

Hitachi Construction Machinery Co., Ltd.

Financial Results for the Year Ended March 31, 2015

(English translation of “KESSAN TANSHIN” originally issued in Japanese language.)

Consolidated Financial Results for the Year Ended March 31, 2015
(IFRS)

June 23, 2015

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo (first section) Code number: 6305

URL <http://www.hitachi-c-m.com/>

Representative: Yuichi Tsujimoto, President and Chief Executive Officer

Scheduled date of ordinary General Meeting of Shareholders: June 22, 2015

Scheduled date for submission of Securities Report: June 23, 2015

1. Consolidated results for the year ended March 2015 (April 1, 2014 to March 31, 2015)

(1) Consolidated results

(Rounded off to the nearest million)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2015	815,792	1.6	63,131	(15.7)	58,953	(2.2)	30,256	(27.9)	26,023	(27.2)	56,996	(10.4)
March 31, 2014	802,988	—	74,863	—	60,252	—	41,976	—	35,747	—	63,602	—

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)	Profit on equity attributable to owners of the parent	Ratio of income before income taxes to total assets	Operating profit to revenue
	Yen	Yen	%	%	%
March 31, 2015	122.44	122.42	6.3	5.4	7.7
March 31, 2014	168.30	168.24	9.6	5.5	9.3

References:

1. Equity in net earnings of affiliated companies March 2015: ¥1,454 million March 2014: ¥243 million

2. Earnings per share attributable to owners of the parent (basic and diluted) are based on profit attributable to owners of the parent.

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2015	1,064,673	497,902	431,227	40.5	2,028.57
March 31, 2014	1,101,114	455,953	397,004	36.1	1,868.17

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2015	106,229	(17,976)	(96,294)	51,433
March 31, 2014	80,284	(41,172)	(55,694)	53,672

2. Dividends status

	Cash dividends per share					Dividends Paid (Total)	Dividend Payout Ratio (Consolidated)	Dividends on Equity Ratio (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2014	—	25.00	—	25.00	50.00	10,624	29.7	2.8
March 31, 2015	—	30.00	—	30.00	60.00	12,754	49.0	3.1
March 31, 2016 (Projection)	—	30.00	—	30.00	60.00		47.2	

(English translation of “KESSAN TANSIN” originally issued in Japanese language.)

3. Projected consolidated results for the fiscal year ending March 2016 (April 1, 2015 to March 31, 2016)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
September 30, 2015 (Interim)	380,000	-	18,500	-	15,500	-	5,500	-	25.87
March 31, 2016	810,000	(0.7)	54,000	(14.5)	49,000	(16.9)	27,000	3.8	127.01

*Notes

- (1) Significant changes involving subsidiaries during the fiscal year (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies; changes in accounting estimates
- | | |
|--|------|
| [1] Changes in accounting policies required by IFRS | None |
| [2] Changes in accounting policies other than those in [1] | None |
| [3] Changes in accounting estimates | None |
- (3) Number of outstanding shares (common shares)
- | | | |
|---|-------------------------|--|
| [1] Number of outstanding shares at fiscal year-end (including treasury shares) | | |
| March 2015: 215,115,038 | March 2014: 215,115,038 | |
| [2] Number of treasury shares at fiscal year-end | | |
| March 2015: 2,537,814 | March 2014: 2,605,021 | |
| [3] Average number of common shares outstanding during the fiscal year (shares) | | |
| March 2015: 212,544,707 | March 2014: 212,406,699 | |

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. At the time of disclosing the earnings report, the company has completed audit procedure on its consolidated financial statements based upon the Financial Instruments and Exchange Act.

Explanation on the appropriate use of results forecasts and other important items

- (1) The Company adopted International Financial Reporting Standards ("IFRS") from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ending March 31, 2015. This report is a voluntary disclosure for major information of its consolidated financial statements based on IFRS. The Company has disclosed the earnings report (for the year ended March 31, 2015, consolidated) based on Japanese GAAP on April 27, 2015.
- (2) Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially.

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1. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013
Assets			
Current assets			
Cash and cash equivalents	51,433	53,672	66,622
Trade receivables	231,473	248,396	248,858
Inventories	313,488	321,153	314,723
Other financial assets	32,053	29,412	19,512
Other current assets	10,519	10,460	18,610
Total current assets	638,966	663,093	668,325
Non-current assets			
Property, plant and equipment	281,326	285,513	269,440
Intangible assets	9,972	13,018	18,223
Goodwill	9,590	8,646	8,675
Investments accounted for using the equity method	31,913	23,369	18,031
Trade receivables	30,089	50,744	49,166
Deferred tax asset	18,331	16,783	19,073
Other financial assets	31,110	30,145	28,753
Other non-current assets	13,376	9,803	6,725
Total non-current assets	425,707	438,021	418,086
Total assets	1,064,673	1,101,114	1,086,411
Liabilities			
Current liabilities			
Trade and other payables	210,345	209,936	222,650
Bonds and borrowings	137,094	219,758	192,821
Income tax payables	7,626	8,206	14,143
Other financial liabilities	8,722	11,442	12,360
Other current liabilities	5,273	5,388	5,133
Total current liabilities	369,060	454,730	447,107
Non-current liabilities			
Trade and other payables	20,091	19,331	11,802
Bonds and borrowings	150,579	151,542	200,162
Retirement and severance benefit	13,446	12,505	13,901
Deferred tax liability	9,483	195	396
Other financial liabilities	194	280	808
Other non-current liabilities	3,918	6,578	5,938
Total non-current liabilities	197,711	190,431	233,007
Total liabilities	566,771	645,161	680,114
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	81,577
Capital surplus	84,315	84,296	83,903
Retained earnings	226,332	211,978	185,780
Accumulated other comprehensive income	42,159	22,390	3,728
Treasury stock, at cost	(3,156)	(3,237)	(3,982)
Total Equity attribute to owners of the parent	431,227	397,004	351,006
Non-controlling interests	66,675	58,949	55,291
Total equity	497,902	455,953	406,297
Total liabilities and equity	1,064,673	1,101,114	1,086,411

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Revenue	815,792	802,988
Cost of sales	(597,156)	(572,523)
Gross operating profit	218,636	230,465
Selling, general and administrative expenses	(156,717)	(154,261)
Other income	4,496	6,475
Other expenses	(3,284)	(7,816)
Operating profit	63,131	74,863
Financial income	4,675	4,226
Financial expenses	(10,307)	(19,080)
Share of profits (losses) of investments accounted for using the equity method	1,454	243
Income before income taxes	58,953	60,252
Income taxes	(28,697)	(18,276)
Net income	30,256	41,976
Net income attributable to		
Owners of the parent	26,023	35,747
Non-controlling interests	4,233	6,229
Total net income	30,256	41,976
EPS attributable to owners of the parent		
Net income per share(Basic) (yen)	122.44	168.30
Net income per share (Diluted) (yen)	122.42	168.24

(English translation of “KESSAN TANSIN” originally issued in Japanese language.)

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Net income for the year	30,256	41,976
Other comprehensive income		
Items that cannot be reclassified into net income		
Net gains and losses from financial assets measured at fair value through OCI	603	824
Remeasurements of defined benefit obligations	(369)	688
Other comprehensive income of equity method associates	(151)	3
Items that can be reclassified into net income		
Foreign currency translation adjustments	24,640	14,707
Cash flow hedges	121	1,909
Other comprehensive income of equity method associates	1,896	3,495
Other comprehensive income, net of taxes	26,740	21,626
Comprehensive income	56,996	63,602
Comprehensive income attributable to		
Owners of the parent	45,782	54,409
Non-controlling interests	11,214	9,193

(English translation of “KESSAN TANSHIN” originally issued in Japanese language.)

(4) Consolidated Statements of Changes in Equity

Year ended March 31, 2015

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of year	81,577	84,296	211,978	700	6,887	(309)
Profit for the year			26,023			
Other comprehensive income				(515)	623	162
Comprehensive income for the year	-	-	26,023	(515)	623	162
Acquisition of treasury stock						
Sale of treasury stock		19				
Increase/decrease by share exchange						
Dividends to owners of the parent			(11,689)			
Gains/losses on change in equity						30
Transfer to retained earnings			20		(20)	
Other increase/decrease						
Transaction with owners	-	19	(11,669)	-	(20)	30
Balance at end of year	81,577	84,315	226,232	185	7,490	(117)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of year	15,112	22,390	(3,237)	397,004	58,949	455,953
Profit for the year		-		26,023	4,233	30,256
Other comprehensive income	19,489	19,759		19,759	6,981	26,740
Comprehensive income for the year	19,489	19,759	-	45,782	11,214	56,996
Acquisition of treasury stock		-	(4)	(4)		(4)
Sale of treasury stock		-	85	104		104
Increase/decrease by share exchange		-		-		-
Dividends to the owners of the parent		-		(11,689)	(3,418)	(15,107)
Gains/losses on change in equity		30		30	(70)	(40)
Transfer to retained earnings		(20)		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	10	81	(11,599)	(3,488)	(15,407)
Balance at end of year	34,601	42,159	(3,156)	431,227	66,675	497,902

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

Year ended March 31, 2014

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of year	81,577	83,903	185,780	-	6,050	(2,332)
Profit for the year			35,747			
Other comprehensive income				700	837	2,013
Comprehensive income for the year	-	-	35,747	700	837	2,013
Acquisition of treasury stock						
Sale of treasury stock		393				
Increase/decrease by share exchange						
Dividends to owners of the parent			(9,549)			
Gains/losses on change in equity						
Transfer to retained earnings						
Other increase/decrease						
Transaction with owners	-	393	(9,549)	-	-	-
Balance at end of year	81,577	84,296	211,978	700	6,887	(309)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of year	-	3,728	(3,982)	351,006	52,291	406,297
Profit for the year		-		35,747	6,229	41,976
Other comprehensive income	15,112	18,662		18,662	2,964	21,626
Comprehensive income for the year	15,112	18,662	-	54,409	9,193	63,602
Acquisition of treasury stock		-	(6)	(6)		(6)
Sale of treasury stock		-	170	563		563
Increase/decrease by share exchange		-	581	581		581
Dividends to owners of the parent		-		(9,549)	(3,857)	(13,406)
Gains/losses on change in equity		-		-	(1,678)	(1,678)
Transfer to retained earnings		-		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	-	745	(8,411)	(5,535)	(13,946)
Balance at end of year	15,112	22,390	(3,237)	397,004	58,949	455,953

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(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Net income	30,256	41,976
Depreciation	31,531	30,815
Amortization	5,885	5,773
Impairment losses	487	3,408
Income tax expense	28,697	18,276
Equity in net earnings of associates	(1,454)	(243)
Gain (loss) on sales of property, plant and equipment	220	(2,546)
Financial income	(4,675)	(4,226)
Financial expense	10,307	19,080
(Increase) decrease in trade receivables	10,502	(3,622)
(Increase) decrease in lease receivables	21,731	22,600
(Increase) decrease in inventories	16,643	3,627
Increase (decrease) in trade payables	(8,469)	(12,850)
Increase (decrease) in provisions and retirement benefit obligations	1,033	(576)
Other	(13,320)	(16,796)
Subtotal	129,374	104,696
Interest received	4,055	3,837
Dividends received	485	365
Interest paid	(8,033)	(9,229)
Income tax paid	(19,652)	(19,385)
Net cash provided by operating activities	106,229	80,284
Capital expenditures	(15,931)	(38,737)
Proceeds from disposal of property, plant and equipment	1,930	3,875
Purchase of intangible assets	(2,746)	(3,022)
Purchase of investments in securities and other financial assets (including investments in associates)	(3,046)	(3,725)
Sales of investments in securities and other financial assets (including investments in associates)	2,023	(855)
Other	(206)	1,292
Net cash used in investing activities	(17,976)	(41,172)
Increase (decrease) in short-term debt, net	(50,495)	(29,638)
Proceeds from long-term debt and bond	60,486	39,412
Payments on long-term debt	(86,603)	(47,852)
Payments on lease payables	(4,817)	(4,964)
Dividends paid to owners of the parent	(11,676)	(9,556)
Dividends paid to non-controlling interests	(3,289)	(3,276)
Other	100	180
Net cash used in financing activities	(96,294)	(55,694)
Effect of exchange rate changes on cash and cash equivalents	5,802	3,632
Net increase (decrease) in cash and cash equivalents	(2,239)	(12,950)
Cash and cash equivalents at beginning of year	53,672	66,622
Cash and cash equivalents at end of year	51,433	53,672

(English translation of “KESSAN TANSHIN” originally issued in Japanese language.)

(6) Notes on consolidated financial statements

Segment information

1. Reportable segment information

The operating segments of the Company are components of the consolidated group for which separate financial information is available and regularly reviewed by the Board of Directors for the purpose of decision making about allocation of management resources and analysis of their performance.

The business of the consolidation group is the production and distribution of construction machinery, and there are no other operating segments to be distinguished. Therefore, the consolidation group has a single reportable segment, construction machinery business.

2. Information on product and service

The following table shows revenues from outside customers by product and service for the years ended March 31, 2015 and 2014.

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Mining machinery	122,127	126,802
Construction machinery	693,665	676,186
Total	815,792	802,988

Earnings per share

The bases of the calculation for the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2015 and 2014 are as follows:

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Profit attributable to owners of the parent	26,023	35,747
Profit used to calculate of the basic earnings per share	26,023	35,747

(Number of shares)

	Year ended March 31, 2015	Year ended March 31, 2014
Weighted average number of common shares outstanding	212,544,707	212,406,699
Dilutive effect of stock options	30,777	68,839
Weighted average number of common shares outstanding - diluted	212,575,484	212,475,538

(Yen)

	Year ended March 31, 2015	Year ended March 31, 2014
Earnings per share attributable to owners -basic	122.44	168.30
Earnings per share attributable to owners -diluted	122.42	168.24

Summary of dilutive shares not included the calculation of diluted earnings per share (attribute to owners of the parent) due to no dilutive effect	3,050 shares of subscription rights to shares as a result of a special resolution at the annual meeting of shareholder dated on June 26, 2006
	3,320 shares of subscription rights to shares as a result of a special resolution at the annual meeting of shareholder dated on June 25, 2007

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

2. Disclosure about transition to IFRS

In preparing its consolidated financial statements as of the date of transition to IFRS, the company has adjusted the amounts reported previously in its consolidated financial statements prepared in accordance with Japanese GAAP. An explanation of how the transition from Japanese GAAP to IFRS has affected the company's consolidated statement of financial position, profit or loss, comprehensive income and cash flows is as follows:

Reconciliation of Equity as of April 1, 2013

(Millions of yen)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Assets				Assets
Current assets				Current assets
Cash and bank deposits	62,640	3,982	66,622	Cash and cash equivalents
Notes and accounts receivables	308,206	(59,348)	248,858	Trade receivables
Inventories	314,911	(188)	314,723	Inventories
Deferred tax assets	13,903	(13,903)	-	
Other	42,108	(22,596)	19,512	Other financial assets
	-	18,610	18,610	Other current assets
Less: Allowance for doubtful accounts	(7,949)	7,949	-	
Total current assets	733,819	(65,494)	668,325	Total current assets
Non-current assets				Non-current assets
Property, plant and equipment	271,195	(1,755)	269,440	Property, plant and equipment
Intangible assets	32,661	(14,438)	18,223	Intangible assets
	-	8,675	8,675	Goodwill
Investments in securities	27,086	(9,055)	18,031	Investments accounted for using the equity method
	-	49,166	49,166	Trade receivables
Deferred tax asset	5,263	13,810	19,073	Deferred tax asset
	-	28,753	28,753	Other financial assets
Other	30,395	(23,670)	6,725	Other non-current assets
Less: Allowance for doubtful accounts	(518)	518	-	
Total non-current assets	366,082	52,004	418,086	Total non-current assets
Total assets	1,099,901	(13,490)	1,086,411	Total assets
Liabilities				Liabilities
Current liabilities				Current liabilities
Notes and accounts payable	149,128	73,522	222,650	Trade and other payables
Short-term loans	192,821	-	192,821	Bonds and borrowings
Income taxes payable	14,563	(420)	14,143	Income tax payables
Other	90,743	(78,383)	12,360	Other financial liabilities
	-	5,133	5,133	Other current liabilities
Total current liabilities	447,255	(148)	447,107	Total current liabilities
Non-current liabilities				Non-current liabilities
Bonds	50,000	11,802	11,802	Trade and other payables
Long-term loans	150,281	150,162	200,162	Bonds and borrowings
Lease obligations	9,984	(150,281)	-	
Provision for retirement benefits	8,913	(9,984)	-	Net defined benefit liability
Other	16,797	4,988	13,901	Deferred tax liability
	-	(16,401)	396	Other financial liabilities
	-	808	808	Other non-current liabilities
	-	5,938	5,938	
Total non-current liabilities	235,975	(2,968)	233,007	Total non-current liabilities
Total liabilities	683,230	(3,116)	680,114	Total liabilities

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Net Assets				Equity
Shareholders' equity				Equity attribute to owners of the parent
Common stock	81,577	-	81,577	Common stock
Capital surplus	84,500	(597)	83,903	Capital surplus
Retained earnings	199,779	(13,999)	185,780	Retained earnings
Treasury stock	(3,982)	-	(3,982)	Treasury stock, at cost
Total Shareholders' equity	361,874	(361,874)	-	
Accumulated other comprehensive income				
Net unrealized gains on securities	3,056	(3,056)	-	
Deferred losses on hedges	(2,323)	2,323	-	
Foreign currency translation adjustments	(1,444)	1,444	-	
Total accumulated other comprehensive income	(711)	4,439	3,728	Accumulated other comprehensive income
Subscription rights to shares	766	(766)	-	
	-	351,006	351,006	Total equity attribute to owners of the parent
Minority interests	54,742	549	55,291	Non-controlling interests
Total net assets	416,671	(10,374)	406,297	Total equity
Total liabilities and net assets	1,099,901	(13,490)	1,086,411	Total liabilities and equity

(English translation of "KESSAN TANSIN" originally issued in Japanese language.)

Reconciliation of Equity as of March 31, 2014

(Millions of yen)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Assets				Assets
Current assets				Current assets
Cash and bank deposits	53,353	319	53,672	Cash and cash equivalents
Trade receivables	302,618	(54,222)	248,396	Trade and other receivables
Inventories	321,272	(119)	321,153	Inventories
Deferred tax assets	11,186	(11,186)	-	Other financial assets
Other	40,208	(10,796)	29,412	Other current assets
Less: Allowance for doubtful accounts	-	10,460	10,460	
Total current assets	(9,700)	9,700	-	Total current assets
Non-current assets	718,937	(55,844)	663,093	Non-current assets
Property, plant and equipment	288,947	(3,434)	285,513	Property, plant and equipment
Intangible assets	22,727	(9,709)	13,018	Intangible assets
Investments in securities	-	8,646	8,646	Goodwill
Deferred tax asset	33,345	(9,976)	23,369	Investments accounted for using the equity method
Net defined benefit asset	-	50,744	50,744	Trade and other receivables
Other	6,222	10,561	16,783	Deferred tax asset
Less: Allowance for doubtful accounts	-	30,145	30,145	Other financial assets
Total non-current assets	452	9,351	9,803	Other non-current assets
Total assets	(335)	335	-	Total non-current assets
	368,254	69,767	438,021	Total assets
	1,087,191	13,923	1,101,114	
Liabilities				Liabilities
Current liabilities				Current liabilities
Notes and accounts payable	143,134	66,802	209,936	Trade and other payables
Short-term loans	211,801	7,957	219,758	Bonds and borrowings
Income taxes payable	8,699	(493)	8,206	Income tax payables
Other	83,326	(71,884)	11,442	Other financial liabilities
Total current liabilities	-	5,388	5,388	Other current liabilities
Non-current liabilities	446,960	7,770	454,730	Total current liabilities
Bonds	-	19,331	19,331	Non-current liabilities
Long-term loans	20,000	131,542	151,542	Trade and other payables
Lease obligations	131,610	(131,610)	-	Bonds and borrowings
Provision for retirement benefits	15,942	(15,942)	-	Net defined benefit liability
Other	12,563	(58)	12,505	Deferred tax liability
Total non-current liabilities	12,476	(12,281)	195	Other financial liabilities
	-	280	280	Other non-current liabilities
	-	6,578	6,578	Total non-current liabilities
	192,591	(2,160)	190,431	Total liabilities
	639,551	5,610	645,161	

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Net Assets				Equity attribute to owners of the parent
Shareholders' equity				Common stock
Common stock	81,577	-	81,577	Capital surplus
Capital surplus	84,893	(597)	84,296	Retained earnings
Retained earnings	220,122	(8,144)	211,978	Treasury stock, at cost
Treasury stock	(3,237)	-	(3,237)	
Total Shareholders' equity	383,355	(383,355)	-	
Net unrealized gains on securities	3,746	(3,746)	-	
Deferred losses on hedges	(282)	282	-	
Foreign currency translation adjustments	14,058	(14,058)	-	
Remeasurements of defined benefit plans	(12,496)	12,496	-	
Accumulated other comprehensive income	5,026	17,364	22,390	
Subscription rights to shares	766	(766)	-	
	-	397,004	397,004	Total equity attribute to owners of the parent
Minority interests	58,493	456	58,949	Non-controlling interests
Total net assets	447,640	8,313	455,953	Total equity
Total liabilities and net assets	1,087,191	13,923	1,101,114	Total liabilities and equity

(English translation of “KESSAN TANSHIN” originally issued in Japanese language.)

Reconciliation of Profit or Loss and Comprehensive Income for the Year Ended March 31, 2014

(Millions of yen)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Net sales	802,988	-	802,988	Revenue
Cost of sales	(573,501)	978	(572,523)	Cost of sales
Gross profit	229,487	978	230,465	Gross operating profit
Selling, general and administrative expenses	(160,324)	6,063	(154,261)	Selling, general and administrative expenses
	-	6,475	6,475	Other income
	-	(7,816)	(7,816)	Other expenses
Operating income	69,163	5,700	74,863	Operating profit
	-	4,226	4,226	Financial income
	-	(19,080)	(19,080)	Financial expenses
	-	243	243	Share of profits (losses) of investments accounted for using the equity method
Non-operating income	8,812	(8,812)	-	
Non-operating expenses	(24,304)	24,304	-	
Extraordinary Income	2,144	(2,144)	-	
Extraordinary losses	(3,040)	3,040	-	
Income before income taxes and minority interests	52,775	7,477	60,252	Income before income taxes
Income taxes	(17,594)	(682)	(18,276)	Income taxes
Income before minority interests	35,181	6,795	41,976	Net income

(Millions of yen)

Accounts in accordance with Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Accounts in accordance with IFRS
Income before minority interests	35,181	6,795	41,976	Profit for the year
Other comprehensive income (loss)				Other comprehensive income
				Items that cannot be reclassified into net income
Net unrealized gains (losses) on securities	687	137	824	Net gains and losses from financial assets measured at fair value through OCI
Remeasurements of defined benefit plans	1,775	(1,087)	688	Remeasurements of defined benefit obligations
	-	3	3	Other comprehensive income of equity method associates
				Items that can be reclassified into net income
Foreign currency translation adjustments	14,547	160	14,707	Foreign currency translation adjustments
Deferred gains (losses) on hedges	1,939	(30)	1,909	Cash flow hedges
Share of other comprehensive income of companies accounted for by the equity method	3,478	17	3,495	Other comprehensive income of equity method associates
	22,426	(800)	21,626	Other comprehensive income, net of taxes
Comprehensive income	57,607	5,995	63,602	Comprehensive income
Comprehensive income attributable to shareholders of the Company	48,942	5,467	54,409	Comprehensive income attributable to owners of the parent
Comprehensive income attributable to minority interests	8,665	528	9,193	Non-controlling interests

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

Notes to reconciliation of Japanese GAAP to IFRS

Reconciling the items below result from changes in presentation in the consolidated statement of financial position and have no impact on the consolidated statement of profit or loss and retained earnings.

- Under Japanese GAAP, trade receivables and liabilities that occur in ordinary business are presented in current assets and liabilities based on the company's normal operating cycle criteria. Assets and liabilities that are settled after 12 months have been disclosed as non-current assets and liabilities independently under IFRS because the company cannot define the normal operating cycle in IFRS.
- Under Japanese GAAP, the consolidated group securitizes certain trade receivables and derecognizes those receivables that meet the criteria for derecognition under Japanese GAAP. Under IFRS, trade receivables that do not meet the criteria of derecognition for financial instruments are recognized as trade receivables and related liabilities are recognized as short-term debt.
- Under Japanese GAAP, deferred tax assets and liabilities are presented separately according to their attributes in current assets and liabilities and non-current assets and liabilities. They have been reclassified as non-current assets and liabilities under IFRS.
- Under Japanese GAAP, affiliates' stocks are included in investments in securities. This has been disclosed as investments accounted for using the equity method as defined in IFRS independently.
- Under Japanese GAAP, interest income, interest income on installment sales, and dividend income are presented in non-operating income. They have been reclassified as financial income under IFRS.
- Under Japanese GAAP, interest expense and foreign exchange loss are presented in non-operating expense. They have been reclassified as financial expense under IFRS.
- Under Japanese GAAP, gains on sales of property, plant and equipment are presented in extraordinary income. This has been reclassified as other income under IFRS.
- Under Japanese GAAP, gains on sales of subsidiaries and affiliates' stocks are presented in extraordinary income. This has been reclassified as financial income under IFRS.
- Under Japanese GAAP, business structure improvement expenses and impairment losses are presented in extraordinary losses. They have been reclassified as other expenses under IFRS.

The following table shows the transition effect on retained earnings.

	(Millions of yen)	
	As of March 31, 2014	As of April 1, 2013
Retained earnings under Japanese GAAP	220,122	199,779
Goodwill (see notes (1))	5,293	—
Employee benefits (see notes (2))	(19,583)	(19,643)
Income taxes (see notes (3))	7,941	8,754
Foreign currency translation adjustments (see notes (4))	(3,184)	(3,184)
Other	1,389	74
Retained earnings under IFRS	211,978	185,780

(1) Goodwill

- Under Japanese GAAP, goodwill has been amortized. IFRS prohibits amortization of goodwill. The reconciled amount related to goodwill has been reclassified as retained earnings in each fiscal year.

(2) Employee benefits

- Under Japanese GAAP, the expense out of actuarial gain or loss and past service cost that is not recognized in current period is recognized as accumulated other comprehensive income, and recognized profit or loss for a certain period of time. Under IFRS, actuarial differences from remeasurements of defined benefit obligations and changes in fair value of plan assets (excluding interest income) are to be recognized as OCI. Prior service cost arising from plan amendment is recognized immediately as profit or loss. Current service cost is recognized as incurred in profit or loss, and the net interest cost, measured by multiplying the discount rate on the net defined benefit obligation or asset, is recognized as profit or loss.
- With respect to computation of the retirement and severance benefits, the Company recalculates the benefit in compliance with IFRS, and all of amount arising from the difference of periodic allocation of retirement and severance benefits and computation of interest expense has been reclassified as retained earnings.
- Under Japanese GAAP, liabilities are not recognized for unused annual leave. IFRS requires recognizing liabilities. This adjustment has been reclassified as retained earnings.

(3) Income taxes

- With respect to unrealized gains and losses from intercompany transaction, a deferred tax asset is recognized by the effective tax rate of seller under Japanese GAAP. Under IFRS, deferred tax assets are recognized by the effective tax rate of buyer. Differed tax assets for temporally differences are recognized as a result of transition adjustments between Japanese GAAP and IFRS, and have been reclassified as retained earnings.

(4) Foreign currency translation adjustments

- The company applies the exemption of first-time adoption of IFRS, and all of cumulative exchange differences on translating foreign operations have been reclassified as retained earnings on the date of transition to IFRS.

Notes to reconciliation of Japanese GAAP to IFRS for consolidated cash flow statement

There is no material difference in cash flow statements between prepared in accordance with Japanese GAAP and those prepared in accordance with IFRS.