Torishima Pump Mfg. Co., Ltd.

Consolidated Financial Statements for the Year Ended March 31, 2016 and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Torishima Pump Mfg. Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, 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 Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, 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 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 7,175	¥ 4,307	$ 63,496
Short-term investments (Note 3)	69	132	611
Receivables:			
Trade (Note 12)	22,999	26,616	203,531
Unconsolidated subsidiaries and associated companies	85	243	752
Other	574	622	5,080
Allowance for doubtful accounts	(355)	(85)	(3,142)
Inventories (Note 4)	9,288	8,838	82,195
Advance payments	243	813	2,150
Deferred tax assets (Note 10)	512	905	4,531
Other current assets	943	513	8,345
Total current assets	41,533	42,904	367,549
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	2,510	2,561	22,212
Buildings and structures (Notes 5 and 6)	9,948	9,613	88,035
Machinery and equipment (Note 6)	12,670	13,342	112,124
Construction in progress	69	93	611
Lease assets	644	707	5,699
Total	25,841	26,316	228,681
Accumulated depreciation	(15,752)	(15,704)	(139,398)
Net property, plant and equipment	10,089	10,612	89,283
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 12)	7,196	8,625	63,681
Investments in and advances to unconsolidated subsidiaries and associated companies	4,548	6,057	40,248
Software	1,961	2,098	17,354
Asset for retirement benefits (Note 7)	173	1,103	1,531
Deferred tax assets (Note 10)	51	48	451
Other assets (Note 18)	647	540	5,726
Total investments and other assets	14,576	18,471	128,991
TOTAL	¥ 66,198	¥ 71,987	$ 585,823

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 12)	¥ 5,619	¥ 6,537	$ 49,726
Current portion of long-term debt (Notes 6 and 12)	1,096	1,960	9,699
Payables:			
Trade (Note 12)	8,218	10,081	72,726
Unconsolidated subsidiaries and associated companies	47	30	416
Other	1,268	1,039	11,221
Advances received from customers	3,202	1,812	28,336
Income taxes payable	196	111	1,735
Allowance for product warranties	654	636	5,788
Allowance for losses on construction contracts	314	436	2,779
Accrued expenses	1,470	1,267	13,009
Other current liabilities	44	1,231	389
Total current liabilities	22,128	25,140	195,824
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 12)	9,916	8,976	87,752
Liability for retirement benefits (Note 7)	314	261	2,779
Other long-term liabilities (Note 10)	1,045	1,077	9,248
Total long-term liabilities	11,275	10,314	99,779
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)			
EQUITY (Notes 8, 9 and 16):			
Common stock, authorized, 60,000 thousand shares; issued 29,889 thousand shares in 2016 and 2015	1,593	1,593	14,097
Capital surplus	7,800	7,829	69,027
Stock acquisition rights	100	110	885
Retained earnings	21,734	24,651	192,336
Treasury stock—at cost 2,581 thousand shares in 2016 and 2,402 thousand shares in 2015	(1,671)	(1,499)	(14,788)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	801	1,615	7,088
Deferred gain (loss) on derivatives under hedge accounting	241	(457)	2,133
Foreign currency translation adjustments	1,523	1,503	13,478
Defined retirement benefit plans	191	725	1,690
Total	32,312	36,070	285,946
Noncontrolling interests	483	463	4,274
Total equity	32,795	36,533	290,220
TOTAL	¥ 66,198	¥ 71,987	$ 585,823

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES	¥ 40,479	¥ 46,502	$ 358,221
COST OF SALES (Note 11)	31,287	37,340	276,876
Gross profit	9,192	9,162	81,345
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	8,819	8,762	78,044
Operating income	373	400	3,301
OTHER (EXPENSES) INCOME:			
Interest and dividend income	214	241	1,894
Interest expense	(176)	(149)	(1,558)
Gain on redemption investment securities	300		2,655
(Loss) gain on foreign exchange—net	(1,395)	391	(12,346)
Rent income	138	126	1,221
Equity in losses of associated companies	(1,076)	(213)	(9,522)
Gain on sales of subsidiaries	201		1,779
Gain on return of assets from retirement benefit trust	467		4,133
Settlement expense	(337)		(2,982)
Impairment loss (Note 5)		(158)	
Other—net	(124)	38	(1,098)
Other (expenses) income—net	(1,788)	276	(15,824)
(LOSS) INCOME BEFORE INCOME TAXES	(1,415)	676	(12,523)
INCOME TAXES (Note 10):			
Current	244	119	2,159
Deferred	733	56	6,487
Total income taxes	977	175	8,646
NET (LOSS) INCOME	(2,392)	501	(21,169)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(30)	(96)	(265)
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (2,422)	¥ 405	$ (21,434)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2. v and 16):			
Basic net (loss) income	¥ (88.14)	¥ 14.61	$ (0.78)
Diluted net income		14.55	
Cash dividends applicable to the year	18.00	18.00	0.16

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET (LOSS) INCOME	¥ (2,392)	¥ 501	$ (21,169)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 14):			
Unrealized (loss) gain on available-for-sale securities	(814)	541	(7,203)
Deferred gain (loss) on derivatives under hedge accounting	698	(208)	6,178
Foreign currency translation adjustments	52	699	460
Defined retirement benefit plans	(534)	579	(4,726)
Share of other comprehensive (loss) income in associates	(1)	213	(9)
Total other comprehensive (loss) income	(599)	1,824	(5,300)
COMPREHENSIVE (LOSS) INCOME	¥ (2,991)	¥ 2,325	$ (26,469)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (3,052)	¥ 2,189	$ (27,009)
Noncontrolling interests	61	136	540

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2016

	Thousands		Millions of Yen											
								Accumulated Other Comprehensive Income						
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncont-rolling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	29,889	(1,815)	¥ 1,593	¥ 7,823	¥ 101	¥ 23,889	¥ (962)	¥ 1,073	¥ (249)	¥ 632	¥ 146	¥ 34,046	¥ 478	¥ 34,524
Cumulative effect of accounting change						857						857		857
BALANCE, APRIL 1, 2014 (as restated)	29,889	(1,815)	1,593	7,823	101	24,746	(962)	1,073	(249)	632	146	34,903	478	35,381
Net income attributable to owners of the parent						405						405		405
Cash dividends, ¥18.00 per share						(500)						(500)		(500)
Purchase of treasury stock		(601)					(544)					(544)		(544)
Disposal of treasury stock		14		6			7					13		13
Net change in the year					9			542	(208)	871	579	1,793	(15)	1,778
BALANCE, MARCH 31, 2015	29,889	(2,402)	¥ 1,593	¥ 7,829	¥ 110	¥ 24,651	¥ (1,499)	¥ 1,615	¥ (457)	¥ 1,503	¥ 725	¥ 36,070	¥ 463	¥ 36,533
Net income attributable to owners of the parent						(2,422)						(2,422)		(2,422)
Cash dividends, ¥18.00 per share						(495)						(495)		(495)
Purchase of treasury stock		(210)					(191)					(191)		(191)
Disposal of treasury stock		31		10			19					29		29
Change in the parent's ownership interest due to transactions with noncontrolling interests				(39)								(39)		(39)
Net change in the year					(10)			(814)	698	20	(534)	(640)	20	(620)
BALANCE, MARCH 31, 2016	29,889	(2,581)	¥ 1,593	¥ 7,800	¥ 100	¥ 21,734	¥ (1,671)	¥ 801	¥ 241	¥ 1,523	¥ 191	¥ 32,312	¥ 483	¥ 32,795

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncont-rolling Interests	Total Equity
BALANCE, MARCH 31, 2015	$ 14,097	$ 69,283	$ 973	$ 218,150	$ (13,265)	$ 14,292	$ (4,044)	$ 13,301	$ 6,416	$ 319,203	$ 4,097	$ 323,300
Net income attributable to owners of the parent				(21,434)						(21,434)		(21,434)
Cash dividends, $0.16 per share				(4,380)						(4,380)		(4,380)
Purchase of treasury stock					(1,691)					(1,691)		(1,691)
Disposal of treasury stock		88			168					256		256
Change in the parent's ownership interest due to transactions with noncontrolling interests		(344)								(344)		(344)
Net change in the year			(88)			(7,204)	6,177	177	(4,726)	(5,664)	177	(5,487)
BALANCE, MARCH 31, 2016	$ 14,097	$ 69,027	$ 885	$ 192,336	$ (14,788)	$ 7,088	$ 2,133	$ 13,478	$ 1,690	$ 285,946	$ 4,274	$ 290,220

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (1,415)	¥ 676	$ (12,523)
Adjustments for:			
Income taxes—paid	(155)	(277)	(1,372)
Income taxes—refunded	101		894
Depreciation and amortization	1,562	1,636	13,823
Gain on redemption of investment securities	(300)		(2,655)
Gain on sales of subsidiaries	(201)		(1,779)
Gain on return of assets from retirement benefits trust	(467)		(4,133)
Equity in losses of associated companies	1,076	213	9,522
Impairment loss		158	
Changes in assets and liabilities:			
Change in accounts receivables	3,471	726	30,717
Change in inventories	(505)	(1,122)	(4,469)
Change in advance payments	558	(353)	4,938
Change in accounts payables	(1,174)	(2,174)	(10,389)
Change in advances received from customers	1,422	(198)	12,584
Change in allowance for doubtful accounts	415	(161)	3,673
Change in allowance for product warranties	18	(85)	159
Change in allowance for losses on construction contracts	(122)	85	(1,079)
Change in liability for retirement benefits	672	(126)	5,947
Other—net	44	(193)	390
Total adjustments	6,415	(1,871)	56,771
Net cash provided by (used in) operating activities	5,000	(1,195)	44,248
INVESTING ACTIVITIES:			
Increase in saving of time deposits	(19)	(177)	(168)
Proceeds from withdrawal of time deposits	69	572	611
Purchases of property, plant and equipment	(1,110)	(833)	(9,823)
Proceeds from sales of property, plant and equipment	145	49	1,283
Purchases of intangibles	(281)	(389)	(2,487)
Proceeds from sales of investments in consolidated subsidiary with change in consolidation scope	96		850
Purchases of investment securities	(1,001)	(14)	(8,859)
Proceeds from sales of investment securities	1,449	232	12,823
Payments of loans receivable		(41)	
Collection of loans receivable	249	113	2,203
Other	(12)	143	(106)
Net cash used in investing activities	(415)	(345)	(3,673)
FORWARD	¥ 4,585	¥ (1,540)	$ 40,575

(Continued)

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
FORWARD	¥ 4,585	¥ (1,540)	$ 40,575
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	(1,000)	1,463	(8,850)
Proceeds from long-term debt	2,009	4,096	17,779
Repayments of long-term debt	(1,870)	(2,270)	(16,549)
Purchase of treasury stock	(191)	(544)	(1,691)
Dividends paid	(498)	(501)	(4,407)
Other	(75)	(124)	(663)
Net cash (used in) provided by financing activities	(1,625)	2,120	(14,381)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(92)	129	(814)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,868	709	25,380
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,307	3,598	38,116
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,175	¥ 4,307	$ 63,496

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") 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 ("IFRS").

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥113 to $1, the approximate rate of exchange at March 31, 2016. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** - The consolidated financial statements as of March 31, 2016 include the accounts of the Company and its 17 (18 in 2015) significant subsidiaries.

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 Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in zero unconsolidated subsidiaries and 6 associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and 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.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of less than 20 years.

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements –*** Practical Issues Task Force ("PITF") No.18 prescribes that 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 IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification- "FASB ASC") 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*** - In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No.18 above. The 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.

d. ***Business Combinations*** - In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No.21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No.10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures, " and revised ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of operations. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of operations*—In the consolidated statement of operations, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of operations, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied retrospectively for all applicable transactions which occurred in the prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, loss before income taxes for the year ended March 31, 2016, decreased by ¥39 million ($344 thousand) and capital surplus at March 31, 2016, decreased by ¥39 million ($344 thousand).

The Company acquired companies in previous years and accounted for the acquisitions by the purchase method of accounting. The related goodwill is systematically amortized over a period not exceeding 20 years.

e. ***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 that mature within three months of the date of acquisition.

f. ***Inventories*** - Inventories are stated at the lower of cost, determined by the specific identification method for work in process, and by the moving-average method for other inventories, or net selling value.

g. ***Marketable and Investment Securities*** - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are not classified as trading securities, are reported at 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, investment securities are reduced to net realizable value by a charge to income.

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

i. ***Property, Plant and Equipment*** - Property, plant and equipment are stated at cost.

Buildings and lease assets are depreciated by the straight-line method and structures, machinery and other equipment are depreciated by the declining-balance method based on the estimated useful lives of the assets.

The estimated useful lives of the assets are primarily as follows:

Buildings and structures	10 - 50 years
Machinery and equipment	2 - 20 years
Software	5 - 7 years
Lease assets	Terms of the respective lease

j. ***Long-Lived Assets*** - The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate that 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 would be 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.

k. ***Retirement and Pension Plans*** - The Company has contributory funded defined benefit pension plans. Other consolidated subsidiaries have unfunded retirement benefit plans.

Under the accounting standard for employees' retirement benefits, the liability for employees' retirement benefits is determined based on projected benefit obligations and plan assets at the balance sheet date.

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 (See Note 14).

(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 as of April 1, 2014, decreased by ¥1,330 million, and retained earnings as of April 1, 2014, increased by ¥857 million. The effects of (c) above on operating income, income before income taxes and noncontrolling interests, basic net income per share and diluted net income per share for the year ended March 31, 2015 were not be material.

Retirement benefits for subsidiaries' directors and Audit & Supervisory Board members are recorded as a liability at the amount which would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

l. ***Allowance for Product Warranties*** - The Companies provide an allowance for foreseeable losses arising from product warranties.

m. ***Allowance for Losses on Construction Contracts*** - The Companies provide an allowance for foreseeable losses arising from certain construction contracts.

n. ***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.

o. ***Stock Options*** - In December 2005, the ASBJ issued ASBJ Statement No.8, “Accounting Standard for Stock Options” and related guidance. The new standard and 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 options 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.

p. ***Research and Development Costs*** - Research and development costs are charged to income as incurred.

q. ***Construction Contracts*** - The construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied.

r. ***Income Taxes*** - The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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.

s. ***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 operations to the extent that they are not hedged by forward exchange contracts.

t. ***Foreign Currency Financial Statements*** - The balance sheet accounts and revenue and expense 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.

u. ***Derivatives and Hedging Activities***

Derivatives under contract
The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
a) 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 operations and
b) 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 exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains / losses are recognized in income.

Foreign exchange forward contracts applied for forecasted or committed transactions are also measured at the fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.
Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment.

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

Hedging instruments and hedged items
a. Hedging instruments - Foreign exchange forward contracts
Hedged items - Receivables, payables and their forecasted transactions denominated in foreign currencies

b. Hedging instruments - Interest rate swaps
Hedged items - Long-term debt

Derivative use policy
The Companies manage their derivative financial instruments based on internal rules that define the dealing authority and the dealing limit.

The Companies use derivatives only for the purpose of hedging market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Assessing the effectiveness of hedging
The effectiveness of hedging is assessed by comparing the accumulated cash flows between the hedging instruments and hedged items. However, with regard to interest rate swaps that meet specific matching criteria, the assessments are omitted.

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

v. ***Per Share Information*** **-** Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

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

3. MARKETABLE AND INVESTMENT SECURITIES AND SHORT-TERM INVESTMENTS

Marketable and investment securities and short-term investments as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Time deposits that mature over three months from the date of acquisition	¥ 69	¥ 132	$ 611
Total	¥ 69	¥ 132	$ 611
Non-current:			
Marketable equity securities	¥ 5,804	¥ 7,521	$ 51,363
Non-marketable equity securities	1,333	333	11,796
Corporate bonds		700	
Trust funds	59	71	522
Total	¥ 7,196	¥ 8,625	$ 63,681

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,665	¥ 1,602	¥ 463	¥ 5,804
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,116	¥ 2,553	¥ 148	¥ 7,521
Corporate bonds	700			700

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 41,283	$ 14,177	$ 4,097	$ 51,363

The information for available-for-sale securities that were sold during the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 376	¥ 10	¥ 86
Corporate bonds	1,000	300	

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 232	¥ 46	

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 3,327	$ 88	$ 761
Corporate bonds	8,850	2,655	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2016 and 2015 were ¥7 million ($62 thousand) and ¥5 million, respectively.

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise and finished goods	¥ 267	¥ 248	$ 2,363
Work in process	6,996	6,656	61,912
Raw materials and supplies	2,025	1,934	17,920
Total	¥ 9,288	¥ 8,838	$ 82,195

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment as of March 31, 2016 and 2015. As a result, no impairment loss was recognized for the year ended March 31, 2016. The carrying amount of welfare facilities that are scheduled to be scrapped in the future was reduced to the recoverable amount that was determined to have no value. The amount of this reduction was recorded under other expenses of ¥158 million for the year ended March 31, 2015.

Use	Classification	Location
Welfare facilities	Buildings and structures	Takatsuki Osaka, Japan

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings generally included overdrafts, which bore interest at the weighted-average interest rates of 1.13% and 1.02% at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured loans from banks and other financial institutions, due through 2021, interest 0.40% - 4.54% (2016) and 0.40% - 11.97% (2015)	¥ 8,900	¥ 8,598	$ 78,760
Secured loans from banks, due through 2021, interest 0.38% - 4.54% (2016) and 0.63% - 4.48% (2015)	1,791	2,003	15,850
Obligations under finance leases	321	335	2,841
Total	11,012	10,936	97,451
Less current portion	(1,096)	(1,960)	(9,699)
Long-term debt, less current portion	¥ 9,916	¥ 8,976	$ 87,752

At March 31, 2016, property, plant and equipment with a total carrying value of ¥3,185 million ($28,186 thousand) were pledged as collateral for the current portion of long-term debt of ¥1,447 million ($12,805 thousand) and long-term debt of ¥1,790 million ($15,841 thousand).

Annual maturities of long-term debt, excluding finance leases, at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 967	$ 8,557
2018	5,824	51,540
2019	2,553	22,593
2020	200	1,770
2021	1,147	10,150

Annual maturities of lease obligations at March 31, 2016 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 129	$ 1,142
2018	91	805
2019	59	522
2020	34	301
2021	8	71

Long-term loans from banks include syndicated loan agreements amounting to ¥4,000 million ($35,398 thousand) at March 31, 2016. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.
These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year or as of just before the end of the year that the syndicated loan agreements were entered into.
(2) Ordinary income in the consolidated statement of operations should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary loss in the consolidated statement of operations for the year ended March 31, 2016 is ¥1,663 million ($14,717 thousand).

Long-term loans at March 31, 2016 include loan agreements amounting to ¥864 million ($7,646 thousand) that the Company had with lenders on a negotiation basis. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.
These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year.
(2) Ordinary income in the consolidated statement of operations should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary loss in the consolidated statement of operations for the year ended March 31, 2016 is ¥1,663 million ($14,717 thousand).

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Company has contributory funded defined benefit pension plans. Certain consolidated subsidiaries have unfunded retirement benefit plans.

The liability for retirement benefits for subsidiaries' directors and Audit & Supervisory Board members is ¥14 million ($124 thousand) and ¥12 million at March 31, 2016 and 2015, respectively.

The liability for employees' retirement benefits at March 31, 2016 and 2015, consisted of the following:

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 4,107	¥ 5,394	$ 36,345
Cumulative effect of accounting change		(1,330)	
Balance at beginning of year	4,107	4,064	36,345
Current service cost	316	332	2,796
Interest cost	46	38	407
Actuarial (gains) losses	(89)	3	(787)
Benefits paid	(342)	(330)	(3,026)
Balance at end of year	¥ 4,038	¥ 4,107	$ 35,735

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 4,961	¥ 3,946	$ 43,903
Expected return on plan assets	72	42	637
Actuarial (losses) gains	(215)	853	(1,902)
Contributions from the employer	326	363	2,885
Benefits paid	(248)	(243)	(2,195)
Refund from the retirement benefit trust	(985)		(8,717)
Balance at end of year	¥ 3,911	¥ 4,961	$ 34,611

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 3,738	¥ 3,858	$ 33,080
Plan assets	(3,911)	(4,961)	(34,611)
Total	(173)	(1,103)	(1,531)
Unfunded defined benefit obligation	300	249	2,655
Net liability (asset) for defined benefit obligation	¥ 127	¥ (854)	$ 1,124

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 300	¥ 249	$ 2,655
Asset for retirement benefits	(173)	(1,103)	(1,531)
Net liability (asset) for defined benefit obligation	¥ 127	¥ (854)	$ 1,124

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 316	¥ 332	$ 2,796
Interest cost	46	38	407
Expected return on plan assets	(72)	(42)	(637)
Recognized actuarial gains	(82)	(5)	(725)
Gain on return of assets from retirement benefit trust	(467)		(4,133)
Net periodic benefit costs	¥ (259)	¥ 323	$ (2,292)

Gain on return of assets from retirement benefit trust is recognized in other income in the consolidated statement of operations.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial gains	¥ 775	¥ 845	$ 6,858
Total	¥ 775	¥ 845	$ 6,858

Reclassification adjustments due to the refund of the retirement benefit trust included in the amount of actuarial gains were ¥567 million ($5,018 thousand).

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial gains	¥ 296	¥ 1,071	$ 2,619
Total	¥ 296	¥ 1,071	$ 2,619

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments - domestic	32.2%	23.1%
Debt investments - international	9.2	5.3
Equity investments - domestic	23.7	41.4
Equity investments - international	22.4	20.2
Call loans		7.3
Others	12.5	2.7
Total	100.0%	100.0%

b. 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 that are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain / loss	10 years	10 years

For the expected rate of increase in salary, the rate of increase in salary index by age as of September 30, 2015 was used.

The funded entrustment that is included in 9.4% of plan assets is not estimated at the expected rate of return on plan assets.

8. EQUITY

Japanese companies are 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, 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.

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 the legal reserve and additional paid-in capital equals 25% of 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 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 that 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, 2016 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 Audit & Supervisory Board Members	11,700 shares	2008.9.19	¥ 1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 Audit & Supervisory Board Members	19,400 shares	2009.7.17	¥ 1	From July 18, 2009 to July 17, 2039
2010 Stock Option	6 directors 5 Audit & Supervisory Board Members	20,700 shares	2010.7.20	¥ 1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 Audit & Supervisory Board Members	24,700 shares	2011.7.19	¥ 1	From July 20, 2011 to July 19, 2041
2012 Stock Option	6 directors 4 Audit & Supervisory Board Members	34,700 shares	2012.7.19	¥ 1	From July 20, 2012 to July 19, 2042
2013 Stock Option	5 directors 4 Audit & Supervisory Board Members	31,900 shares	2013.7.18	¥ 1	From July 19, 2013 to July 18, 2043
2014 Stock Option	4 directors 5 Audit & Supervisory Board Members	21,300 shares	2014.7.18	¥ 1	From July 19, 2014 to July 18, 2044
2015 Stock Option	8 directors	22,400 shares	2015.7.21	¥ 1	From July 22, 2015 to July 21, 2045

The stock option activity is as follows:

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
For the year ended March31, 2015				
Non-vested				
March 31, 2014 - Outstanding				
Granted				
Vested				
March 31, 2015 - Outstanding				
Vested				
March 31, 2014 - Outstanding	3,500	10,300	14,000	16,700
Vested				
Exercised			(2,000)	(2,600)
March 31, 2015 - Outstanding	3,500	10,300	12,000	14,100
For the year ended March31, 2016				
Non-vested				
March 31, 2015 - Outstanding				
Granted				
Vested				
March 31, 2016 - Outstanding				
Vested				
March 31, 2015 - Outstanding	3,500	10,300	12,000	14,100
Vested				
Exercised	(400)	(3,100)	(3,100)	(2,200)
Canceled				
March 31, 2016 - Outstanding	3,100	7,200	8,900	11,900
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 996	¥ 969	¥ 969	¥ 975
Fair value price at grant date	¥ 2,013	¥ 1,257	¥ 1,308	¥ 1,213

	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
For the year ended March31, 2015				
Non-vested				
March 31, 2014 - Outstanding				
Granted			21,300	
Vested			(21,300)	
March 31, 2015 - Outstanding				
Vested				
March 31, 2014 - Outstanding	30,200	31,900		
Vested			21,300	
Exercised	(4,400)	(4,700)		
March 31, 2015 - Outstanding	25,800	27,200	21,300	
For the year ended March31, 2016				
Non-vested				
March 31, 2015 - Outstanding				
Granted				22,400
Vested				(22,400)
March 31, 2016 - Outstanding				
Vested				
March 31, 2015 - Outstanding	25,800	27,200	21,300	
Vested				22,400
Exercised	(7,000)	(7,900)	(7,300)	
Canceled			(200)	
March 31, 2016 - Outstanding	18,800	19,300	13,800	22,400
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 968	¥ 966	¥ 964	
Fair value price at grant date	¥ 728	¥ 872	¥ 901	¥ 949

The Assumptions Used to Measure the Fair Value of 2016 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	42.5%
Estimated remaining outstanding period:	2.5years
Estimated dividend:	¥18 per share
Risk free interest rate:	0.01%

Estimation of the number of stock options vested.
Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Loss on revaluation of available-for-sale securities	¥ 19	¥ 193	$ 168
Tax loss carryforwards	909	498	8,044
Allowance for doubtful accounts	173	80	1,531
Accrued bonuses	229	224	2,027
Allowance for product warranties	202	211	1,788
Allowance for losses on construction contracts	96	144	850
Asset for employees' retirement benefit	288	6	2,548
Liability for employees' retirement benefits	56	36	496
Deferred loss on derivatives under hedge accounting		226	
Other	418	282	3,698
Less valuation allowance	(1,804)	(613)	(15,964)
Total	¥ 586	¥ 1,287	$ 5,186
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (339)	¥ (791)	$ (3,000)
Deferred gain on derivatives under hedge accounting	(108)		(956)
Other	(277)	(264)	(2,451)
Total	¥ (724)	¥ (1,055)	$ (6,407)
Net deferred tax (liabilities) assets	¥ (138)	¥ 232	$ (1,221)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	(1.5)	5.0
Dividend income not taxable for income tax purposes	0.9	(3.1)
Tax credit mainly for research and development costs		(0.7)
Inhabitant taxes	(1.9)	3.8
Equity method	(25.2)	11.2
Less valuation allowance	(90.7)	(5.6)
Effect of tax rate reduction on deferred tax assets	(3.5)	14.4
Income taxes for prior periods	(5.2)	
Reconciliation of consolidation process	26.1	(35.8)
Other—net	(1.1)	1.1
Actual effective tax rate	(69.0)%	25.9%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016 and 2017, from approximately 33.1% to 30.9%, and for the fiscal year beginning on or after April, 2018, from approximately 33.1% to 30.6%, respectively. The effect of this change was to decrease deferred tax assets by ¥5 million ($44 thousand), to increase unrealized gain on available-for-sale securities by ¥24 million ($212 thousand), to increase deferred gain on derivatives under hedge accounting by ¥8 million ($71 thousand), to increase defined retirement benefit plans by ¥5 million ($44 thousand), to increase retained earnings by ¥8 million ($71 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes—deferred by ¥50 million ($442 thousand) in the consolidated statement of operations for the year then ended.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥484 million ($4,283 thousand) and ¥658 million for the years ended March 31, 2016 and 2015, respectively.

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company Policy for Financial Instruments

The Companies use financial instruments, mainly long-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 its 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, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities, mainly equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost all less than five months. Although payables in foreign currencies are exposed to the market risk of fluctuations in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

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

Derivatives mainly include foreign currency forward contracts and interest-rate swaps that 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 13 for more details 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 debt according to the contractual terms. The Companies manage their 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 at an early stage.

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.

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

The basic principles of derivative transactions are approved by management at meetings held on a regular basis based on internal guidelines that prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are performed and the transaction data is reported to the chief financial officer and the management, on a regular basis.

Liquidity risk management

The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate accounting department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, another rational valuation technique is used instead. Please see Note 13 for more details on the fair value of derivatives.

(a) Fair value of financial instruments

March 31, 2016	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 7,175	¥ 7,175	
Receivables-trade	22,999	22,991	¥ (8)
Investment securities	5,804	5,804	
Total	¥ 35,978	¥ 35,970	¥ (8)
Short-term borrowings	¥ 5,619	¥ 5,619	
Payables-trade	8,218	8,218	
Long-term debt	11,012	11,111	¥ 99
Total	¥ 24,849	¥ 24,948	¥ 99
Derivatives	¥ 546	¥ 546	

March 31, 2015	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 4,307	¥ 4,307	
Receivables-trade	26,616	26,606	¥ (10)
Investment securities	8,221	8,221	
Total	¥ 39,144	¥ 39,134	¥ (10)
Short-term borrowings	¥ 6,537	¥ 6,537	
Payables-trade	10,081	10,081	
Long-term debt	10,936	10,996	¥ 60
Total	¥ 27,554	¥ 27,614	¥ 60
Derivatives	¥ 1,766	¥ 1,766	

Current portion of long-term debt is included in long-term debt.

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 63,496	$ 63,496	
Receivables-trade	203,531	203,460	$ (71)
Investment securities	51,363	51,363	
Total	$ 318,390	$ 318,319	$ (71)
Short-term borrowings	$ 49,726	$ 49,726	
Payables-trade	72,726	72,726	
Long-term debt	97,451	98,327	$ 876
Total	$ 219,903	$ 220,779	$ 876
Derivatives	$ 4,832	$ 4,832	

Cash and Cash Equivalents

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

Receivables

The fair values of receivables are measured at the amount to be received at maturity discounted at the Companies' assumed corporate discount rate and an evaluation of potential losses.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments.

Fair value information for investment securities by classification is included in Note 3.

Payables and Short-Term Borrowings

The fair values of payables and short-term borrowings approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

As a result, the fair values of such interest rate swaps are included in those of hedged items in Note 13.

Derivatives

Fair value information for derivatives is included in Note 13.

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

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
Investments in equity instruments that do not have a quoted market price in an active market	¥ 5,720	¥ 6,033	$ 50,619
Trust funds	59	71	522

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

March 31, 2016	Millions of Yen: Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 7,175		
Receivables	22,614	¥ 385	
Total	¥ 29,789	¥ 385	

March 31, 2016	Thousands of U.S. Dollars: Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 63,496		
Receivables	200,124	$ 3,407	
Total	$ 263,620	$ 3,407	

Please see Note 6 for annual maturities of long-term debt.

13. DERIVATIVES

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

All derivative transactions are entered into hedge interest and foreign currency exposures incorporated within the Companies' 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 Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount.

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 Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 2,517		¥ 3,002	¥ (485)

There is no derivative transaction to which hedge accounting is not applied for the year ended March 31, 2016.

Derivative Transactions to Which Hedge Accounting is Applied

		Millions of Yen		
At March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 8,472		¥ 7,967
Selling Euros	Receivables	835		779
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	3,100	¥ 2,247	

		Millions of Yen		
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 8,501		¥ 9,847
Selling Euros	Receivables	1,401		1,329
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	3,218	¥ 3,170	

		Thousands of U.S. Dollars		
At March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$ 74,973		$ 70,504
Selling Euros	Receivables	7,389		6,894
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	27,434	$ 19,885	

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

14. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized loss gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (1,352)	¥ 775	$ (11,965)
Reclassification adjustments to profit or loss	86	(46)	762
Amount before income tax effect	(1,266)	729	(11,203)
Income tax effect	452	(188)	4,000
Total	¥ (814)	¥ 541	$ (7,203)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 1,032	¥ (296)	$ 9,133
Amount before income tax effect	1,032	(296)	9,133
Income tax effect	(334)	88	(2,955)
Total	¥ 698	¥ (208)	$ 6,178
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 102	¥ 699	$ 903
Reclassification adjustments to profit or loss	(50)		(443)
Amount before income tax effect	52	699	460
Total	¥ 52	¥ 699	$ 460
Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (125)	¥ 849	$ (1,106)
Reclassification adjustments to profit or loss	(650)	(5)	(5,752)
Amount before income tax effect	(775)	844	(6,858)
Income tax effect	241	(265)	2,132
Total	¥ (534)	¥ 579	$ (4,726)
Share of other comprehensive (loss) income in associates -			
(Losses) gains arising during the year	¥ (1)	¥ 213	$ (9)
Total	¥ (1)	¥ 213	$ (9)
Total other comprehensive (loss) income	¥ (599)	¥ 1,824	$ (5,300)

15. RELATED PARTY DISCLOSURES

Transactions of the Company with corporate pension fund for employees for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Return of assets from retirement benefits trust	¥ 467		$ 4,133

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net (loss) Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2016:				
Basic EPS				
Net income available to common shareholders	¥ (2,422)	27,479	¥ (88.14)	$ (0.78)
Effect of dilutive securities				
Stock acquisition rights		113		
Diluted EPS				
Net income for computation	¥ (2,422)	27,592		

For the year ended March 31, 2016, diluted net income per share is not disclosed because of the Company's net loss position.

	Millions of Yen	Thousands of Shares	Yen
For the year ended March 31, 2015:			
Basic EPS			
Net income available to common shareholders	¥ 405	27,738	¥ 14.61
Effect of dilutive securities			
Stock acquisition rights		111	
Diluted EPS			
Net income for computation	¥ 405	27,849	¥ 14.55

17. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2016 was approved at the board of directors' meeting held on May 13, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.08) per share	¥ 246	$ 2,177

18. SEGMENT INFORMATION

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. Information about products and services

For the fiscal years ended March 31, 2016 and 2015, the total sales, operating income and total assets of the Pump reporting segment exceeded 90% of the totals of the Companies, thus the Companies have omitted the disclosure of information about products and services.

2. Information about geographical areas

(1) Sales

Millions of Yen					
2016					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥ 14,524	¥ 11,307	¥ 2,536	¥ 8,225	¥ 3,887	¥ 40,479

Millions of Yen					
2015					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥ 19,105	¥ 11,125	¥ 4,808	¥ 6,308	¥ 5,156	¥ 46,502

Thousands of U.S. Dollars					
2016					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
$ 128,531	$ 100,062	$ 22,442	$ 72,788	$ 34,398	$ 358,221

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

(2) Property, plant and equipment

Millions of Yen				
2016				
Japan	Asia	Middle East	Other	Total
¥ 7,635	¥ 1,596	¥ 713	¥ 145	¥ 10,089

Millions of Yen				
2015				
Japan	Asia	Middle East	Europe	Total
¥ 7,627	¥ 1,889	¥ 682	¥ 414	¥ 10,612

Thousands of U.S. Dollars				
2016				
Japan	Asia	Middle East	Other	Total
$ 67,566	$ 14,124	$ 6,310	$ 1,283	$ 89,283

3. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
	Pumps	Pumps	Pumps
Amortization of goodwill	¥ 25	¥ 22	$ 221
Goodwill	50	76	442

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