066**
Net periodic benefit costs	**¥ 401**	¥ 347	**$ 3,345**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Prior service cost	**¥ 24**		**$ 207**
Actuarial losses	**312**		**2,600**
Total	**¥ 337**		**$ 2,807**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ 246**	¥ 271	**$ 2,053**
Unrecognized actuarial (gains) losses	**(78)**	233	**(657)**
Total	**¥ 167**	¥ 505	**$ 1,396**

(7) Plan assets

(1). Components of plan assets

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

	2015	2014
Debt investments	**45.3%**	45.3%
Equity investments	**44.7**	43.5
General account	**5.4**	6.1
Others	**4.6**	5.1
Total	**100.0%**	100.0%

(2). Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	**1.1%**	1.5%
Expected rate of return on plan assets	**1.1**	1.5

b. Multi-employer defined benefit corporate pension plan

The funded status of the multi-employer defined benefit corporate plan at March 31, 2014 (most recently available information as of March 31, 2015), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Fair value of plan assets	**¥ 64,095**	¥ 59,993	**$ 533,370**
Total amount of pension benefit obligation recorded by pension fund and minimum actuarial reserve	**¥ 74,595**	¥ 73,147	**$ 620,750**
Difference	**¥(10,500)**	¥(13,154)	**$ (87,380)**

The difference mainly resulted from prior service cost of ¥11,401 million ($94,877 thousand). The basic part of the prior service cost is amortized over 13 years and 3 months, and the additional part is amortized over 4 years and 10 months.

The Groups' contribution percentage for the multi-employer defined benefit corporate plan at March 31, 2015 was 7.22%.The above contribution ratio does not conform to the actual ratio applied to the Group.

8. EQUITY

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2015, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2009 Stock Options	320 Persons	1,819,000 Shares	September 1, 2009	¥313 ($2.60)	From August 1, 2011 to July 31, 2016
2011 Stock Options	18 Persons	87,000 Shares	September 2, 2011	¥1 ($0.01)	From September 2, 2011 to September 1, 2041
2013 Stock Options	19 Persons	125,000 Shares	September 3, 2013	¥1 ($0.01)	From September 3, 2013 to September 2, 2043

The stock option activity is as follows:

For the year ended March 31, 2015	2009 Stock Options (Shares)	2011 Stock Options (Shares)	2013 Stock Options (Shares)
Non-vested			
March 31, 2014 — Outstanding			
Granted			
Canceled			
Vested			
March 31, 2015 — Outstanding			
Vested			
March 31, 2014 — Outstanding	896,000	63,000	125,000
Vested			
Exercised	(459,000)		
Canceled	(7,000)		
March 31, 2015 — Outstanding	430,000	63,000	125,000
Exercise price	¥ 313	¥ 1	¥ 1
	($ 2.60)	($ 0.01)	($ 0.01)
Average stock price at exercise	¥ 539		
	($ 4.49)		
Fair value price at grant date	¥ 64	¥ 333	¥ 348
	($ 0.53)	($ 2.77)	($ 2.90)

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.
The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 287**	¥ 145	**$ 2,392**
Allowance for bonus payable	**233**	225	**1,942**
Liability for retirement benefits	**111**	238	**926**
Evaluation loss on investment securities	**71**	79	**596**
Allowance for after-sales service	**55**	80	**463**
Investment in and advances to unconsolidated subsidiaries and associated companies	**243**	219	**2,022**
Tax loss carryforwards	**155**	208	**1,293**
Other	**622**	413	**5,180**
Less valuation allowance	**(529)**	(730)	**(4,404)**
Total	**1,251**	879	**10,413**
Deferred tax liabilities:			
Deferred gain on sales of property	**(15)**	(17)	**(125)**
Unrealized gain on available-for-sale securities	**(800)**	(574)	**(6,665)**
Retained earnings in foreign subsidiaries	**(33)**	(86)	**(277)**
Assets for retirement benefits	**(250)**		**(2,083)**
Other	**(90)**	(67)	**(749)**
Total	**(1,189)**	(745)	**(9,901)**
Net deferred tax assets	**¥ 61**	¥ 133	**$ 511**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2014, is as follows:

	2014
Normal effective statutory tax rate	38.0%
Expenses not deductible for income tax purposes	6.3
Exclusion from charges against revenue	(5.7)
Lower income tax rates applicable to income in certain foreign countries	(3.1)
Overseas income deductible for enterprise tax	(0.1)
Less valuation allowance	(0.1)
Decrease of deferred tax assets relating to the effective tax rate change	0.7
Elimination of inter-company dividend income	5.7
Retained earnings in foreign subsidiaries	1.9
Amortization of negative goodwill	(0.2)
Other-net	2.0
Actual effective tax rate	45.4%

The notes to the current consolidated Financial Statements do not refer to the difference between the Japanese statutory income tax rate and the actual effective tax rate, as it is not more than 5% of the statutory income tax rate.

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effects of there changes were not material.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2015 and 2014, principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Salaries and fees	**¥5,457**	¥5,240	**$45,417**
Retirement benefit costs	**504**	325	**4,195**
Depreciation and amortization	**374**	196	**3,117**
Research and development costs	**279**	225	**2,323**
Rental expense	**1,219**	1,130	**10,148**

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2015 and 2014, were ¥279 million ($2,323 thousand) and ¥225 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2015 and 2014, were ¥722 million ($6,012 thousand) and ¥743 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. Dollars	
	2015		2015	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 22	¥ 44	$ 190	$ 368
Due after one year	26	16	218	139
Total	¥ 49	¥ 60	$ 409	$ 507

(2) As Lessor

The Group leases machinery, equipment and other assets.

Total rental revenues for the years ended March 31, 2015 and 2014, were ¥128 million ($1,066 thousand) and ¥138 million, respectively.

The net investments in leases are summarized as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥ 37	¥ 94	$ 312
Unguaranteed residual values		1	
Unearned interest income	(3)	(9)	(29)
Investments in leases, current	¥ 34	¥ 86	$ 283

Maturities of investment finance leases that were deemed not to transfer ownership of the leased property to the lessee are as follows:

year ending March 31	Millions of yen	Thousands of U.S. Dollars
2016	¥ 37	$ 312
Total	¥ 37	$ 312

The minimum rental commitments under noncancellable operating leases at March 31, 2015, were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2015	2015
Due within one year	¥ 36	$ 301
Due after one year	14	122
Total	¥ 50	$ 423

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 15 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. Please see Note 15 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2015.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

There are no significant account receivables from any major customer of the Group as of March 31, 2015.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
At March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥15,234	¥15,234	
Time deposits	126	126	
Receivables	38,324	38,310	¥(14)
Electronically recorded monetary claims	945	945	
Marketable and investment securities			
Held-to-maturity	9	9	0
Equity securities	6,274	6,274	
Total	¥60,915	¥60,901	¥(13)
Payables	¥28,173	¥28,172	¥ 0
Short-term bank loans	8,209	8,209	
Long-term debt	2,776	2,758	18
Total	¥39,159	¥39,141	¥ 18

	Millions of yen		
At March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥13,585	¥13,585	
Time deposits	72	72	
Receivables	37,208	37,206	¥ (2)
Electronically recorded monetary claims	321	321	
Marketable and investment securities			
Held-to-maturity	9	9	0
Equity securities	4,544	4,544	
Total	¥55,741	¥55,738	¥ (2)
Payables	¥27,452	¥27,451	¥ 0
Short-term bank loans	8,041	8,041	
Long-term debt	650	645	4
Total	¥36,143	¥36,138	¥ 5

	Thousands of U.S. Dollars		
At March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 126,775	$ 126,775	
Time deposits	1,051	1,051	
Receivables	318,921	318,804	$(116)
Electronically recorded monetary claims	7,866	7,866	
Marketable and investment securities			
Held-to-maturity	79	81	2
Equity securities	52,214	52,214	
Total	$ 506,909	$ 506,794	$(114)
Payables	$ 234,446	$ 234,442	$ 4
Short-term bank loans	68,316	68,316	
Long-term debt	23,105	22,954	150
Total	$ 325,869	$ 325,714	$ 155

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Receivables and payables

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate. The foreign currency forward contracts are utilized to hedge foreign currency exposures in the procurement of raw machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Short-term bank loans and long-term debt

The fair values of short-term bank loans approximate fair value because of their short maturities. The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,501**	¥2,094	**$20,817**

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen		
At March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**¥15,234**		
Time deposits	**126**		
Receivables	**37,712**	**¥612**	
Electronically recorded monetary claims	**945**		
Marketable and investment securities			
Government bonds			**¥10**
Total	**¥54,018**	**¥612**	**¥10**

	Thousands of U.S. Dollars		
At March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**$126,775**		
Time deposits	**1,051**		
Receivables	**313,826**	**$5,095**	
Electronically recorded monetary claims	**7,866**		
Marketable and investment securities			
Government bonds			**$83**
Total	**$449,520**	**$5,095**	**$83**

Please see Note 6 for annual maturities of long-term debt and Note 13 (1) for obligations under finance leases.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate their authorization.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**¥ 688**		**¥ (65)**	**¥ (65)**
JP¥	**235**		**(1)**	**(1)**
S$	**87**	**¥4**	**(1)**	**(1)**
THB	**13**		**(1)**	**(1)**
EURO	**0**		**0**	**0**
Buying				
JP¥	**1,702**		**(81)**	**(81)**
EURO	**111**		**(21)**	**(21)**
U.S.$	**33**		**(0)**	**(0)**
STG	**3**		**(0)**	**(0)**

	Millions of yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	¥ 714		¥ (11)	¥ (11)
S$	41	¥3	(2)	(2)
JP¥	3		0	0
Buying				
JP¥	1,867		(53)	(53)
U.S.$	76		(2)	(2)
S$	18		0	0
EURO	3		0	0

	Thousands of U.S. Dollars			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**$ 5,726**		**$ (542)**	**$ (542)**
JP¥	**1,962**		**(8)**	**(8)**
S$	**729**	**$ 39**	**(8)**	**(8)**
THB	**111**		**(10)**	**(10)**
EURO	**2**		**0**	**0**
Buying				
JP¥	**14,169**		**(679)**	**(679)**
EURO	**928**		**(179)**	**(179)**
U.S.$	**280**		**(0)**	**(0)**
STG	**30**		**(0)**	**(0)**

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of yen		
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**¥ 3,172**		**¥ (180)**
EURO	〃	**134**		**4**
STG	〃	**17**		**0**
THB	〃	**8**		**(0)**
JP¥	〃	**0**		**0**
Buying				
U.S.$	Released Order	**687**		**48**
EURO	〃	**254**		**(12)**
DKK	〃	**181**		**(12)**
STG	〃	**15**		**(0)**
S$	〃	**4**		**(0)**
JP¥	〃	**0**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥ 1,068**	**¥0**	Note 2
EURO	〃	**22**		Note 2
STG	〃	**13**		Note 2
S$	〃	**8**		Note 2
JP¥	〃	**7**		Note 2
Buying				
U.S.$	Payables and other	**740**		Note 2
EURO	〃	**46**		Note 2
JP¥	〃	**29**		Note 2
DKK	〃	**1**		Note 2

		Millions of yen		
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	¥ 2,284	¥ 68	¥ (55)
EURO	〃	135		(8)
JP¥	〃	7		0
MXN	〃	6		(0)
THB	〃	3		(0)
STG	〃	0		(0)
Buying				
U.S.$	Payables	820	15	15
EURO	〃	729	5	12
DKK	〃	259		13
JP¥	〃	88		(1)
CAD	〃	6		0
THB	〃	4		0
STG	〃	0		(0)
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	¥ 1,768		Note 2
EURO	〃	33		Note 2
STG	〃	13		Note 2
MXN	〃	8		Note 2
S$	〃	3		Note 2
Buying				
U.S.$	Payables	585		Note 2
STG	〃	14		Note 2
CAD	〃	6		Note 2
EURO	〃	3		Note 2

		Thousands of U.S. Dollars		
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**$26,401**		**$(1,499)**
EURO	〃	**1,116**		**37**
STG	〃	**144**		**2**
THB	〃	**70**		**(4)**
JP¥	〃	**5**		**0**
Buying				
U.S.$	Released Order	**5,718**		**400**
EURO	〃	**2,115**		**(99)**
DKK	〃	**1,511**		**(101)**
STG	〃	**128**		**(2)**
S$	〃	**41**		**(0)**
JP¥	〃	**5**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$ 8,887**	**$7**	Note 2
EURO	〃	**183**		Note 2
STG	〃	**111**		Note 2
S$	〃	**71**		Note 2
JP¥	〃	**58**		Note 2
Buying				
U.S.$	Payables and other	**6,164**		Note 2
EURO	〃	**387**		Note 2
JP¥	〃	**296**		Note 2
DKK	〃	**9**		Note 2

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

2. Fair value of the foreign currency forward contracts assigned for receivables and payables is included in the fair value of receivables and payables disclosed at Note 14. (5) (a).

16. CONTINGENT LIABILITIES

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥40	$333

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 969	¥ 405	$ 8,064
Reclassification adjustments to profit or loss		41	
Amount before income tax effect	969	446	8,064
Income tax effect	(226)	(161)	(1,884)
Total	¥ 742	¥ 284	$ 6,179
Deferred loss on derivatives under hedge accounting:			
Gains arising during the year	¥ (128)	¥ (56)	$ (1,067)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(128)	(56)	(1,067)
Income tax effect	42	20	352
Total	¥ (85)	¥ (36)	$ (715)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 682	¥ 660	$ 5,679
Total	¥ 682	¥ 660	$ 5,679
Defined retirement benefit plans			
Gains arising during the year	¥ 228		$ 1,901
Reclassification adjustments to profit or loss	108		905
Amount before income tax	337		2,807
Income tax effect	(125)		(1,044)
Total	¥ 211		$ 1,763
Share of other comprehensive income in associates:			
Gains arising during the year	34	¥ 55	$ 288
Reclassification adjustments to profit or loss			
Total	¥ 34	¥ 55	$ 288
Total other comprehensive income	¥1,585	¥ 965	$13,194

18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS Net income available to common shareholders	¥2,897	53,196	¥54.46	$ 0.45
Effect of dilutive securities Warrants		491		
Diluted EPS Net income for computation	¥2,897	53,687	¥53.96	$ 0.45
Year ended March 31, 2014				
Basic EPS Net income available to common shareholders	¥2,459	52,950	¥46.45	$ 0.45
Effect of dilutive securities Warrants		410		
Diluted EPS Net income for computation	¥2,459	53,361	¥46.10	$ 0.45

19. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2015, were approved at the shareholders' meeting of the Company held on June 23, 2015:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 ($0.07) per share	¥427	$3,555

20. SEGMENT INFORMATION

The Group is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the Plant & Energy Business, Electronics Business, Industrial Machinery Business and Overseas Company.

- Plant & Energy Business: Energy development production, gas oil refining, chemicals, engineering, construction, paper & pulp-related machinery and equipment
- Electronics Business: Electronics, information and communication, electrical appliance, precision equipment, optics, sound, musical instrument-related machinery and equipment
- Industrial Machinery Business: Plastics, rubber, automobile, steel, pharmaceuticals, food-related machinery and equipment
- Overseas Company: Machinery and equipment which overseas branches and overseas subsidiaries handle

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of yen								
	2015								
	Reportable segment								
	Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	¥30,177	¥35,937	¥41,070	¥33,622	¥140,807	¥2,553	¥143,361		¥143,361
Intersegment sales or transfers	914	5,397	3,601	5,061	14,974	3,219	18,194	¥(18,194)	
Total	31,091	41,335	44,671	38,683	155,782	5,773	161,555	(18,194)	143,361
Segment profit	932	1,888	3,216	1,465	7,503	285	7,788	(3,446)	4,341
Segment assets	22,203	16,517	21,805	18,840	79,367	3,705	83,072	8,762	91,835
Other:									
Depreciation	360	172	31	90	655	118	773	100	874
Impairment loss (Note 3)		298			298		298		298
Investment in an equity method company			588	318	906		906		906
Increase in property, plant and equipment and intangible assets	3,395	170	48	46	3,660	67	3,727	323	4,050

	Millions of yen								
	2014								
	Reportable segment								
	Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	¥28,343	¥30,340	¥36,514	¥24,497	¥119,696	¥2,406	¥122,102		¥122,102
Intersegment sales or transfers	1,330	3,360	2,265	7,540	14,496	2,652	17,148	¥(17,148)	
Total	29,673	33,701	38,780	32,037	134,192	5,058	139,251	(17,148)	122,102
Segment profit	1,299	1,634	2,837	1,069	6,840	305	7,146	(3,071)	4,074
Segment assets	18,135	14,994	21,645	15,076	69,852	3,286	73,138	8,304	81,443
Other:									
Depreciation	46	62	54	72	234	101	336	16	352
Impairment loss								29	29
Investment in an equity method company			506	324	830		830		830
Increase in property, plant and equipment and intangible assets	310	562	27	80	980	20	1,001	50	1,052

	Thousands of U.S. Dollars								
	2015								
	Reportable segment								
	Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	**$251,125**	**$299,056**	**$341,768**	**$279,789**	**$1,171,738**	**$21,249**	**$1,192,988**		**$1,192,988**
Intersegment sales or transfers	**7,607**	**44,915**	**29,966**	**42,121**	**124,610**	**26,794**	**151,405**	**$(151,405)**	
Total	**258,732**	**343,971**	**371,735**	**321,910**	**1,296,349**	**48,044**	**1,344,393**	**(151,405)**	**1,192,988**
Segment profit	**7,757**	**15,715**	**26,768**	**12,197**	**62,438**	**2,373**	**64,812**	**(28,681)**	**36,130**
Segment assets	**184,767**	**137,455**	**181,457**	**156,780**	**660,460**	**30,832**	**691,292**	**72,918**	**764,211**
Other:									
Depreciation	**2,998**	**1,435**	**265**	**756**	**5,455**	**983**	**6,439**	**835**	**7,274**
Impairment loss (Note 3)		**2,484**			**2,484**		**2,484**		**2,484**
Investment in an equity method company			**4,894**	**2,652**	**7,546**		**7,546**		**7,546**
Increase in property, plant and equipment and intangible assets	**28,257**	**1,419**	**399**	**384**	**30,461**	**558**	**31,019**	**2,690**	**33,709**

Notes: 1) Transfers between segments are made at arm's-length prices.
2) Segment profit is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
3) Impairment loss in the electronics business segment is included in loss on transfer of business in the consolidated statement of income of year ended March 31, 2015.

1. Information about products and services

Information about products and services is omitted as it is presented in the description of reportable segments.

2. Information about geographical areas

(1) Sales

Millions of Yen						
2015						
Japan	China	Asia	North America	Europe	Other	Total
¥64,750	**¥19,215**	**¥37,056**	**¥10,146**	**¥3,946**	**¥8,246**	**¥143,361**

Millions of Yen						
2014						
Japan	China	Asia	North America	Europe	Other	Total
¥60,715	¥16,803	¥30,361	¥7,257	¥1,527	¥5,437	¥122,102

Thousands of U.S. Dollars						
2015						
Japan	China	Asia	North America	Europe	Other	Total
$538,826	**$159,899**	**$308,366**	**$84,432**	**$32,840**	**$68,623**	**$1,192,988**

Notes: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen			
2015			
Japan	Asia	Other	Total
¥2,814	**¥188**	**¥35**	**¥3,038**

Millions of Yen			
2014			
Japan	Asia	Other	Total
¥2,958	¥155	¥41	¥3,155

Thousands of U.S. Dollars			
2015			
Japan	Asia	Other	Total
$23,422	**$1,567**	**$294**	**$25,284**

3. Information about major customers

Information about major customers is omitted as no single external customer accounts for 10% or more of net sales in the consolidated statements of income.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiichi Jitsugyo Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2015

Member of
Deloitte Touche Tohmatsu Limited

DAIICHI JITSUGYO CO., LTD.

Date of Establishment
August 12, 1948

Paid-in Capital
¥5,105 million

Stock Exchange Listing
Tokyo Stock Exchange, First Section

Number of Employees
419 (Non-consolidated)
1,080 (Consolidated)

Transfer Agent and Registrar
Tokyo Securities Transfer Agent Co., Ltd.

Common Stock

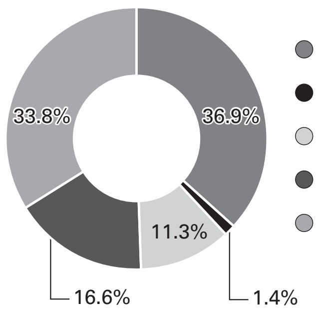
Authorized:	160,000,000 shares
Issued:	55,432,000 shares
Number of shareholders:	6,324

Major Shareholders

	(% of total)
Mizuho Bank, Ltd.	4.79
Sumitomo Mitsui Banking Corporation	4.78
Japan Trustee Services Bank, Ltd. (Trust Account)	4.42
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.49
Resona Bank, Limited.	3.17
The Master Trust Bank of Japan, Ltd.(Trust Account)	2.87
Sompo Japan Nipponkoa Insurance Inc.	2.85

* Percentages of total shares issued are calculated based on the total number of shares issued excluding treasury stock.

Distribution of Ownership among Shareholders



Directors and Audit & Supervisory Board Members (As of June 23, 2015)

President & CEO
Koji Yamagata*

Executive Vice President & CFO
Tohru Tsuda*

Managing Directors
Shigeki Terakawa
Hiroshi Yoshida
Hajime Kimoto

Outside Director
Yoshikazu Sakamoto

Standing Audit & Supervisory Board Member
Masakazu Fujinaga

Audit & Supervisory Board Member
Isao Takesue

Outside Audit & Supervisory Board Members
Tsuyoshi Terui
Toshihiko Matsumiya

Executive Officers (As of June 23, 2015)

Managing Executive Officers
Akira Kasamatsu
Industrial Machinery Business Div.
Muneo Yamano
Plant & Energy Business Div.

Executive Officers
Hitoshi Takasaki
Industrial Machinery Business Div.
Ryuichi Ninomiya
DAIICHI JITSUGYO ASIA PTE. LTD.
Itaru Kage
Accounting Div.
Ichiro Uno
DAIICHI JITSUGYO (AMERICA), INC.
Masatoshi Ueno
Electronic Systems Business Div.
Daisuke Ozono
SHANGHAI YISHI TRADING CO., LTD.
Masaru Moriya
DAIICHI MECHA-TECH CORPORATION
Yoshikazu Taruta
Administration Div., Corporate Planning & Strategy Div.

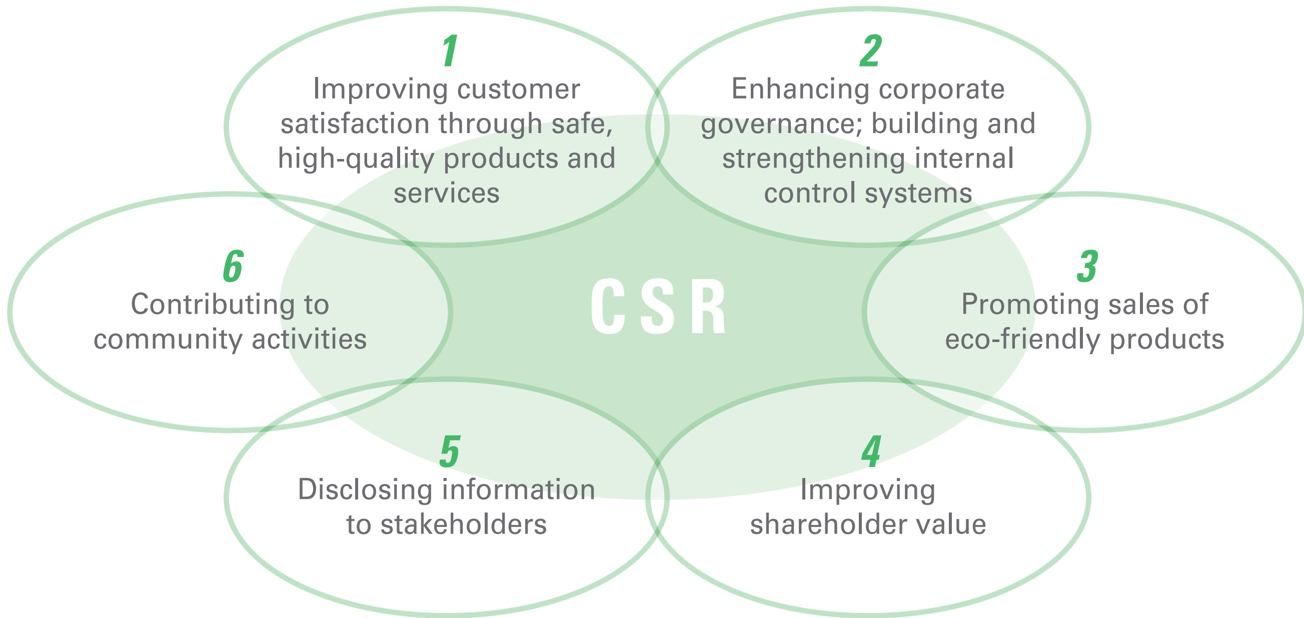
* Representative Director

CORPORATE SOCIAL RESPONSIBILITY

Top commitment

The DJK Group is committed to fulfilling its social responsibilities globally in accordance with its management philosophy of contributing to social prosperity. The DJK Group aims for corporate growth and the development of a sustainable society by focusing on environmental considerations, thorough legal compliance, and enhanced relations with stakeholders, while maintaining its role as part of the worldwide distribution channel of economic society.

Management outlook based on a keen awareness of social responsibility



Example of human resources development: Diversity management

The DJK Group has more than 1,000 employees, and a wealth of human resources supports our business activities. DJK regularly offers training opportunities to local staff overseas to aggressively promote superior human resources regardless of gender, nationality, or social background. We are confident that a sense of group-wide unity and commitment to a corporate organization can be solidified by helping every local staffer understand his or her interests in DJK's corporate culture and the direction of its activities. For the DJK Group, which aims for further global development, the development of talented human resources represents an important issue and management intends to continuously address this essential task.

Example of social contribution program: Co-sponsoring robot contests

As a general machinery trading company, DJK co-sponsors robot contests to help children understand Japanese manufacturing skills. The contests offer occasions to become familiar with scientific technologies and serve as a venue for cultivating creativity and problem-solving abilities. Many DJK employees participate in the competition as volunteer staff to support such future-oriented children.

WRO™ World Robot Olympiad

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