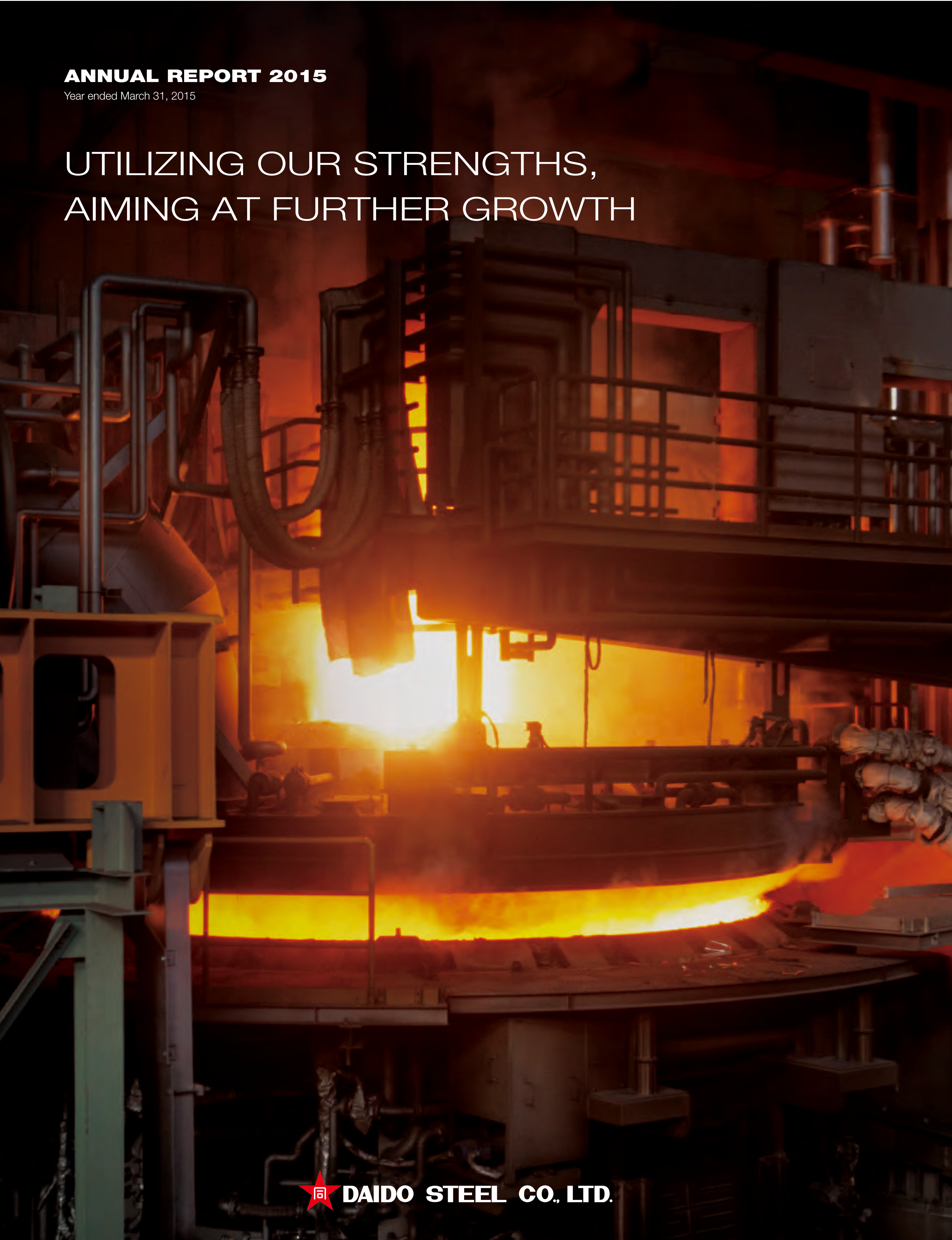
ANNUAL REPORT 2015

Year ended March 31, 2015

UTILIZING OUR STRENGTHS, AIMING AT FURTHER GROWTH



DAIDO STEEL CO., LTD.

THE COMPANY

DAIDO STEEL CO., LTD. ranks among the world's largest manufacturers of specialty steel. With a history dating back to 1916, the Company has accumulated extensive skills in combining steel scrap with other materials to achieve the strength, workability and other characteristics to match exacting requirements. Along with the manufacture of value-added steel, the Company offers many services that leverage its technological resources. Most services target high-end market sectors that demand the highest levels of quality and specialization. Daido Steel is one of the leading players worldwide in the manufacture of critical steel components where nothing less than absolute reliability is acceptable. These components include automobile transmissions and engine parts as well as components used in ships, aircraft and electric generators. Daido Steel shares are traded on the First Section of the Tokyo Stock Exchange under the securities code 5471.

CONTENTS

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning DAIDO STEEL CO., LTD.'s and its Group companies' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Rather, they represent the assumptions and beliefs of Daido Steel's management based on information currently available.

They should therefore not be relied upon as the sole basis for evaluating the Company. Daido Steel also wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks and uncertainties.

FINANCIAL HIGHLIGHTS

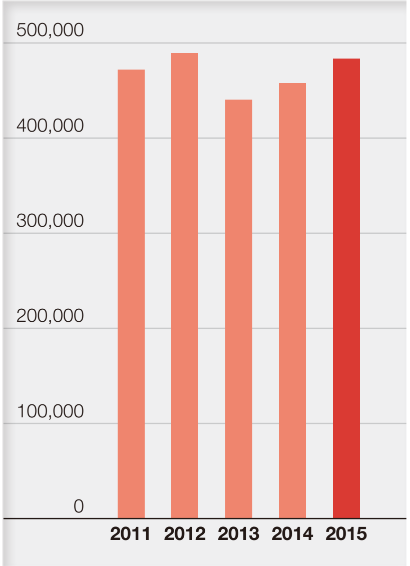
DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

	Millions of Yen					Thousands of U.S. Dollars
	2015	2014	2013	2012	2011	**2015**
For the Year:						
Net Sales	**483,633**	457,731	440,428	489,155	472,063	**4,030,275**
Operating Income	**20,409**	18,977	15,426	31,534	32,730	**170,075**
Net Income	**10,886**	12,616	10,983	22,718	23,004	**90,717**
R&D Expenses	**5,301**	5,160	4,560	4,360	4,254	**44,175**
Capital Expenditures	**30,296**	44,404	25,400	39,700	18,900	**252,467**
Depreciation and Amortization	**22,437**	20,052	19,229	20,464	20,073	**186,975**
At Year-end:						
Total Assets	**588,590**	557,522	511,159	512,969	491,722	**4,904,917**
Total Equity	**256,022**	232,152	211,921	198,654	178,348	**2,133,517**
Interest-Bearing Debt	**146,208**	143,085	146,999	156,336	157,445	**1,218,400**
Number of Employees (Consolidated)	**10,855**	10,709	10,447	10,365	10,272	**–**
Number of Consolidated Subsidiaries	**34**	33	32	33	32	**–**
Per Share of Common Stock (Yen and U.S. Dollars):						
Basic Net Income	**25.10**	29.09	25.32	52.37	53.02	**0.21**
Cash Dividends Applicable to the Year	**6.50**	5.00	4.50	7.50	7.00	**0.05**
ROA (%)	**3.8**	3.8	3.2	6.3	6.6	**–**
ROE (%)	**4.5**	5.7	5.4	12.1	13.6	**–**

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015.

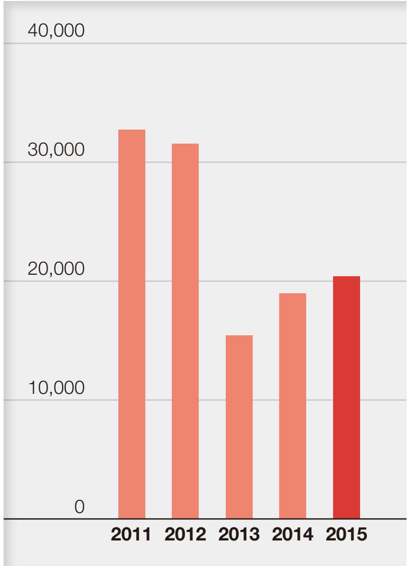
NET SALES
Years ended March 31

(millions of yen)



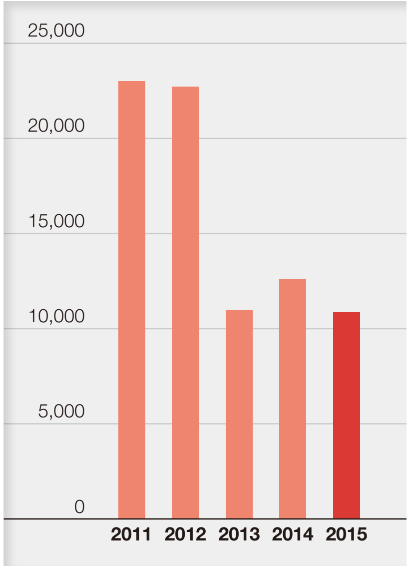
OPERATING INCOME
Years ended March 31

(millions of yen)



NET INCOME
Years ended March 31

(millions of yen)



FINANCIAL HIGHLIGHTS

Overview of Results for Fiscal 2014

In fiscal 2014, the Japanese economy, after briefly slumping in the fiscal first half in reaction to a consumption tax increase, remained on a recovery track due to improved corporate earnings and other factors, against a backdrop of government economic and financial stimulus policies. Overseas, the economies in developed countries remained strong, especially in the U.S. where there was brisk personal consumption. In Europe, with mounting concerns of deflation, quantitative easing by the European Central Bank is expected to lead to economic recovery. In emerging countries, however, the Chinese economy has undergone a gradual deceleration, and together with other regions lacking the strength to recover economically coupled with geopolitical risks such as conflicts and terrorism, the world economy faces future uncertainty. The automobile and industrial machinery sectors, our key source of demand for specialty steel, showed signs of partial production adjustments, but were generally stable after having bottomed out. Under these conditions, the Daido Steel Group intensified its efforts to improve earnings and tackled medium-term business challenges such as expanding sales of its global leading products and next-generation growth products.

As a result, the Group's net sales in fiscal 2014 increased by ¥25,902 million year on year to ¥483,633 million. Ordinary income climbed ¥1,442 million to ¥21,729 million due to the cost reduction effects of the new steelmaking process at our main Chita Plant, despite rising energy costs and raw material prices.

Outlook for Fiscal 2015

In the Japanese economy in fiscal 2015, rising household purchasing power due to low crude oil prices and improved income and employment conditions is expected to boost personal consumption.

Overseas, various economies are expected to gradually recover, but the changing business environment needs to be closely monitored due to the effects of the U.S. move to normalize its monetary policy; the economic futures of Europe, China and other emerging countries; and the risk of conflicts and terrorism.

Demand for Japanese automobiles is projected to continue to expand against a backdrop of growth in overseas markets, but changes in structural demand in specialty steel markets, such as shifting production overseas and downsizing, also require close watching. Demand related to industrial machinery is expected to remain firm on an improved export environment due to domestic and overseas economic recovery and the persistently weak yen. In addition, the effects of low crude oil prices are expected to depress energy costs to a certain extent.

In this business environment, the Daido Steel Group continues to work to ensure profits through rigorous cost reductions. At the same time, to achieve our medium- to long-term growth strategy based on Daido Steel differentiated products, we will expand the supply chain function that is closely coordinated with Group companies and build stronger relationships with overseas business partners. Moreover, we continue to drive forward the expansion of businesses for which we expect future growth, namely, turbo parts and magnets.

Given these conditions, our segment forecasts for the coming fiscal year are as follows.

SPECIALTY STEEL

Despite continued downsizing and local procurement, automobile-related demand will be affected by the expected continued moderate growth of Japanese automobile production amid an easing of production adjustments. Other areas of demand are expected to remain strong against a backdrop of expanding overseas demand and an improved export environment. We will thus seize these opportunities and aggressively expand sales in overseas markets.

HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS

Stainless steel and high alloy products should remain firm. We intend to vigorously expand demand for magnetic products in vehicles. As demand for titanium products is likely to expand into medical and biomaterial fields, we will expand sales in these fields. For powder metal products, we anticipate continued favorable demand for use in automobiles.

PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

In free forgings, due to expected continued strong demand for commercial aircraft and the bottoming out of demand for heavy electric equipment, we will execute our production activities in response to medium- to long-term growth in demand and make our remelting furnace (vacuum arc re-melting (VAR)/electro-slag refining (ESR)) competitive as quickly as possible. We will also build a vacuum induction melting furnace (VIM). Moreover, in die forgings, we will take steps to increase automobile demand while seeking to become competitive quickly with the newly installed high-speed horizontal hot forging machine. In turbo-related products, demand is expected to grow in line with rising turbo installation rates in gasoline engines, and therefore, we will take steps to increase production of stainless steel turbine housing and other related products. As engine valve sales are likely to remain strong, we will move aggressively to capture demand.

ENGINEERING

With the boost of investment incentives, strong domestic demand is expected. Moreover, with an increasing capital investment trend expected, especially in North America and China, we will further develop overseas markets by strengthening sales capabilities such as customer support.

TRADING AND SERVICE

In the trading and service segment, demand should generally remain around the same as in the year under review.

Based on the above, and on the expansion of automobile- and industrial machinery-related demand and increased sales of strategic products, the forecast for consolidated performance in fiscal 2015 is net sales of ¥500.0 billion, operating income of ¥27.0 billion, ordinary income of ¥29.0 billion and net income of ¥19.0 billion.

Medium- to Long-Term Management Strategy

Over the medium- to long-term, we believe that specialty steel demand will continue to expand, particularly in emerging countries, amid a further acceleration in the globalization of markets. Yet, at the same time, we assume that change in the manufacturing cost structure, such as customers shifting more production offshore, increasing local procurement, and higher energy costs, as well as intensified market competition will continue at an accelerated pace. To respond to these changes in the operating environment, the Group formulated a medium-term management plan that continues through fiscal 2017 and was announced in June of this year. In order to contribute to the world, the Daido Steel Group will refine its product, technology and proposal-making capabilities; integrate its material and process technologies; and provide total solutions that fully employ specialty steel. The Group will put its management policies into practice and work to achieve the management benchmarks described in the pages that follow.

October 2015

Tadashi Shimao
President

WE CONTRIBUTE TO THE WORLD BY MANUFACTURING SPECIALTY STEEL

WE ARE COMMITTED TO PRODUCING NEW TYPES OF SPECIALTY STEEL —IN COLLABORATION WITH OUR CUSTOMERS— THAT SUPPORT GROWTH AROUND THE WORLD.

Major Initiatives

I. Customer collaboration

Together with customers, we deliver innovation that the world needs

"Customer collaboration" expresses the idea of producing products and technologies that bring to life new ideas and applications through the integration of Daido Steel Group **materials technology** and the customer's **processing technology**.

II. Focus on growing fields

Contribute to the world by supporting market development in fields where significant future growth is desired

III. Enhance our QCD* capabilities

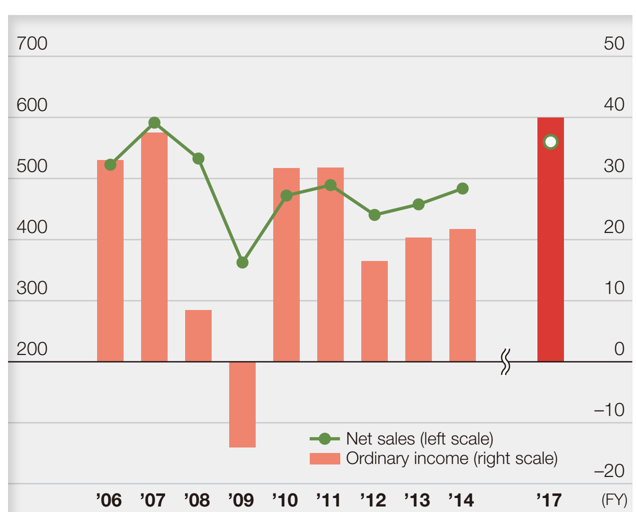
We will further strengthen global QCD competitiveness as a springboard for contributing to the world with specialty steel

* QCD: Quality, cost and delivery

(billions of yen)	FY2014 Results	FY2017 Medium-Term Management Plan
Net sales	483.6	560.0
Ordinary income	21.7	40.0
Net income	10.9	25.0
ROS (%)	4.5	7.0
ROA (%)	3.8	6.0
Dividend payout ratio in line with dividend policy (%)	15–20	20–25

NET SALES/ORDINARY INCOME (CONSOLIDATED)

(billions of yen)



I. Customer collaboration

- **Die forging business** : Collaborate with customers to enhance the marketability of products
- **Engineering business** : Expand our lineup of products in response to customer needs and strengthen the after-sales-service system
- **Automobile engine valve business** : Promote our overseas development through Fuji OOZX Inc.

II. Focus on growing fields

- **Turbo parts business** : Aggressively tackle expanding turbo market (Daido Castings Co., Ltd.)
- **Magnet business** : Promote the growth strategy for the high-performance neodymium magnet business (Daido Electronics Group, Intermetallics Japan Corporation)
- **Stainless steel products business** : Grow together with customers—shifting our focus from general-purpose products to high-performance stainless steel and moving our manufacturing sites from Japan to overseas
- **Powder metal products business** : Expand the lineup of high-performance powder products in collaboration with customers
- **High alloy steel business** : (High alloy steel products) Global expansion of Daido Steel's DS ALLOY* brand
  (Free forging products) Promote "transformation of product portfolio" and move to higher-value-added product areas

*DS ALLOY: Trademark registration pending in 11 countries

III. Enhance our QCD capabilities

- **Specialty steel products business (Chita Plant)** : Achieve ultimate energy savings and improve productivity
  Improve product reliability
- **Tool steel business** : Expand global sales network and build a delivery system that meets customer needs
  (1) Sales network expansion
  (2) Manufacturing reforms
  (3) Strategy for product differentiation
- **Expand the Daido Steel Group overseas network**
  (India) Daido D.M.S. India Pvt Ltd : Inventory sales of tool steel to the Indian market
  (North America) Daido Steel (America) Inc. (Houston Office) : Marketing of high alloys for oil and gas
  (ASEAN) Daido Steel (Thailand) Co., Ltd. : Use newly installed high-speed horizontal hot forging machine (machine No. 2)
  Manufacture and sales of die forging parts, distribution and sales base for specialty steel products
- **Establish an office to strengthen marketing capabilities centered on high alloys (under review)**

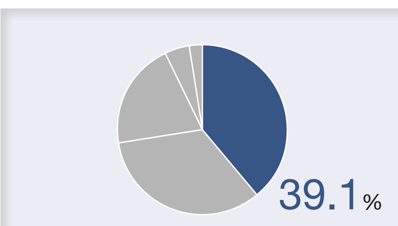
(billions of yen)	FY2014	FY2017 (target)
Overseas sales	110.8	170.0
Sales ratio (%)	23	30 or more

SPECIALTY STEEL

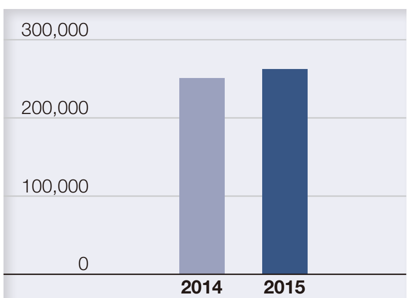
MAIN PRODUCTS

Specialty steel for automotive parts, industrial machinery parts, electrical machinery parts, construction, tool steel, etc.
Specialty steel products and materials manufacturing, distribution, raw materials sales, transportation and logistics

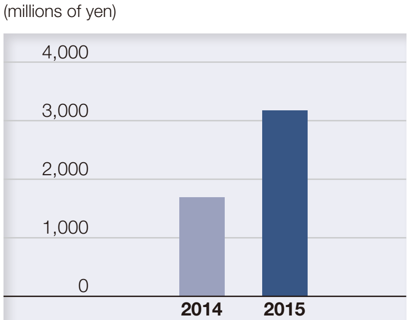
SHARE OF NET SALES
(%)



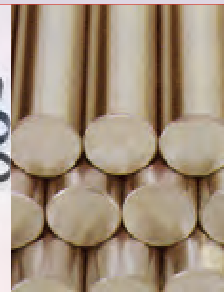
NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)



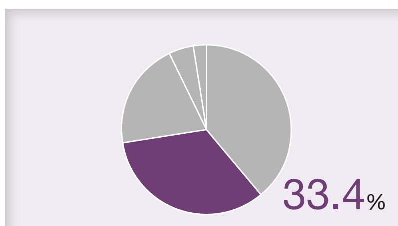
HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS



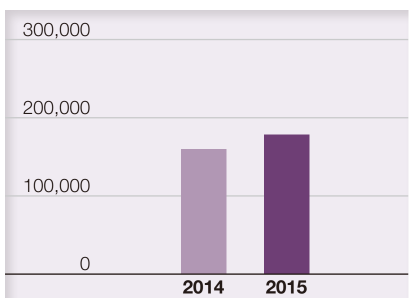
MAIN PRODUCTS

Stainless steel, nickel-based alloys, electrical and electronics parts, magnetic material products (OA·FA motors, automotive meters, sensors, measuring device components, etc.), Alloy powder (magnetic powder for HEV), Titanium products (medical titanium alloys, shape-memory alloys), welding wire

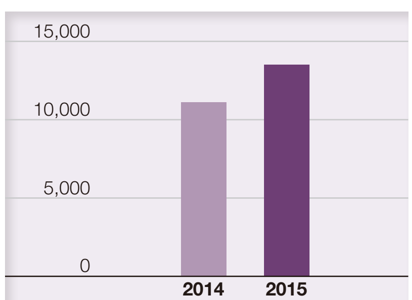
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)

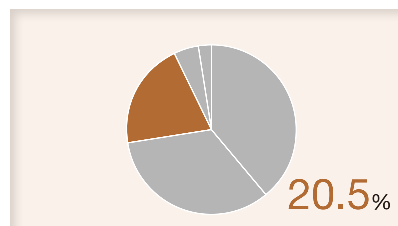


PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

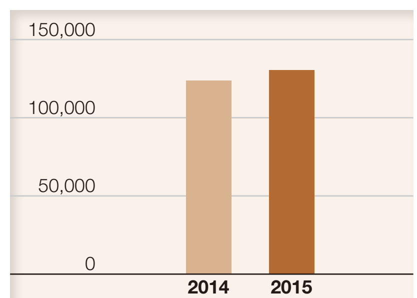
MAIN PRODUCTS

Die forging, precise hot forging, welded parts (automotive parts and bearing races) / Open die forging (parts for boats and ships, industrial machines, heavy electric machines, steel making equipment, chemical equipment, oil drilling rigs, and spacecraft and aircraft) / Casting (manganese railway rails, components for automobiles, industrial machines, electric machines and furnaces, advanced cast steel products, etc.) / Precision casting (automotive, industrial machines, electric machines, telecommunications equipment, etc.) / Engine valves, compressors, hydraulic equipment, machine tool parts

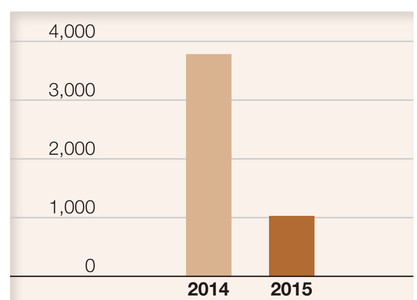
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



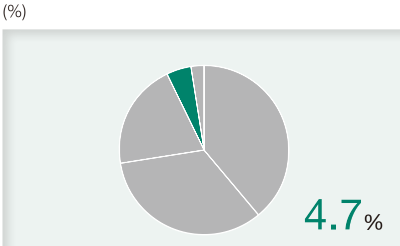
OPERATING INCOME Years ended March 31
(millions of yen)



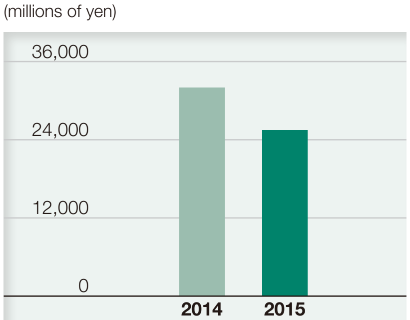
ENGINEERING

MAIN PRODUCTS
Steel making equipment, industrial furnaces and facilities, environmental equipment (for drain, exhaust, waste disposal and treatment facilities), machine tools, machine maintenance

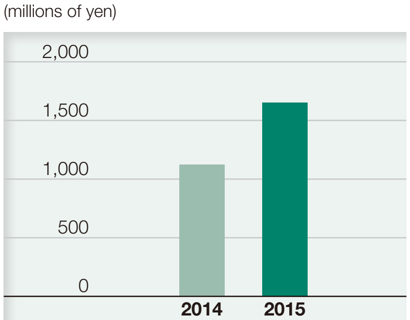
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



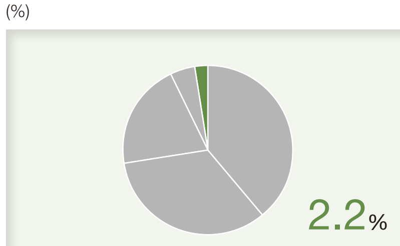
OPERATING INCOME Years ended March 31
(millions of yen)



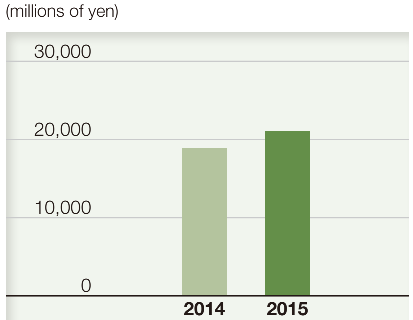
TRADING AND SERVICE

MAIN PRODUCTS
Sale of Group company products, welfare services, real estate and insurance business Golf course management, analysis business, outside software sales business

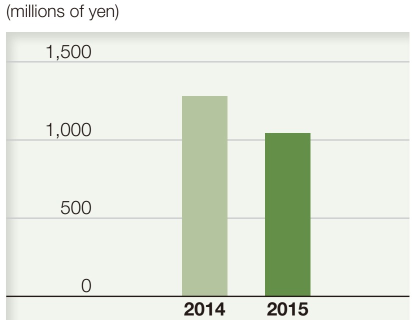
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



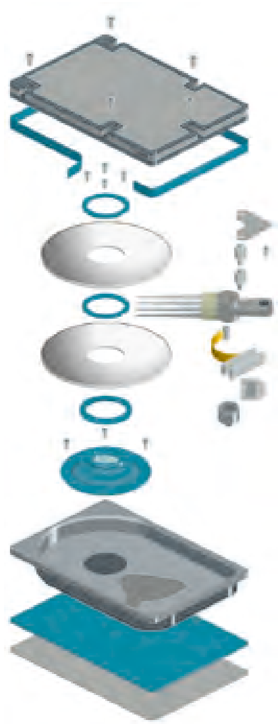
OPERATING INCOME Years ended March 31
(millions of yen)



SPECIALTY STEEL

Overview of Business

Specialty steel, the Company's core business, generates approximately 40% of consolidated net sales. Specialty steel is made by combining steel with alloys to add value in the form of properties such as resistance to heat, abrasions or rust. Because a range of special properties can be achieved by varying the type and amount of alloy, one of the special features of the business is that products are developed to meet the specific applications required by the user. The automobile and industrial machinery sectors are the primary users of specialty steel, accounting for about 80% of sales in this business segment.



HDD Spindle Motors
Daido Steel is the world's leading supplier of stainless steel for HDD spindle motors.

Results of Operations

In the specialty steel segment, sales volume increased year on year atop higher export sales due to an upturn in orders resulting from the yen's depreciation in addition to expanded sales to the industrial machinery sector. The increase came despite the effects of the decline in demand for automobiles in reaction to the consumption tax increase and sluggish Japanese automobile sales in China and the ASEAN region. Tool steel sales volume also increased on higher sales to Asia and strong automobile-related demand, especially for exports.

As a result, the specialty steel segment's net sales in fiscal 2014 increased 2.7% year on year to ¥189,125 million due to an increase in sales volume. Operating income increased by ¥1,486 million to ¥3,178 million.

HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS

Overview of Business

This segment, which accounts for roughly 33% of consolidated net sales, manufactures and sells high performance materials and magnetic materials used chiefly in computers, automobiles, mobile phones and consumer electronics. Notably, Daido Steel holds the world's largest market share as a supplier of magnets for spindle motors* for hard disk drives (HDD).

Key products include rare earth magnets (used in spindle motors* for HDD and other products), high alloys, titanium products and high performance powder metal products, and electromagnetic materials.

* Spindle motor: The motor used to rotate hard disk drives installed in computers.

Results of Operations

Net sales of stainless steel products were up year on year driven by strong demand for HDD-related products and automobiles, as well as higher sales prices reflecting higher nickel prices. Sales of high alloy products, magnetic products, and powder metal products surpassed those of the previous fiscal year thanks to firm demand for use in automobiles. Moreover, sales of titanium products increased, reflecting strong demand for use in medical services in Japan.

As a result, buoyed by strong demand, net sales for high performance materials and magnetic materials in fiscal 2014 increased 12.7% year on year to ¥161,758 million. Operating income also increased by ¥2,413 million to ¥13,518 million due to higher sales prices.

NEOQUENCH-P (NdFeB Polymer-bonded Magnets)
Magnets for precision, high-speed motors used in mobile phones, office automation (OA) equipment and other products; currently the world's most popular magnet for HDD spindle motors.

PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

Overview of Business

This segment contributes around 21% of consolidated net sales. It manufactures die forged parts such as crankshafts using specialty steel, precision cast parts for use in gears and turbochargers (used in diesel engines to improve fuel efficiency and reduce exhaust gases), as well as engine valves, jet engine shafts and parts for gas turbines. Most of the auto parts sold in this segment use materials that were developed through joint projects with automakers to meet their exacting requirements. These parts can therefore lower processing expenses at customers' factories as well as contribute to reducing the weight of finished products.

Many products in this segment are leading products in their respective market categories, such as aircraft jet engine shafts and marine diesel engine valves. Daido Steel also has a high market share in numerous other product categories, including automobile engine valves and turbine disks. We will continue to develop and launch new products that differentiate us from competitors and support our position as a provider of advanced products.

In addition to specialty steel supplied by the specialty steel segment of the Group, some steel materials used in this segment are manufactured in-house.

Hot, High-speed Precision Forgings
Daido Steel is one of the largest manufacturers of hot, high-speed precision forgings.

Results of Operations

Sales of free forging products increased year on year atop strong demand for use in commercial aircraft and large plant-related equipment. Die forging product volumes and sales were largely in line with those of the previous fiscal year as inventory adjustments resulting from sluggish automobile sales in the ASEAN region were offset by new sales expansion. Sales of engine valves increased on brisk orders following solid North American automobile sales and other factors. Sales of castings and precision cast products were up year on year due to robust demand for turbo-related products, despite the Company's withdrawal from large castings.

As a result, net sales in the parts for automobile and industrial equipment segment for fiscal 2014 rose 2.5% to ¥99,386 million. Operating income declined by ¥2,756 million to ¥1,024 million due to a deteriorating content structure and the posting of slag treatment-related expenses at the Shibukawa Plant.

ENGINEERING

Overview of Business

This segment generates about 5% of consolidated net sales. Major activities include the manufacture of steelmaking equipment, industrial furnaces, and associated equipment. This segment also manufactures environmental equipment for the treatment of wastewater, gas emissions and waste materials (mainly to public-sector clients with incinerated ash melting systems for urban waste) and machine tools.

With respect to environmental equipment in particular, the operation and engineering technologies we have fostered over the years support our cutting-edge engineering business, which constantly has a grasp of current market needs. The many new types of equipment and technologies that this segment has created contribute to environmental preservation and energy reduction in a wide variety of settings. Operations also include maintenance and management of this machinery and equipment.

Results of Operations

In the engineering segment, overseas projects, such as the construction of industrial furnaces in the ASEAN region, expanded steadily. However, sales from large construction projects, such as a facility for manufacturing magnetic materials for related companies, had been concentrated in the previous year and, consequently, net sales decreased year on year.

Engineering segment sales for fiscal 2014 decreased by 5.0% to ¥22,904 million. However, operating income increased ¥526 million to ¥1,652 million, mainly due to the margin on projects improving.

Daido Arc Process (DAP)

TRADING AND SERVICE

Overview of Business

The major activities of this segment, which accounts for approximately 2% of consolidated net sales, include the sale of products made by Group companies, employee benefits services, real estate and insurance services, golf course management, analytics, and sales of software to external customers.

Results of Operations

Net sales in the trading and service segment increased thanks to strong exports to North America. However, operating income decreased on recording losses related to system development.

As a result, net sales in fiscal 2014 climbed 15.7% to ¥10,460 million, while operating income declined by ¥237 million to ¥1,043 million.

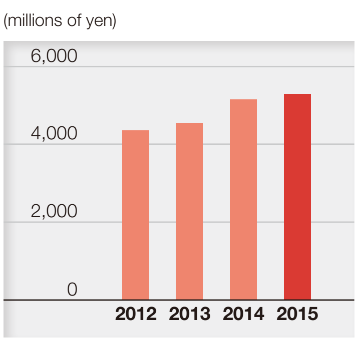
RESEARCH AND DEVELOPMENT

The Daido Steel Group's basic management policy is to leverage its advanced technology capabilities in specialty steel to "foster a corporate culture of creativity and originality that contributes to the 21st century society." Based on this policy, the Group conducts a proactive program of research and development (R&D) to expand new products and businesses and strengthen the foundations for existing businesses.

We are pursuing R&D for new products, materials and technologies, primarily through the Daido Corporate Research & Development Center, which houses the Special Steel Research Lab, Electromagnetic Material Research Lab, and Process Technology Development Center. We employ a total of 275 researchers throughout the Daido Steel Group (as of March 31, 2015).

R&D expenses for the Daido Steel Group during the fiscal year under review amounted to ¥5,301 million. An explanation of our R&D efforts by segment, including purpose, major achievements, and expenditures follows.

R&D EXPENDITURES
Years ended March 31



(1) Specialty Steel

In this segment, R&D includes basic material development, such as automotive structural materials and tool steel, and process innovations ranging from steelmaking, refining and solidification to quality assurance.

R&D costs for the fiscal year under review in this segment totaled ¥1,469 million.

- **Development of steel for gears with excellent manufacturability**

In order to balance fatigue strength, wear resistance at the surface and toughness in the core portion of gears, high-temperature carburizing treatment is generally utilized. However, occasionally localized coarsening of the crystal grain (non-uniformity of grain size) occurs during carburizing, causing property deterioration such as strength reduction. Therefore, we developed a technology that controls grain size uniformity and reduces property deterioration. We are studying its practical application in various types of steels. The new steels associated with this technology also reduce the carburizing costs by requiring shorter treatment times at high temperatures.

- **PVD coating (HT-CERAC) for high-strength steel sheet processing**

In creating lighter parts to improve automobile fuel efficiency, it is necessary to enhance the strength of steel sheets. Therefore, the surface of the processing tool in the press process of steel sheets is coated with hard film. However, the film soon peels off due to the high pressure processing required for high-strength steel. This peeling of the film leads to frequent tool changes. With enhancement of steel sheet strength, a more durable film has been sought.

To meet this need, we have developed the PVD coating "HT-CERAC." Because HT-CERAC lasts at least five times longer than conventional coatings, it improves production efficiency by reducing the tool change frequency, and is expected to be widely adopted in the future.

(2) High Performance Materials and Magnetic Materials

In this segment the Daido Steel Group conducts R&D focusing on developing materials that resist corrosion and heat, high-grade strip steel, welding materials, magnetic materials and electronic devices. Magnet research is carried out principally by the Company and its consolidated subsidiary, Daido Electronics Co., Ltd.

R&D costs for the fiscal year under review in this segment totaled ¥2,568 million. The following are some of our major achievements in this area.

- **Hot-deformed magnet containing no heavy rare-earth elements**

We have developed ND-40SHF, a neodymium-iron-boron (Nd-Fe-B) hot-deformed magnet with record-high magnetism and thermal resistance without any heavy rare-earth elements, specifically dysprosium (Dy) and terbium (Te) which are both rare and expensive. Demand for high-performance magnets is expanding, especially in the automobiles, consumer electronics, and energy fields. These fields require high thermal resistance. Conventional neodymium magnets show their thermal resistance due to the addition of heavy rare-earth elements, but as nearly all heavy rare-earth elements are produced in China, their high price and unstable supply are a major concern. As a magnet with no heavy rare-earth elements, ND-40SHF has achieved the world's highest level of magnetism and thermal resistance in rare-earth-free magnets through the newly developed hot plastic-deforming method and optimization of magnetic composition.

Daido Electronics supplies the magnets for motors in automobiles, in particular for the growing electronic power steering (EPS) market, as well as industrial machinery, office automation equipment and consumer electronics markets.

- **Development of high-elasticity titanium alloy TNCZ**

We have developed TNCZ, an innovative titanium alloy with improved flexibility and cold workability (formability) compared with conventional materials, and began its mass-production as wire rod in October 2014. TNCZ is a beta-type titanium alloy without nickel and vanadium, developed for medical use. It is composed of non-toxic elements (titanium, nickel, chrome, and zirconium). In addition, TNCZ enables the formation of complex shapes in which conventional titanium alloys cannot be used as a result of its good flexibility and formability. TNCZ is expected to be used in medical equipment, such as catheter guide wires, guide pins, and stents. We are working with customers to develop its applications for such products as eyeglass frames, automobile parts, and watch cases.

(3) Parts for Automobile and Industrial Equipment

R&D in this segment concentrates on development of turbochargers and other automotive parts and parts for various types of industrial machinery.

R&D costs for the fiscal year under review in this segment totaled ¥1,127 million. The following are some of our major achievements in this area.

- **High-heat-resistant titanium aluminide turbocharger wheel**

Because of improved automobile fuel consumption, demand for more compact engines along with turbochargers that convert, use and raise exhaust gas energy output is increasing. The turbine wheel, a key structural component of the turbocharger, is generally made from a nickel-based super-alloy that is highly heat resistant. To increase responsiveness at the time of startup, we have developed titanium alloys with approximately half the specific gravity of nickel-based super-alloys and the same or greater heat resistance, and have been producing them at a mass-production level. Now, we have developed a new titanium alloy, DAT-TA3, with improved high-temperature strength, high-temperature creep property, and a higher heat resistance temperature. In the future, with the tightening of environmental regulations and demands for a higher-performance turbocharger, the DAT-TA series are expected to be used in an even wider range of applications.

- **Development of high-strength automobile exhaust valve steel**

Heat-resistant austenitic steels have been generally used as materials for exhaust values in automobiles, but in high-performance engines operating at even harsher environmental temperatures, high-temperature-strength nickel-based super alloys or iron-nickel-based super alloys have been used hitherto. Now, we have developed the highest-grade iron-based heat-resistant austenitic steel, which surpasses conventional heat-resistant steels and has a good balance between higher strength through solid solution and carbide precipitation and long-term structural stability in a high-temperature environment. The new steel can be applied to applications requiring nickel-based super alloys at lower costs by reducing alloy materials such as nickel.

- **Development of manufacturing technology for high-strength, non-magnetic retaining rings for power generators**

To improve the efficiency of power generators, large rotor parts that rotate at high speeds are housed in a cylindrical metal case called a retaining ring to prevent them from flying off due to centrifugal force. The retaining ring must have the strength to withstand a large centrifugal force and must be non-magnetic to prevent heat being generated by the eddy current in the magnetic environment. To meet these needs, we developed a special manufacturing technology for high-strength, non-magnetic retaining rings. The technology consists of the optimization of forging conditions and special tools. Moreover, by using our originally developed strength prediction simulator, variations in strength are reduced. This technology is expected to be widely adopted in the future.

(4) Engineering

Engineering R&D focuses on the development of environmental conservation and recycling equipment, and a variety of energy-saving industrial furnaces.

R&D expenditures in this segment during the fiscal year under review amounted to ¥134 million.

- **Further developments of slim batch vacuum-carburizing furnace "SyncroTherm®"**

Vacuum-carburizing equipment uses progressive technologies to possess advanced characteristics and to expand the life of the automatic transmissions or fuel injection components of automobiles. We have incorporated the ModulTherm® technologies from ALD Vacuum Technologies, and the concept of ModulTherm® has been accepted by automotive manufacturers and tier 1 suppliers. Moreover, we have concluded a technical cooperation agreement regarding SyncroTherm® technologies with ALD. We have installed substantiation equipment at the Takiharu Techno-Center (Machinery Division), and have been accepting carburizing trials for a great deal of potential customers.

As a specific result of those developments, we have achieved smaller deformation and higher productivity. We provide highly valuable know-how to our customers - about materials from the R&D Division and equipment from the Machinery Division - and we are able to offer precise solutions for the increasingly sophisticated needs of our customers.

With our product lineup of ModulTherm® for large lots, and SyncroTherm® for small lots, we will reach potential customers in a wide range of fields including automobile manufacturing, construction machinery manufacturing, and industrial machinery manufacturing.

Basic Policy

The Daido Steel Group considers it extremely important for contemporary corporations to take on a role that extends beyond economic activities and to contribute to the sustainable development of society through environmentally conscious activities and involvement in the resolution of social issues.

The Daido Steel Group is playing a part in helping to create a recycling-oriented economy and society through its primary business operations: the manufacture and sale of specialty steel largely created from recycled scrap steel. Daido Steel is also engaged in a broad range of initiatives, including developing a variety of environmental activities, abiding firmly by our corporate ethics, striving for disclosure to increase the transparency of management, and creating a safe and pleasant place for employees to work.

Major Initiatives Preventing Global Warming

The first commitment period for the Kyoto Protocol ran from 2008 to 2012. In that time frame, Daido Steel aimed to reduce its CO_2 emissions volume by 10% compared to the 1990 level in accordance with the guidelines of the Japan Iron and Steel Federation. We worked to achieve this goal by expanding the use of exhaust heat recovery in heating furnaces, shifting our fuel source from heavy oil to natural gas, and improving the yield ratio through an increase in the ratio of production by continuous casters. Due to the effects of cumulative investments of ¥5.0 billion made from 2006 to 2012, operational improvements and changes in production levels, annual CO_2 emissions from 2008 to 2012 decreased by 24.7% on average. Turning to fuel conversion, we achieved a change in the natural gas percentage in fuel from 35% (calorie basis) in 2005 to 82% at the end of fiscal 2014. In addition, a cutting-edge, energy-efficient electric arc furnace was installed at the Chita Plant at a cost of ¥19.8 billion with rationalizing effects evident throughout the year, resulting in a 3% improvement in CO_2 emissions per ton of production. Going forward, in accordance with the objectives of the Commitment to a Low Carbon Society ongoing plan for fiscal 2013 to fiscal 2020 formulated by the Japan Iron and Steel Federation and Japan Business Federation (Keidanren), we will continue implementing further reform measures, such as reductions in the number of heat exchangers, improvements in the yield ratio, and production in optimal areas.

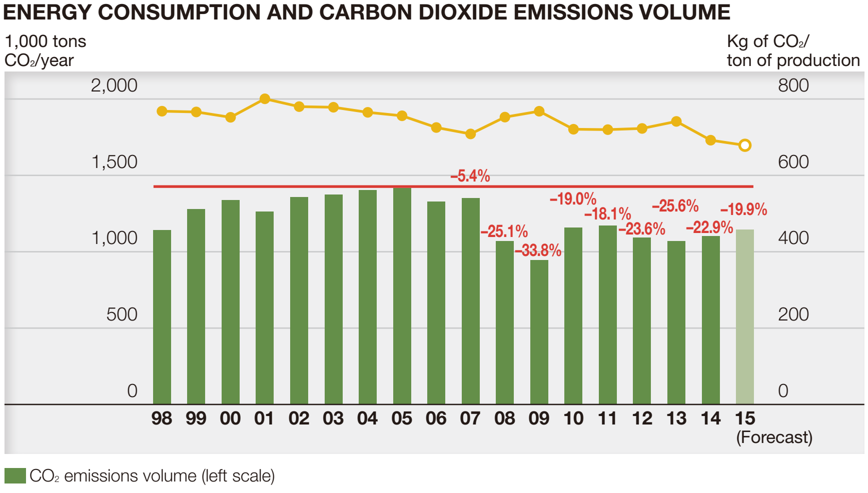
Strengthening the CSR Promotion Framework

The Daido Steel Group has responded to the needs of our various stakeholders by establishing the Human Resources Labor Committee and various other committees as parent organizations to support CSR activities, such as the Environment and Energy Committee. With a view to further strengthening this framework, in fiscal 2007, the CSR Committee was established to supervise general CSR activities. Members of the CSR Committee formulate Group-wide policies and action plans with the aim of unifying and expanding CSR activities across all Group companies and divisions.

Starting January 2013, the Environment and Energy Committee was split into two independent committees (namely, the Environment Committee and the Energy Committee) to promote CSR activities in a more fulfilling way.

For details, please refer to the annually issued CSR Report.
URL: http://www.daido.co.jp/csr/data/report.html
(Japanese only)

ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS VOLUME



CO_2 emissions coefficient for electric power: 0.374 kg of CO_2/kWh

Basic Policy

Daido Steel views corporate governance as one of the key issues for management in today's rapidly changing business environment. We strive to increase management efficiency, accelerate and improve decision-making, and ensure management transparency.

In addition, in order to clarify our responsibilities as a company contributing to society, Daido Steel has established a Risk Management Committee. The Company has also implemented the Daido Steel Corporate Code of Ethics, and is working to improve its basic structure as a company open to society. In order to ensure the reliability of its financial reporting, the Company has set up an Internal Control Committee.

Governance System

Daido Steel uses an Audit & Supervisory Board system. At the 91st Shareholders' Meeting held on June 26, 2015, an amendment to the articles of incorporation stipulated that there be a maximum of 15 directors (from the previous maximum of 30), Board of Directors meetings, a maximum of 4 Audit & Supervisory Board members and meetings of the Audit & Supervisory Board and corporate auditors. Based on these changes to the articles of incorporation, Daido Steel reduced the number of its directors from 21 to 9. At the 91st Shareholders' Meeting held on June 26, 2015, the Company also instituted an executive officer system to clearly distinguish the responsibilities of strategy formulation and management oversight functions and business execution.

In addition, where there had conventionally been one external director at Daido Steel, two external directors were appointed at the 91st Shareholders' Meeting to strengthen the Board of Directors' supervisory functions.

By using a system that oversees and supervises business execution through a Board of Directors, including two external directors, and an Audit & Supervisory Board, including two external Audit & Supervisory Board members, Daido Steel enhances its corporate governance, optimizes and accelerates decision-making and secures fair and transparent management.

Internal Control System

Risk Management Initiatives

Daido Steel emphasizes risk management and legal compliance in its management. To this end, the Company has set out basic points for risk management in the Risk Management Regulations. In addition, the Risk Management Committee discusses management of projected upcoming and latent risks within the Group. The Company also appoints a director who is responsible for the Company-wide supervision of risk management and compliance.

In preparation for a major accident or other problem, relevant information is shared with all concerned people, and speedy and smooth countermeasures are formulated. The Company has also formulated regulations for emergency countermeasures in the event of a major accident, aimed at minimizing the impact of the accident or other problem on business activities, and disseminated the regulations to all employees and Group companies.

Furthermore, in response to any major share-purchase activity (for example, purchases of the Company's shares aimed at increasing the voting rights of a specific shareholders' group to over 20%), Daido Steel will implement takeover defense measures from the perspective of ensuring and improving corporate value and, by extension, the shared beneficial interests of all shareholders.

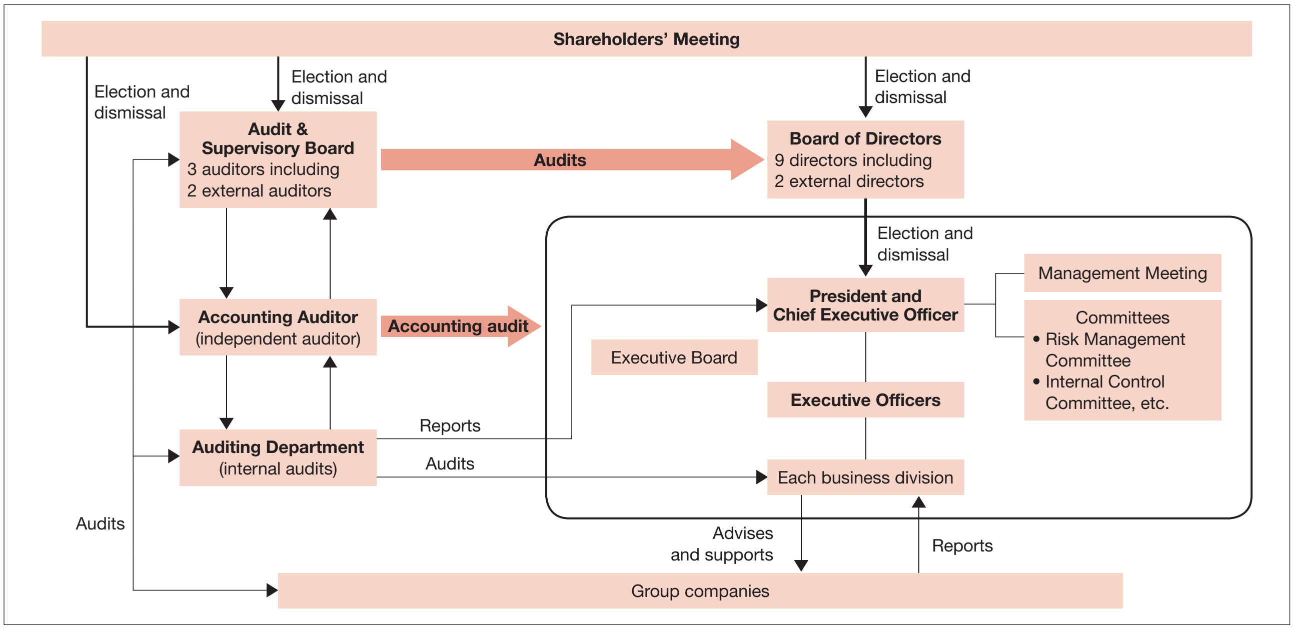
Efforts to Enhance Compliance

Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for consultation and reporting by employees regarding compliance, as well as directors in charge of compliance and risk management, divisions in charge and outside attorneys.

Efforts to Ensure the Reliability of Financial Reporting

In order to ensure the reliability of financial reporting and enhance the level of response of the Company and Group companies to J-SOX, the Daido Steel Group prescribes the basic points for system improvement and operation in the Internal Control Regulations and has established an Internal Control Committee.

MECHANISM FOR BUSINESS EXECUTION, AUDIT, SUPERVISION AND INTERNAL CONTROL (As of June 26, 2015)



OFFICERS

PRESIDENT & CEO, REPRESENTATIVE EXECUTIVE DIRECTOR


Tadashi Shimao

REPRESENTATIVE EXECUTIVE DIRECTORS, EXECUTIVE VICE PRESIDENTS


Michio Okabe


Motoshi Shinkai


Takeshi Ishiguro

DIRECTORS, MANAGING EXECUTIVE OFFICERS


Akira Miyajima


Yasuhiro Itazuri

MANAGING EXECUTIVE OFFICERS


Hajime Takahashi


Kazuto Tachibana

DIRECTOR, MANAGING EXECUTIVE OFFICER


Tsukasa Nishimura

MANAGING EXECUTIVE OFFICERS


Satoshi Tsujimoto


Susumu Shimura


Shinji Naruse

DIRECTORS (OUTSIDE DIRECTORS)


Shinji Fujino


Hitoshi Tanemura

EXECUTIVE OFFICERS

Shuji Matsubuchi
Takeshi Muto
Kazuhiko Hirabayashi
Hajime Amano
Yoshiaki Mori
Hirotaka Yoshinaga
Atsumi Hatano
Yuji Kamiya
Tomoki Hanyuda
Kimihiko Seki

AUDIT & SUPERVISORY BOARD MEMBERS

Toshinori Koike
Shigenobu Tokuoka
Yukichi Ozawa

CONTENTS

OVERVIEW OF OPERATING ENVIRONMENT AND PERFORMANCE

In fiscal 2014, ended March 31, 2015, the Japanese economy remained on a recovery track, mainly due to improved corporate performance on the back of the government's economic and monetary policies. After a temporary economic slump in the first half in reaction to a consumption tax increase in April 2014, the effects of the reactive decline in consumer spending diminished. Overseas, in advanced countries, the U.S. economy remained strong, mainly due to consumer spending, while the European economy is expected to move toward recovery on quantitative easing by the European Central Bank amid mounting fears of deflation. Meanwhile, in emerging countries, the Chinese economy continues to slow moderately, and with other regions lacking the overall stamina to recover, along with geopolitical risks such as conflicts and terrorism, the global economic future is uncertain. The automobile and industrial machinery sectors, which are major customers for specialty steel, appeared to make some production adjustments but remained stable overall. Under these conditions, the Group redoubled its efforts to improve earnings and took steps to address medium-term business challenges, such as increasing sales of global leading products and expanding the next-generation of growth products.

As a result, the Group's net sales in fiscal 2014 increased by ¥25,902 million year on year to ¥483,633 million, mainly due to an increase in sales volume. Ordinary income rose ¥1,441 million to ¥21,729 million. This was mainly attributable to the cost reduction effect of new steel processes in the Chita Plant, the main production base, despite higher energy costs for electric power and so forth and higher raw material costs for nickel and other materials.

BUSINESS SEGMENT PERFORMANCE

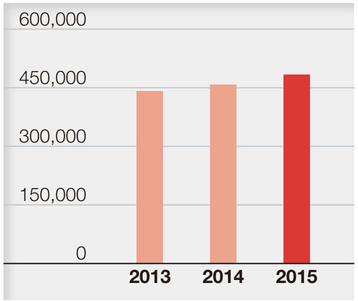
Specialty Steel

In the specialty steel segment, sales volume increased year on year atop higher export sales due to an upturn in orders resulting from the yen's depreciation in addition to expanded sales to the industrial machinery sector. The increase came despite the effects of the decline in demand for automobiles in reaction to the consumption tax increase and sluggish Japanese automobile sales in China and the ASEAN region. Tool steel sales volume also increased on higher sales to Asia and strong automobile-related demand, especially for exports.

As a result, the specialty steel segment's net sales in fiscal 2014 increased 2.7% year on year to ¥189,125 million due to an increase in sales volume. Operating income increased by ¥1,486 million to ¥3,178 million.

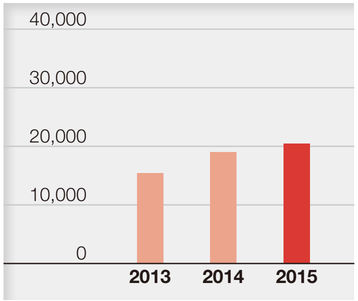
NET SALES
Years ended March 31

(millions of yen)



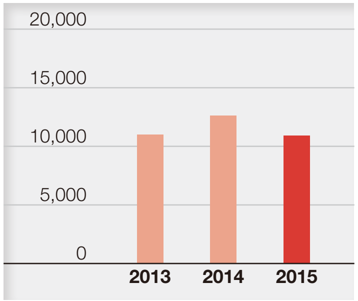
OPERATING INCOME
Years ended March 31

(millions of yen)



NET INCOME
Years ended March 31

(millions of yen)



High Performance Materials and Magnetic Materials

Net sales of stainless steel products were up year on year driven by strong demand for HDD-related products and automobiles, as well as higher sales prices reflecting higher nickel prices. Sales of high alloy products, magnetic products, and powder metal products surpassed those of the previous fiscal year thanks to firm demand for use in automobiles. Moreover, sales of titanium products increased, reflecting strong demand for use in medical services in Japan.

As a result, buoyed by strong demand, net sales for high performance materials and magnetic materials in fiscal 2014 increased 12.7% year on year to ¥161,758 million. Operating income also increased by ¥2,413 million to ¥13,518 million due to higher sales prices.

Parts for Automobile and Industrial Equipment

Sales of free forging products increased year on year atop strong demand for use in commercial aircraft and large plant-related equipment. Die forging product volumes and sales were largely in line with those of the previous fiscal year as inventory adjustments resulting from sluggish automobile sales in the ASEAN region were offset by new sales expansion. Sales of engine valves increased on brisk orders following solid North American automobile sales and other factors. Sales of castings and precision cast products were up year on year due to robust demand for turbo-related products, despite the Company's withdrawal from large castings.

As a result, net sales in the parts for automobile and industrial equipment segment for fiscal 2014 rose 2.5% to ¥99,386 million. Operating income declined by ¥2,756 million to ¥1,024 million due to a deteriorating content structure and the posting of slag treatment-related expenses at the Shibukawa Plant.

Engineering

In the engineering segment, overseas projects, such as those for the ASEAN region, progressed steadily. However, net sales decreased year on year due to concentration on sales of large construction projects in the previous year.

Engineering segment sales for fiscal 2014 decreased by 5.0% to ¥22,904 million. However, operating income increased ¥526 million to ¥1,652 million, mainly due to the margin on projects improving.

Trading and Service

Net sales in the trading and service segment increased thanks to strong exports to North America. However, operating income decreased on recording losses related to system development.

As a result, net sales in fiscal 2014 climbed 15.7% to ¥10,460 million, while operating income declined by ¥237 million to ¥1,043 million.

CAPITAL EXPENDITURES

Capital expenditures by business segment during the fiscal year under review are shown in the table below.

Figures in the table include intangible fixed assets in addition to property, plant and equipment.

RESEARCH AND DEVELOPMENT

R&D costs for the entire Daido Steel Group during the fiscal year under review totaled ¥5,301 million. The research objectives, main achievements and R&D costs in each business segment were as follows:

(1) Specialty Steel

Daido Steel bears the principal responsibility for carrying out specialty steel R&D. Research areas include basic material development, such as automotive structural steel and tool steel. Other areas of emphasis are development of process innovations ranging from steelmaking, refining and solidification to quality assurance for finished products.

Specialty steel R&D costs during the fiscal year under review totaled ¥1,469 million.

(2) High Performance Materials and Magnetic Materials

Development of materials that resist corrosion and heat, high-grade strip steel, welding materials, electromagnetic materials, and other basic materials, as well as R&D of electronic devices is conducted mainly by Daido Steel. R&D costs in this segment during the fiscal year under review amounted to ¥2,568 million.

CAPITAL EXPENDITURES BY SEGMENT

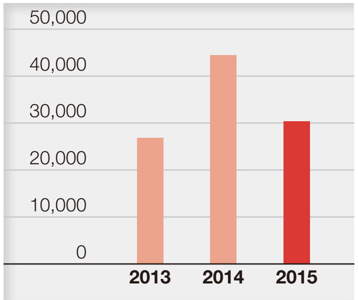
Years ended March 31

	Millions of Yen		
	2015	2014	Change (%)
Specialty Steel	**¥ 9,173**	¥22,261	–58.8
High Performance Materials and Magnetic Materials	**9,162**	11,491	–20.3
Parts for Automobile and Industrial Equipment	**9,514**	9,439	0.8
Engineering	**450**	230	95.7
Trading and Service	**1,997**	983	103.4
Total	**¥30,296**	¥44,404	–31.8

CAPITAL EXPENDITURES

Years ended March 31

(millions of yen)



(3) Parts for Automobile and Industrial Equipment

Mainly the responsibility of Daido Steel, R&D in this segment concentrates on development of turbo chargers and other automotive parts and parts for various types of industrial machinery. R&D costs for the fiscal year under review in this segment totaled ¥1,127 million.

(4) Engineering

Engineering R&D is carried out primarily by Daido Steel, focused on development of environmental conservation and recycling equipment and a variety of energy-saving industrial furnaces. Engineering R&D costs during the fiscal year under review were ¥134 million.

(5) Trading and Service

There are no R&D activities in this segment.

FINANCIAL POSITION

Cash Flows

Cash and cash equivalents as of March 31, 2015, amounted to ¥31,776 million, representing a decrease of ¥8,129 million year on year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥25,740 million, down ¥2,827 million from the previous fiscal year. The main components of cash inflow were income before income taxes and minority interests of ¥19,470 million. The main component of cash outflow was ¥9,286 million for increase in inventories.

Cash Flows from Investing Activities

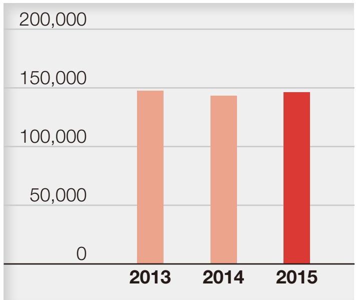
Net cash used in investing activities totaled ¥32,178 million, decreasing by ¥2,135 million from the previous fiscal year. The major cash outflows included ¥36,035 million in purchases of property, plant, and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥2,793 million, down ¥4,841 million from the previous year. This was chiefly due to recording ¥10,000 million for proceeds from issuance of bonds and ¥18,894 million for repayments of long-term debt.

INTEREST-BEARING DEBT
Years ended March 31

(millions of yen)



FINANCIAL SECTION

CONSOLIDATED BALANCE SHEET

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	2014	**2015**
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 31,776**	¥ 39,905	**$ 264,800**
Time deposits (Notes 8 and 16)	**851**	810	**7,092**
Receivables:			
Trade notes and accounts (Note 16)	**105,007**	100,719	**875,058**
Other	**1,928**	1,015	**16,067**
Total receivables	**106,935**	101,734	**891,125**
Inventories (Note 4)	**108,562**	97,747	**904,683**
Deferred tax assets (Note 12)	**4,900**	4,525	**40,833**
Prepaid expenses and other current assets	**3,324**	3,538	**27,700**
Allowance for doubtful accounts	**(166)**	(197)	**(1,383)**
Total current assets	**256,182**	248,062	**2,134,850**
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 5, 6 and 8)	**35,139**	36,926	**292,825**
Buildings and structures (Notes 5, 6 and 8)	**162,766**	156,230	**1,356,383**
Machinery and equipment (Note 8)	**450,951**	439,201	**3,757,925**
Construction in progress	**6,772**	4,579	**56,434**
Total	**655,628**	636,936	**5,463,567**
Accumulated depreciation	**(466,253)**	(452,035)	**(3,885,442)**
Net property, plant, and equipment	**189,375**	184,901	**1,578,125**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 8, and 16)	**72,846**	64,973	**607,050**
Investments in nonconsolidated subsidiaries and associated companies (Note 16)	**17,910**	19,587	**149,250**
Asset for employees' retirement benefits (Note 9)	**39,208**	28,785	**326,733**
Deferred tax assets (Note 12)	**1,058**	866	**8,817**
Other investments and assets	**12,011**	10,348	**100,092**
Total investments and other assets	**143,033**	124,559	**1,191,942**
TOTAL	**¥ 588,590**	¥ 557,522	**$ 4,904,917**

LIABILITIES AND EQUITY	Millions of Yen 2015	2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 16)	**¥ 22,656**	¥ 23,104	**$ 188,800**
Current portion of long-term debt (Notes 7 and 16)	**25,702**	18,991	**214,183**
Payables:			
Trade notes and accounts (Notes 8 and 16)	**78,040**	76,895	**650,333**
Acquisitions of property, plant, and equipment	**7,294**	15,990	**60,784**
Total payables	**85,334**	92,885	**711,117**
Income taxes payable (Note 16)	**3,883**	3,507	**32,358**
Accrued expenses	**10,995**	10,533	**91,625**
Other current liabilities (Note 8)	**10,812**	7,440	**90,100**
Total current liabilities	**159,382**	156,460	**1,328,183**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 16)	**97,850**	100,991	**815,417**
Liability for employees' retirement benefits (Note 9)	**8,003**	7,313	**66,692**
Retirement allowance for directors and Audit & Supervisory Board members	**957**	934	**7,975**
Asset retirement obligations (Note 10)	**426**	426	**3,550**
Deferred tax liabilities (Note 12)	**25,099**	20,065	**209,158**
Other long-term liabilities	**4,467**	3,709	**37,225**
Total long-term liabilities	**136,802**	133,438	**1,140,017**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 18)			
EQUITY (Note 11)**:**			
Common stock:			
Authorized: 1,160,000 thousand shares			
Issued: 434,488 thousand shares in 2015 and 2014	**37,172**	37,172	**309,767**
Capital surplus	**28,542**	28,542	**237,850**
Retained earnings	**152,131**	146,079	**1,267,758**
Treasury stock, at cost:			
805 thousand shares in 2015 and 784 thousand shares in 2014	**(382)**	(370)	**(3,183)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**25,129**	16,642	**209,408**
Deferred gain on derivatives under hedge accounting	**1**	1	**8**
Land revaluation surplus	**1,758**	1,654	**14,650**
Foreign currency translation adjustments	**3,236**	1,229	**26,967**
Defined retirement benefit plans	**8,435**	1,203	**70,292**
Total	**256,022**	232,152	**2,133,517**
Minority interests	**36,384**	35,472	**303,200**
Total equity	**292,406**	267,624	**2,436,717**
TOTAL	**¥588,590**	¥557,522	**$4,904,917**

See notes to consolidated financial statements.

FINANCIAL SECTION

CONSOLIDATED STATEMENT OF INCOME

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET SALES	**¥483,633**	¥457,731	**$4,030,275**
COST OF SALES (Note 13)	**413,536**	390,387	**3,446,133**
Gross profit	**70,097**	67,344	**584,142**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 13 and 14)	**49,688**	48,367	**414,067**
Operating income	**20,409**	18,977	**170,075**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**2,181**	1,867	**18,175**
Interest expense	**(1,462)**	(1,839)	**(12,183)**
Equity in earnings of associated companies	**716**	630	**5,967**
Gain on sales of investment securities and investments in associated companies—net	**2,624**	133	**21,867**
Foreign exchange gain	**799**	968	**6,658**
Provision for environmental remediation	**(877)**	–	**(7,308)**
Gain (loss) on sales and disposals of property, plant, and equipment—net	**1,254**	(48)	**10,450**
Investment rents received	**547**	547	**4,558**
Loss on support for a consolidated subsidiary	**(907)**	–	**(7,559)**
Write-down of investment securities and investments in associated companies (Note 3)	**(4,030)**	(81)	**(33,583)**
Impairment loss on long-lived assets	**(2,461)**	(108)	**(20,508)**
Other—net	**677**	(81)	**5,641**
Other (expenses) income—net	**(939)**	1,988	**(7,825)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**19,470**	20,965	**162,250**
INCOME TAXES (Note 12)**:**			
Current	**7,052**	5,123	**58,767**
Deferred	**(334)**	1,308	**(2,784)**
Total income taxes	**6,718**	6,431	**55,983**
NET INCOME BEFORE MINORITY INTERESTS	**12,752**	14,534	**106,267**
MINORITY INTERESTS IN NET INCOME	**1,866**	1,918	**15,550**
NET INCOME	**¥ 10,886**	¥ 12,616	**$ 90,717**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(u))**:**			
Basic net income	**¥ 25.10**	¥ 29.09	**$ 0.21**
Cash dividends applicable to the year	**6.50**	5.00	**0.05**

	Thousands	
WEIGHTED-AVERAGE NUMBER OF OUTSTANDING SHARES OF COMMON STOCK	**433,692**	433,726

See notes to consolidated financial statements.

FINANCIAL SECTION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET INCOME BEFORE MINORITY INTERESTS	**¥12,752**	¥14,534	**$106,267**
OTHER COMPREHENSIVE INCOME (Note 19)**:**			
Unrealized gain on available-for-sale securities	**8,612**	6,146	**71,767**
Deferred gain on derivatives under hedge accounting	**1**	(1)	**8**
Land revaluation surplus	**104**	–	**867**
Foreign currency translation adjustments	**2,357**	1,845	**19,642**
Defined retirement benefit plans	**7,184**	–	**59,867**
Share of other comprehensive income in associates	**101**	85	**842**
Total other comprehensive income	**18,359**	8,075	**152,993**
COMPREHENSIVE INCOME	**¥31,111**	¥22,609	**$259,260**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥28,715**	¥20,431	**$239,292**
Minority interests	**2,396**	2,178	**19,967**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Thousands	Millions of Yen					
						Accumulated Other Comprehensive Income	
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting
BALANCE AT APRIL 1, 2013	433,747	¥37,172	¥28,543	¥134,790	¥(347)	¥10,512	¥1
Adjustment of retained earnings for newly consolidated subsidiary	–	–	–	408	–	–	–
Net income	–	–	–	12,616	–	–	–
Cash dividends, ¥4 per share	–	–	–	(1,735)	–	–	–
Purchase of treasury stock	(46)	–	–	–	(25)	–	–
Disposal of treasury stock	3	–	0	–	2	–	–
Net change in the year	–	–	(1)	–	–	6,130	0
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	433,704	37,172	28,542	146,079	(370)	16,642	1
Cumulative effect of accounting change	**–**	**–**	**–**	**(2,448)**	**–**	**–**	**–**
BALANCE, APRIL 1, 2014 (as restated)	**433,704**	**37,172**	**28,542**	**143,631**	**(370)**	**16,642**	**1**
Net income	**–**	**–**	**–**	**10,886**	**–**	**–**	**–**
Cash dividends, ¥5.5 per share	**–**	**–**	**–**	**(2,386)**	**–**	**–**	**–**
Purchase of treasury stock	**(26)**	**–**	**–**	**–**	**(13)**	**–**	**–**
Net change in treasury stock due to change in ownership of an associated company	**5**	**–**	**–**	**–**	**1**	**–**	**–**
Net change in the year	**–**	**–**	**–**	**–**	**–**	**8,487**	**0**
BALANCE AT MARCH 31, 2015	**433,683**	**¥37,172**	**¥28,542**	**¥152,131**	**¥(382)**	**¥25,129**	**¥1**

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2013	¥1,654	¥ (403)	¥ –	¥211,922	¥33,819	¥245,741
Adjustment of retained earnings for newly consolidated subsidiary	–	–	–	408	–	408
Net income	–	–	–	12,616	–	12,616
Cash dividends, ¥4 per share	–	–	–	(1,735)	–	(1,735)
Purchase of treasury stock	–	–	–	(25)	–	(25)
Disposal of treasury stock	–	–	–	2	–	2
Net change in the year	–	1,632	1,203	8,964	1,653	10,617
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	1,654	1,229	1,203	232,152	35,472	267,624
Cumulative effect of accounting change	**–**	**–**	**–**	**(2,448)**	**(101)**	**(2,549)**
BALANCE, APRIL 1, 2014 (as restated)	**1,654**	**1,229**	**1,203**	**229,704**	**35,371**	**265,075**
Net income	**–**	**–**	**–**	**10,886**	**–**	**10,886**
Cash dividends, ¥5.5 per share	**–**	**–**	**–**	**(2,386)**	**–**	**(2,386)**
Purchase of treasury stock	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Net change in treasury stock due to change in ownership of an associated company	**–**	**–**	**–**	**1**	**–**	**1**
Net change in the year	**104**	**2,007**	**7,232**	**17,830**	**1,013**	**18,843**
BALANCE AT MARCH 31, 2015	**¥1,758**	**¥3,236**	**¥8,435**	**¥256,022**	**¥36,384**	**¥292,406**

	Thousands of U.S. Dollars (Note 1)					
					Accumulated Other Comprehensive Income	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2014						
(April 1, 2014, as previously reported)	$309,767	$237,850	$1,217,325	$(3,083)	$138,683	$8
Cumulative effect of accounting change	**–**	**–**	**(20,400)**	**–**	**–**	**–**
BALANCE, APRIL 1, 2014 (as restated)	**309,767**	**237,850**	**1,196,925**	**(3,083)**	**138,683**	**8**
Net income	**–**	**–**	**90,717**	**–**	**–**	**–**
Cash dividends, $0.05 per share	**–**	**–**	**(19,884)**	**–**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**(108)**	**–**	**–**
Net change in treasury stock due to change in ownership of an associated company	**–**	**–**	**–**	**8**	**–**	**–**
Net change in the year	**–**	**–**	**–**	**–**	**70,725**	**0**
BALANCE AT MARCH 31, 2015	**$309,767**	**$237,850**	**$1,267,758**	**$(3,183)**	**$209,408**	**$8**

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014						
(April 1, 2014, as previously reported)	$13,783	$10,242	$10,025	$1,934,600	$295,600	$2,230,200
Cumulative effect of accounting change	**–**	**–**	**–**	**(20,400)**	**(842)**	**(21,242)**
BALANCE, APRIL 1, 2014 (as restated)	**13,783**	**10,242**	**10,025**	**1,914,200**	**294,758**	**2,208,958**
Net income	**–**	**–**	**–**	**90,717**	**–**	**90,717**
Cash dividends, $0.05 per share	**–**	**–**	**–**	**(19,884)**	**–**	**(19,884)**
Purchase of treasury stock	**–**	**–**	**–**	**(108)**	**–**	**(108)**
Net change in treasury stock due to change in ownership of an associated company	**–**	**–**	**–**	**8**	**–**	**8**
Net change in the year	**867**	**16,725**	**60,267**	**148,584**	**8,442**	**157,026**
BALANCE AT MARCH 31, 2015	**$14,650**	**$26,967**	**$70,292**	**$2,133,517**	**$303,200**	**$2,436,717**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 19,470**	¥ 20,965	**$ 162,250**
Adjustments for:			
Income taxes paid	**(6,506)**	(3,198)	**(54,216)**
Depreciation and amortization	**22,437**	20,052	**186,975**
Impairment loss on long-lived assets	**2,461**	108	**20,508**
(Gain) loss on sales and disposals of property, plant, equipment, and other—net	**(607)**	139	**(5,058)**
Gain on sales of investment securities and investments in associated companies	**(2,624)**	(133)	**(21,867)**
Write-down of investment securities and investments in associated companies	**4,030**	81	**33,583**
Equity in earnings of associated companies	**(717)**	(630)	**(5,975)**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	**(3,114)**	(11,882)	**(25,950)**
Decrease in allowance for doubtful accounts	**(45)**	(69)	**(375)**
Increase in inventories	**(9,286)**	(2,338)	**(77,383)**
(Decrease) increase in notes and accounts payable	**(28)**	9,955	**(233)**
Increase in asset for employees' retirement benefits	**(3,336)**	(3,973)	**(27,800)**
Decrease in liability for employees' retirement benefits	**160**	145	**1,333**
Other—net	**3,445**	(655)	**28,708**
Total adjustments	**6,270**	7,602	**52,250**
Net cash provided by operating activities	**25,740**	28,567	**214,500**
INVESTING ACTIVITIES:			
Payment for time deposits	**(1,093)**	(345)	**(9,108)**
Repayment from time deposits	**1,160**	24	**9,666**
Purchases of property, plant, and equipment	**(36,035)**	(31,748)	**(300,292)**
Proceeds from sales of property, plant and equipment	**1,811**	1,533	**15,092**
Purchases of investment securities and investments in nonconsolidated subsidiaries	**(3,139)**	(1,626)	**(26,158)**
Proceeds from sales of investment securities and investments in associated companies	**4,712**	220	**39,267**
Proceeds from redemption of investment securities	**3,000**	–	**25,000**
Proceeds from purchase of shares of a consolidated subsidiary	**184**	–	**1,533**
Disbursements for originating loans	**(703)**	(178)	**(5,858)**
Proceeds from collection of loans	**637**	270	**5,308**
Other—net	**(2,712)**	(2,463)	**(22,600)**
Net cash used in investing activities	**(32,178)**	(34,313)	**(268,150)**
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term bank loans	**(1,256)**	5,451	**(10,466)**
Proceeds from long-term debt	**21,400**	25,941	**178,333**
Repayment of long-term debt	**(18,894)**	(35,614)	**(157,450)**
Dividends paid, including payments to minority shareholders of subsidiaries	**(2,919)**	(2,265)	**(24,325)**
Other—net	**(1,124)**	(1,147)	**(9,367)**
Net cash used in financing activities	**(2,793)**	(7,634)	**(23,275)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**1,102**	610	**9,183**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,129)**	(12,770)	**(67,742)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**–**	1,032	**–**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**39,905**	51,643	**332,542**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 31,776**	¥ 39,905	**$ 264,800**

See notes to consolidated financial statements.

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DAIDO STEEL CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The Company had 64 (57 in 2014) majority-owned subsidiaries and 17 (21 in 2014) associated companies at March 31, 2015. The consolidated financial statements as of March 31, 2015, include the accounts of the Company and 34 (33 in 2014) significant subsidiaries (together, the "Group").

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

Investments in six associated companies are accounted for by the equity method for the years ended March 31, 2015 and 2014. Investments in other nonconsolidated 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 have been material.

The fiscal years of the subsidiaries are not necessarily the same as those of the Company. Accounts of those subsidiaries which have different fiscal years have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations for the year then ended.

The difference between the cost of acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis over five years.

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

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

In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." 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 International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for the following items which 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 recorded in the equity through other comprehensive income; c) expensing capitalized development costs of research and development; d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and e) exclusion of minority interests from net income, if contained in net income (see Note 2(v)).

(c) Cash and 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 and short-term investments which mature or become due within three months of the date of acquisition.

(d) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

A limited partnership investment is accounted for by the equity method.

Non-marketable 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.

(e) Inventories

Inventories are stated at the lower of cost, mainly determined by the weighted average method for each period of a year, or net selling value. Write-down of inventories in the amounts of ¥63 million ($525 thousand) and ¥154 million for the years ended March 31, 2015 and 2014, respectively, were included in cost of sales.

(f) Allowance for Doubtful Accounts

To provide for the loss from doubtful accounts, an allowance for doubtful accounts is made using the historical rate of actual losses for normal receivables and the estimated irrecoverable amount for specific doubtful receivables after considering the recoverability of each account.

(g) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less gains on grant receipts, etc. Under certain conditions, such as government grant receipt, exchanges of fixed assets of similar kinds, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The acquisition costs of property, plant, and equipment were reduced in the amounts of ¥2,708 million ($22,567 thousand) and ¥1,548 million at March 31, 2015 and 2014, respectively.

Depreciation of certain plants of the Company and certain domestic and foreign subsidiaries is computed by the straight-line method. Depreciation of other plants of the Company and other subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, for domestic companies.

Depreciation of leased assets is computed by the straight-line method over the lease period.

The range of useful lives is from five to 75 years for buildings and structures and from four to 17 years for machinery and equipment.

(h) Land Revaluation

Under the "Law of Land Revaluation," Nippon Drop Forge Co., Ltd., a consolidated subsidiary, elected a one-time revaluation of its own-use land to a value based on real estate appraisal information at March 31, 1999. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2015, the carrying amount of the land after the above one-time revaluation and impairment exceeded the market value by ¥943 million ($7,858 thousand).

(i) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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 at 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.

(j) Other Assets

Intangible assets are amortized by the straight-line method. Software costs are amortized over five years.

(k) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(l) Retirement and Pension Plans

The Company and its domestic consolidated subsidiaries have defined retirement benefit plans and unfunded pension plans. Certain consolidated subsidiaries have defined contribution pension plans, multiemployer contributory funded pension plans and smaller enterprise retirement allowance mutual aid plans.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations had been attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years. Past service costs are amortized on a straight-line basis over 10 years. Certain small consolidated subsidiaries apply the simplified method to state the liability based on the amount which would be paid if employees retired at the consolidated 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 employees' retirement benefits) or asset (asset for employees' 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 19).

(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, and 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, asset for employees' retirement benefits as of April 1, 2014, decreased by ¥3,627 million ($30,225 thousand), liability for employees' retirement benefits as of April 1, 2014, increased by ¥298 million ($2,483 thousand), and retained earnings as of April 1, 2014, decreased by ¥2,448 million ($20,400 thousand). The effects on the statement of income and net income per share were immaterial.

Retirement benefits to directors and Audit & Supervisory Board members of certain subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date.

(m) Asset Retirement Obligations

In March 2008, the ASBJ issued ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the 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 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.

(n) Research and Development Costs

Research and development costs are charged to income as incurred.

(o) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

(p) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts,” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under this accounting standard, 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 can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

(q) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(r) 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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(s) Foreign Currency Financial Statements

The consolidated 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 consolidated 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.

(t) Derivatives and Hedging Activities

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

Derivative financial instruments 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, except for those derivatives which qualify for hedge accounting, gains or losses are recognized in the consolidated statement of income 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 are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value, and the unrealized gains (losses) are recognized in the consolidated statement of income. Forward contracts used to hedge forecasted (or committed) transactions are also measured at fair value, but the unrealized gains (losses) are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

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.

(u) Per Share Information

Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because the Group had no dilutive shares at March 31, 2015 and 2014.

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

(v) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and the guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

(w) New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements—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 minority 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 current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be 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 interests" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interests" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be 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 current 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 current 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 above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, the accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for business combinations occuring on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Noncurrent:			
Equity securities	**¥72,846**	¥64,973	**$607,050**
Total	**¥72,846**	¥64,973	**$607,050**

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

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥34,438**	**¥36,817**	**¥387**	**¥70,868**

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥35,068	¥25,199	¥271	¥59,996

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$286,984**	**$306,808**	**$3,225**	**$590,567**

Information for available-for-sale securities that were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale:						
Equity securities	**¥3,873**	**¥1,971**	**¥1**	**$32,275**	**$16,425**	**$8**

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥215	¥138	¥6

Impairment losses on equity securities and investments in associated companies for the years ended March 31, 2015 and 2014, were ¥4,030 million ($33,583 thousand) and ¥81 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise	**¥ 19,779**	¥17,048	**$164,825**
Finished products	**12,380**	12,011	**103,167**
Semifinished products	**22,695**	20,212	**189,125**
Work in process	**24,823**	22,180	**206,858**
Raw materials	**18,688**	17,570	**155,733**
Supplies	**10,197**	8,726	**84,975**
Total	**¥108,562**	¥97,747	**$904,683**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, the Group recognized an impairment loss of ¥2,461 million ($20,508 thousand) as other expense for unused land and certain property, plant and equipment in Nagano due to devaluation of land and a continuous operating loss, and the carrying amount of the relevant assets was written down to the recoverable amount for the year ended March 31, 2015. The recoverable amount of the assets in Nagano was measured at its value in use and the discount rate used for computation of present value of future cash flows was 6.5%. Impairment loss of ¥108 million was recognized in 2014.

6. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures," and ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Company holds some rental properties, such as office buildings and land in Aichi and other areas. The net amounts of rental income and operating expenses for those rental properties were ¥846 million ($7,050 thousand) and ¥861 million for the years ended March 31, 2015 and 2014, respectively.

In addition, the net gains on sales of those rental properties were ¥14 million ($117 thousand) and ¥786 million for the years ended March 31, 2015 and 2014, respectively. Impairment loss on rental properties was ¥66 million ($550 thousand) for the year ended March 31, 2015.

The carrying amounts, changes in such balances and market prices of such properties at March 31, 2015 and 2014, were as follows:

Millions of Yen				Thousands of U.S. Dollars			
Carrying Amount			Fair Value	Carrying Amount			Fair Value
April 1, 2014	Decrease, net	March 31, 2015	March 31, 2015	April 1, 2014	Decrease, net	March 31, 2015	March 31, 2015
¥5,910	**¥713**	**¥5,197**	**¥24,090**	**$49,250**	**$5,942**	**$43,308**	**$200,750**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Increase, net	March 31, 2014	March 31, 2014
¥5,633	¥277	¥5,910	¥25,502

Notes:
1) The carrying amount recognized in the consolidated balance sheet was net of accumulated depreciation and accumulated impairment losses, if any.
2) The increase during the fiscal year ended March 31, 2015, primarily represents the acquisition of certain properties of ¥493 million ($4,108 thousand). The decrease during the fiscal year ended March 31, 2015, primarily represents the effect of the changes in scope of consolidation of ¥1,057 million ($8,808 thousand) and depreciation of ¥123 million ($1,025 thousand).
The increase during the fiscal year ended March 31, 2014, primarily represents the acquisition of certain properties of ¥365 million and the reclassification of certain lands to rental properties of ¥441 million. The decrease during the year ended March 31, 2014 represents sale of properties of ¥339 million and depreciation of ¥168 million.
3) The fair value of properties was primarily measured by the Group in accordance with its Real-Estate Appraisal Standard.

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

Short-term bank loans consisted of notes to banks and bank overdrafts. The weighted-average rates of annual interest applicable to short-term bank loans at March 31, 2015 and 2014, were 0.81% and 0.83%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans from banks and other financial institutions due serially to 2021 with weighted-average interest rates of 0.79% in 2015 and 0.83% in 2014	**¥ 82,415**	¥ 89,466	**$ 686,792**
1.08% unsecured bonds due December 18, 2015	**20,000**	20,000	**166,667**
0.68% unsecured bonds due December 1, 2016	**10,000**	10,000	**83,333**
0.335% unsecured bonds due May 27, 2019	**10,000**	–	**83,333**
Obligations under finance leases	**1,137**	516	**9,475**
Total	**123,552**	119,982	**1,029,600**
Less: Portion due within one year	**(25,702)**	(18,991)	**(214,183)**
Total long-term debt	**¥ 97,850**	¥100,991	**$ 815,417**

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 25,702	$ 214,183
2017	24,621	205,175
2018	15,647	130,392
2019	24,641	205,341
2020	25,322	211,017
2021 and thereafter	7,619	63,492
Total	¥123,552	$1,029,600

The Company and a consolidated subsidiary entered into line-of-credit agreements with 10 banks. The details of the agreements were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line-of-credit amount	¥25,000	$208,333
Balance used at March 31, 2015	–	–

8. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for notes and accounts payable of ¥10 million ($83 thousand) and other current liabilities of ¥11 million ($92 thousand) at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	**¥ 18**	**$ 150**
Land	**2,179**	**18,158**
Buildings and structures	**1,783**	**14,858**
Machinery and equipment	**1,553**	**12,942**
Investment securities	**71**	**592**
Total	**¥5,604**	**$46,700**

9. RETIREMENT AND PENSION PLANS

The Company and its consolidated subsidiaries have defined retirement benefit plans and unfunded pension plans. Certain consolidated subsidiaries have defined contribution pension plans, multiemployer contributory funded pension plans, and smaller enterprise retirement allowance mutual aid plans.

The Group has employee retirement benefit trusts.

Furthermore, additional severance payments, which are not included in liability for employees' retirement benefit, are paid in certain cases.

Certain small consolidated subsidiaries apply the simplified method to state the liability based on the amount which would be paid if employees retired at the consolidated balance sheet date.

Some of subsidiaries participate in multiemployer contributory funded plans, and the plans are accounted for as if the plans were defined contribution plans in the case that the plan assets attributable to the contributions by the subsidiaries cannot be rationally determined.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥47,739**	¥48,851	**$397,825**
Cumulative effect of accounting change	**3,925**	–	**32,708**
Balance at beginning of year (as restated)	**51,664**	48,851	**430,533**
Current service cost	**1,745**	1,488	**14,541**
Interest cost	**585**	923	**4,875**
Actuarial losses	**1,322**	273	**11,017**
Benefits paid	**(4,069)**	(3,869)	**(33,908)**
Past service cost	**–**	50	**–**
Others	**15**	23	**125**
Balance at end of year	**¥51,262**	¥47,739	**$427,183**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥71,450**	¥68,534	**$595,417**
Expected return on plan assets	**1,354**	1,170	**11,283**
Actuarial gains	**12,631**	2,170	**105,258**
Contributions from the employer	**2,748**	2,537	**22,900**
Benefits paid	**(3,519)**	(2,974)	**(29,325)**
Others	**7**	13	**58**
Balance at end of year	**¥84,671**	¥71,450	**$705,591**

3. The changes in liability for employees' retirement benefits for which the simplified method was applied to record the liability for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥2,239**	¥2,243	**$18,658**
Pension costs	**477**	635	**3,975**
Benefits paid	**(199)**	(308)	**(1,658)**
Contributions to pension funds	**(317)**	(340)	**(2,642)**
Others	**4**	9	**34**
Balance at end of year	**¥2,204**	¥2,239	**$18,367**

4. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥ 51,506**	¥ 48,219	**$ 429,217**
Plan assets	**(87,397)**	(73,946)	**(728,308)**
Total	**(35,891)**	(25,727)	**(299,091)**
Unfunded defined benefit obligation	**4,686**	4,255	**39,050**
Net asset arising from defined benefit obligation	**¥(31,205)**	¥(21,472)	**$(260,041)**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥ 1,745**	¥ 1,488	**$ 14,541**
Interest cost	**585**	923	**4,875**
Expected return on plan assets	**(1,354)**	(1,170)	**(11,283)**
Amortization of prior service cost	**(661)**	(157)	**(5,508)**
Recognized actuarial gains	**(157)**	(1,468)	**(1,308)**
Retirement benefits for which simplified method was applied	**478**	635	**3,983**
Additional severance payments	**115**	740	**958**
Net periodic benefit costs	**¥ 751**	¥ 991	**$ 6,258**

6. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ (157)	–	$ (1,308)
Actuarial gains	10,648	–	88,733
Total	¥10,491	–	$87,425

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 453	¥ 610	$ 3,775
Unrecognized actuarial gains	11,738	1,090	97,817
Total	¥12,191	¥1,700	$101,592

8. Plan assets:

(1) Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt investments	12%	15%
Equity investments	69	64
Assets in an insurer's general account	16	19
Others	3	2
Total	100%	100%

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

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

9. Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	1.1%	1.9%
Expected rate of return on plan assets	2.0	2.0

Some consolidated subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥353 million ($2,942 thousand) and ¥326 million for the years ended March 31, 2015 and 2014, respectively.

(1) The funded status of the multi-employer plan as of March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Plan assets	**¥238,997**	¥241,559	**$1,991,642**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve*	**255,077**	267,884	**2,125,642**
Net balance	**¥ (16,080)**	¥ (26,325)	**$ (134,000)**

* This item was presented as "amount of benefit obligation on pension plan" as of March 31, 2014.

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
The contribution ratio of the Group in the multi-employer plan	**2.38%**	2.53%

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥426**	¥426	**$3,550**
Reconciliation associated with passage of time	**–**	–	**–**
Balance at end of year	**¥426**	¥426	**$3,550**

11. 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, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of 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 which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35% and 38% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Accrued bonuses	**¥ 2,090**	¥ 2,120	**$ 17,417**
Liability for employees' retirement benefits	**2,550**	2,539	**21,250**
Allowance for doubtful accounts	**77**	94	**642**
Write-down of securities and other assets	**1,944**	657	**16,200**
Elimination of unrealized gain on property, plant, and equipment	**634**	655	**5,283**
Net loss carryforwards	**2,325**	1,312	**19,375**
Elimination of unrealized gain on inventories	**943**	937	**7,858**
Enterprise tax	**377**	365	**3,142**
Other	**4,612**	2,940	**38,433**
Less valuation allowance	**(6,805)**	(3,781)	**(56,708)**
Total deferred tax assets	**¥ 8,747**	¥ 7,838	**$ 72,892**
Deferred tax liabilities:			
Deferred gain on property, plant, and equipment	**¥ 1,978**	¥ 2,193	**$ 16,483**
Land revaluation surplus	**1,293**	1,397	**10,775**
Unrealized gain on securities	**11,634**	8,709	**96,950**
Asset for employees' retirement benefits	**10,868**	8,144	**90,567**
Unrealized gain on lands resulting from consolidation of a subsidiary	**1,116**	1,223	**9,300**
Other	**999**	846	**8,325**
Total deferred tax liabilities	**¥27,888**	¥ 22,512	**$232,400**
Net deferred tax liabilities	**¥19,141**	¥(14,674)	**$159,508**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rates	**35.0%**	38.0%
Expenses not deductible for income tax purposes	**3.2**	1.9
Revenues not recognized for income tax purposes	**(7.1)**	(4.4)
Per capita tax	**0.6**	0.5
Net change in valuation allowance	**6.6**	(1.7)
Effects of elimination of dividends for consolidation purposes	**4.0**	3.0
Effect of accounting by the equity method	**(1.3)**	(1.1)
Lower income tax rates applicable to income in certain foreign countries	**(1.1)**	(0.9)
Tax credit	**(2.9)**	(3.5)
Effect of change in statutory tax rate	**(1.9)**	1.1
Other—net	**(0.6)**	(2.2)
Actual effective tax rates	**34.5%**	30.7%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on April 1, 2015, to approximately 33% and for fiscal years beginning on or after April 1, 2016, to approximately 32%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥1,848 million ($15,400 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥1,117 million ($9,308 thousand), and defined retirement benefit plan by ¥362 million ($3,017 thousand) in the consolidated balance sheet as of March 31, 2015, and to decrease income taxes—deferred in the consolidated statement of income for the year then ended by ¥369 million ($3,075 thousand).

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,301 million ($44,175 thousand) and ¥5,160 million for the years ended March 31, 2015 and 2014, respectively.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Freight expenses	**¥13,290**	¥12,922	**$110,750**
Salaries and welfare expenses	**21,419**	20,966	**178,492**
Provision for bonuses to employees	**2,231**	2,133	**18,592**
Provision for bonuses to directors and Audit & Supervisory Board members	**271**	257	**2,258**
Net periodic retirement benefit costs	**377**	813	**3,141**
Depreciation	**1,377**	1,216	**11,475**
Other	**10,723**	10,060	**89,359**
Total	**¥49,688**	¥48,367	**$414,067**

15. LEASES

(As lessor)

Expected revenues from noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Due within one year	**¥ 497**	¥ 519	**$ 4,142**
Due after one year	**3,516**	4,013	**29,300**
Total	**¥4,013**	¥4,532	**$33,442**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term and long-term debt including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but only for the purpose of reducing exposure to financial risks as described in (2) below.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of payables denominated in the same currency, of which positions are almost equal. In addition, foreign currency receivables of certain consolidated subsidiaries are hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group and for alliance purposes, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency, of which positions are almost equal, as noted above. In addition, foreign currency trade payables in certain consolidated subsidiaries are exposed to risk resulting from fluctuations in foreign currency exchange rates. The risk is hedged by using forward foreign currency contracts.

Short-term bank loans and commercial paper are mainly used for general operating purposes, and long-term bank loans and bonds are mainly used for investment and strategy. Although a part of such bank loans and commercial paper, excluding bonds, is exposed to risk of changes in variable interest rates, that risk is mitigated by using interest rate swaps. Bonds are not exposed to risks of changes in interest rates as interest rates are fixed.

Derivatives mainly include forward foreign currency contracts, which are used to manage future cash flows, currency swaps and interest rate swaps, which are used to manage risks from changes in interest rates of bank loans. Please see Note 17 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 or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. To reduce counterparty risk, the Group enters into derivative transactions only with highly rated financial institutions. Please see Note 17 for the details about derivatives.

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

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

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is netted against the balance of receivables and payables, of which positions are almost equal. In addition, certain consolidated subsidiaries hedge such risk principally by using forward foreign currency contracts.

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

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

Derivative transactions of the Company are undertaken by the finance and accounting department and the procurement center and reported to directors or the Board of Directors based on internal regulations that prescribe the authority and maximum amount for each transaction. Derivative transactions of consolidated subsidiaries are undertaken by the Finance and Accounting Department based on internal regulation.

Liquidity risk management

The Group manages its liquidity risk by establishing a cash management plan according to reports from each department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 17 for the details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**¥ 31,776**	**¥ 31,776**	**–**	**$ 264,800**	**$ 264,800**	**–**
Time deposits	**851**	**851**	**–**	**7,092**	**7,092**	**–**
Receivables:						
Trade notes and accounts receivable	**105,007**	**105,007**	**–**	**875,058**	**875,058**	**–**
Investment securities	**70,868**	**70,868**	**–**	**590,567**	**590,567**	**–**
Investment in an associated company	**4,419**	**3,620**	**¥(799)**	**36,825**	**30,167**	**$(6,658)**
Total	**¥212,921**	**¥212,122**	**¥(799)**	**$1,774,342**	**$1,767,684**	**$(6,658)**
Short-term bank loans	**¥ 22,656**	**¥ 22,656**	**–**	**$ 188,800**	**$ 188,800**	**–**
Current portion of long-term debt	**25,702**	**25,832**	**¥(130)**	**214,183**	**215,267**	**$(1,084)**
Payables: Trade notes and accounts	**78,040**	**78,040**	**–**	**650,333**	**650,333**	**–**
Income taxes payable	**3,883**	**3,883**	**–**	**32,358**	**32,358**	**–**
Long-term debt	**97,850**	**98,216**	**(366)**	**815,417**	**818,467**	**(3,050)**
Total	**¥228,131**	**¥228,627**	**¥(496)**	**$1,901,091**	**$1,905,225**	**$(4,134)**

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 39,905	¥ 39,905	–
Time deposits	810	810	–
Receivables:			
Trade notes and accounts receivable	100,719	100,719	–
Investment securities	59,997	59,997	–
Investment in an associated company	4,341	2,890	¥(1,451)
Total	¥205,772	¥204,321	¥(1,451)
Short-term bank loans	¥ 23,104	¥ 23,104	–
Current portion of long-term debt	18,991	18,991	–
Payables: Trade notes and accounts	76,895	76,895	–
Income taxes payable	3,507	3,507	–
Long-term debt	100,991	101,320	¥ (329)
Total	¥223,488	¥223,817	¥ (329)

Cash and Cash Equivalents, Time Deposits, Receivables-Notes and Accounts, Payables-Trade Notes and Accounts, Income Taxes Payable, Short-Term Bank Loans, and Current Portion of Long-Term Debt with Variable Interest Rates

The carrying values of cash and cash equivalents, time deposits, receivables-trade notes and accounts, payables-trade notes and accounts, income taxes payable, short-term bank loans, and current portion of long-term debt with variable interest rates approximate fair value because of their short maturities. The fair values of notes and accounts receivables, and payables-trade notes and accounts include the fair values of foreign currency forward contracts and interest rate swaps.

Investment Securities

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

Long-Term Debt with Fixed Interest Rates

The fair values of long-term debt with fixed interest rates are determined by discounting the cash flows related to the debt at the risk-free rate plus credit spread or at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 17.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Securities that do not have a quoted market price in an active market:			
Investment securities	**¥ 1,978**	¥ 4,976	**$ 16,483**
Investments in nonconsolidated subsidiaries and associated companies	**13,491**	15,273	**112,425**

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

	Millions of Yen			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 31,776**	–	–	–
Time deposits	**851**	–	–	–
Receivables: Trade notes and accounts	**105,007**	–	–	–
Total	**¥137,634**	–	–	–

	Thousands of U.S. Dollars			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 264,800**	–	–	–
Time deposits	**7,092**	–	–	–
Receivables: Trade notes and accounts	**875,058**	–	–	–
Total	**$1,146,950**	–	–	–

Please see Note 7 for annual maturities of long-term debt and the current portion of long-term debt.

17. DERIVATIVES

The Group enters into foreign exchange forward contracts, interest rate swaps, and currency swaps. The Group does not hold or issue derivatives for trading or speculative purposes. Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate hedging policy, authorization, credit limit, and reporting to management. Each derivative transaction is periodically reported to management, which evaluates and analyzes the derivatives. To reduce the counterparty risk, the Group enters into the derivative transactions only with highly rated financial institutions. The contract amounts of derivatives which are shown in the following table do not measure the Group's exposure to market risk.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2014

	Millions of Yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	**¥ 239**	**–**	**¥ (1)**	**¥ (1)**
Euro	**139**	**–**	**(7)**	**(7)**
Yen	**385**	**–**	**(15)**	**(15)**
Thai baht	**0**	**–**	**0**	**0**
H.K. dollar	**0**	**–**	**(0)**	**(0)**
RMB	**0**	**–**	**0**	**0**
Selling:				
U.S. dollar	**5,970**	**–**	**(49)**	**(49)**
Euro	**113**	**–**	**3**	**3**
Thai baht	**146**	**–**	**(5)**	**(5)**
RMB	**86**	**–**	**(2)**	**(2)**

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	¥ 181	–	¥ 1	¥ 1
Euro	186	–	2	2
Yen	440	–	(4)	(4)
Thai baht	6	–	0	0
H.K. dollar	0	–	0	0
Selling:				
U.S. dollar	5,206	–	(21)	(21)
Euro	214	–	(2)	(2)
Thai baht	78	–	(1)	(1)

	Thousands of U.S. Dollars			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	**$ 1,991**	**–**	**$ (8)**	**$ (8)**
Euro	**1,158**	**–**	**(58)**	**(58)**
Yen	**3,208**	**–**	**(125)**	**(125)**
Thai baht	**0**	**–**	**0**	**0**
H.K. dollar	**0**	**–**	**(0)**	**(0)**
RMB	**0**	**–**	**0**	**0**
Selling:				
U.S. dollar	**49,750**	**–**	**(408)**	**(408)**
Euro	**942**	**–**	**25**	**25**
Thai baht	**1,216**	**–**	**(42)**	**(42)**
RMB	**717**	**–**	**(17)**	**(17)**

(b) Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014

	Millions of Yen			
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	**¥ 303**	**–**	**¥ 23**
Pound sterling	Payables—trade	**54**	**–**	**2**
Selling:				
U.S. dollar	Receivables—trade	**169**	**–**	**(22)**
Qualified for hedge accounting not remeasured at market value:				
Buying:				See note on the following page
U.S. dollar	Payables—trade	**45**	**–**	
Pound sterling	Payables—trade	**46**	**–**	
Selling:				
U.S. dollar	Receivables—trade	**102**	**–**	
Currency swaps:				
Yen payment, U.S. dollar receipt	Short-term bank loans and long-term debt	**2,000**	**¥ 2,000**	
Interest rate swaps:				
Fixed rate payment, floating rate receipt		**37,300**	**37,300**	

	Millions of Yen			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	¥ 522	–	¥ 9
Euro	Payables—trade	40	–	1
Pound Sterling	Payables—trade	13	–	1
Selling:				
U.S. dollar	Receivables—trade	729	–	(9)
Qualified for hedge accounting not remeasured at market value:				
Buying:				See note on the following page
U.S. dollar	Payables—trade	314	–	
Pound sterling	Payables—trade	16	–	
Singapore dollar	Payables—trade	7	–	
Yen	Payables—trade	31	–	
Selling:				
U.S. dollar	Receivables—trade	82	–	
Currency swaps:				
Yen payment, U.S. dollar receipt		1,000	¥ 1,000	
Interest rate swaps:	Short-term bank loans and long-term debt			
Floating rate payment, fixed rate receipt		2,000	2,000	
Fixed rate payment, floating rate receipt		37,200	37,100	

At March 31, 2015	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	**$ 2,525**	**–**	**$ 192**
Pound sterling	Payables—trade	**450**	**–**	**17**
Selling:				
U.S. dollar	Receivables—trade	**1,408**	**–**	**(183)**
Qualified for hedge accounting not remeasured at market value:				
Buying:				See note below
U.S. dollar	Payables—trade	**375**	**–**	
Pound sterling	Payables—trade	**383**	**–**	
Selling:				
U.S. dollar	Receivables—trade	**850**	**–**	
Currency swaps:				
Yen payment, U.S. dollar receipt	Short-term bank loans and long-term debt	**16,667**	**$ 16,667**	
Interest rate swaps:				
Fixed rate payment, floating rate receipt		**310,833**	**310,833**	

Note: Fair values of derivatives qualified for hedge accounting, which are not remeasured at market value, are included in the fair values of hedged items in Note 16.

18. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2015, the Group had contingent liabilities for notes with recourse in the course of asset liquidation in the amount of ¥703 million ($5,858 thousand).

At March 31, 2015, the Group was contingently liable for ¥4,874 million ($40,617 thousand) for guarantees of loans and payables of nonconsolidated subsidiaries, associated and other companies and employees, including borrowings of ¥3,600 million ($30,000 thousand) by Yugen Kaisha Takakura Founding Corporation ("Takakura").

The Company had an obligation to invest additionally in Takakura via an anonymous association contract with an upper limit of ¥524 million ($4,367 thousand) in the event that buildings owned by Takakura are destroyed or impaired by natural disaster.

The Company transferred all stocks of one of its consolidated subsidiaries, Tokuhatsu Co., Ltd., held by the Company, to NHK Spring Co., Ltd., in January 2006. Under the agreement with NHK Spring Co., Ltd., the Company would owe a defect liability against NHK Spring Co., Ltd. at a maximum amount of ¥3,200 million for 10 years starting on the date of transfer. The Company agreed to owe the defect liability, which includes product liability and remediation costs for land pollution, subject to events occurring prior to the date of transfer. As a result of the due diligence process between the Company and NHK Spring Co., Ltd., management of the Company believes that the possibility of exposure to losses is remote.

19. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥13,353**	¥ 9,588	**$111,275**
Reclassification adjustments to profit or loss	**(1,816)**	(133)	**(15,133)**
Amount before income tax effect	**11,537**	9,455	**96,142**
Income tax effect	**(2,925)**	(3,309)	**(24,375)**
Total	**¥ 8,612**	¥ 6,146	**$ 71,767**
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	**¥ 2**	¥ (2)	**$ 16**
Reclassification adjustments to profit or loss	**(1)**	–	**(8)**
Amount before income tax effect	**1**	(2)	**8**
Income tax effect	**(0)**	1	**(0)**
Total	**¥ 1**	¥ (1)	**$ 8**
Land revaluation surplus:			
Income tax effect	**¥ 104**	–	**$ 867**
Total	**¥ 104**	–	**$ 867**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 2,357**	¥ 1,845	**$ 19,642**
Total	**¥ 2,357**	¥ 1,845	**$ 19,642**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥11,308**	–	**$ 94,233**
Reclassification adjustments to profit or loss	**(817)**	–	**(6,808)**
Amount before income tax effect	**10,491**	–	**87,425**
Income tax effect	**(3,307)**	–	**(27,558)**
Total	**¥ 7,184**	–	**$ 59,867**
Share of other comprehensive income in associates:			
Gain arising during the year	**¥ 101**	¥ 85	**$ 842**
Total	**¥ 101**	¥ 85	**$ 842**
Total other comprehensive income	**¥18,359**	¥ 8,075	**$152,993**

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Shareholders' Meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.03) per share	**¥1,518**	**$12,650**

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group.

The Group has business divisions based on the nature of its products and services. Each division draws up strategies and operates its own business.

The Group consists of five industries: “Specialty Steel,” “High Performance Materials and Magnetic Materials,” “Parts for Automobile and Industrial Equipment,” “Engineering,” and “Trading and Service.” “Specialty Steel” industry consists of manufacturing of specialty steel for automotive and industrial machinery parts.

“High Performance Materials and Magnetic Materials” industry consists of manufacturing of stainless steel, high alloy and magnetic materials, titanium products and powder metals for automotive and industrial machinery, and electrical and electronic parts.

“Parts for Automobile and Industrial Equipment” industry consists of manufacturing of die-forged parts, forging products, and other products for automotive and industrial machinery parts.

“Engineering” industry consists of manufacturing and maintenance of steelmaking and environmental equipment, industrial furnaces, and associated equipment.

“Trading and Service” industry consists of real estate-related services and welfare and other services.

2. Methods of Measurement for the Amounts of Sales, Profit, Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

Reportable segment profit represents operating income.

3. Information about Sales, Profit, Assets, and Other Items is as Follows:

2015	Reportable Segment: Specialty Steel	Reportable Segment: High Performance Materials and Magnetic Materials	Reportable Segment: Parts for Automobile and Industrial Equipment	Reportable Segment: Engineering	Reportable Segment: Trading and Service	Reportable Segment: Total	Reconciliations	Consolidated
	Millions of Yen							
Sales								
Sales to external customers	**¥189,125**	**¥161,758**	**¥ 99,386**	**¥22,904**	**¥10,460**	**¥483,633**	**–**	**¥483,633**
Intersegment sales or transfers	**73,313**	**16,756**	**30,907**	**2,532**	**10,630**	**134,138**	**¥(134,138)**	**–**
Total	**¥262,438**	**¥178,514**	**¥130,293**	**¥25,436**	**¥21,090**	**¥617,771**	**¥(134,138)**	**¥483,633**
Segment profit	**¥ 3,178**	**¥ 13,518**	**¥ 1,024**	**¥ 1,652**	**¥ 1,043**	**¥ 20,415**	**¥ (6)**	**¥ 20,409**
Segment assets	**199,313**	**185,699**	**119,238**	**19,249**	**17,799**	**541,298**	**47,292**	**588,590**
Other:								
Depreciation and amortization	**7,831**	**7,213**	**6,037**	**351**	**1,005**	**22,437**	**–**	**22,437**
Investments in associated companies accounted for by the equity method	**4,612**	**4,753**	**366**	**78**	**–**	**9,809**	**330**	**10,139**
Increase in property, plant, and equipment and intangible assets	**9,173**	**9,162**	**9,514**	**450**	**1,997**	**30,296**	**–**	**30,296**

2014	Reportable Segment: Specialty Steel	Reportable Segment: High Performance Materials and Magnetic Materials	Reportable Segment: Parts for Automobile and Industrial Equipment	Reportable Segment: Engineering	Reportable Segment: Trading and Service	Reportable Segment: Total	Reconciliations	Consolidated
	Millions of Yen							
Sales								
Sales to external customers	¥184,100	¥143,485	¥ 97,002	¥24,105	¥ 9,039	¥457,731	–	¥457,731
Intersegment sales or transfers	66,650	15,883	26,774	7,875	9,818	127,000	¥(127,000)	–
Total	¥250,750	¥159,368	¥123,776	¥31,980	¥18,857	¥584,731	¥(127,000)	¥457,731
Segment profit	¥ 1,691	¥ 11,104	¥ 3,779	¥ 1,126	¥ 1,280	¥ 18,980	¥ (3)	¥ 18,977
Segment assets	202,070	170,016	111,852	17,329	18,365	519,632	37,890	557,522
Other:								
Depreciation and amortization	6,728	6,727	5,428	233	936	20,052	–	20,052
Investments in associated companies accounted for by the equity method	4,087	4,724	372	89	–	9,272	297	9,569
Increase in property, plant, and equipment and intangible assets	22,261	11,491	9,439	230	983	44,404	–	44,404

	Thousands of U.S. Dollars							
	Reportable Segment							
2015	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total	Reconciliations	Consolidated
Sales								
Sales to external customers	$1,576,042	$1,347,983	$ 828,216	$190,867	$ 87,167	$4,030,275	–	$4,030,275
Intersegment sales or transfers	610,942	139,633	257,559	21,100	88,583	1,117,817	$(1,117,817)	–
Total	$2,186,984	$1,487,616	$1,085,775	$211,967	$175,750	$5,148,092	$(1,117,817)	$4,030,275
Segment profit	$ 26,483	$ 112,650	$ 8,533	$ 13,767	$ 8,692	$ 170,125	$ (50)	$ 170,075
Segment assets	1,660,942	1,547,492	993,650	160,408	148,325	4,510,817	394,100	4,904,917
Other:								
Depreciation and amortization	65,258	60,108	50,309	2,925	8,375	186,975	–	186,975
Investments in associated companies accounted for by the equity method	38,434	39,608	3,050	650	–	81,742	2,750	84,492
Increase in property, plant, and equipment and intangible assets	76,442	76,350	79,283	3,750	16,642	252,467	–	252,467

Notes: 1. Reconciliations of segment profit consisted of elimination of intersegment transactions.
2. Reconciliations of segment assets and investments in associated companies consisted of corporate assets that were not allocated to any reportable segments.
3. Segment profit was reconciled to operating income in the consolidated statement of income.

4. Associated Information

(1) Information about geographical areas

Sales

	Millions of Yen				
2015	Japan	North America	Asia	Other	Total
	¥372,854	**¥21,497**	**¥82,387**	**¥6,895**	**¥483,633**

	Millions of Yen				
2014	Japan	North America	Asia	Other	Total
	¥368,604	¥15,928	¥66,977	¥6,222	¥457,731

	Thousands of U.S. Dollars				
2015	Japan	North America	Asia	Other	Total
	$3,107,117	**$179,142**	**$686,558**	**$57,458**	**$4,030,275**

(2) Information about impairment loss

2015	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	**¥2**	**¥2**	**¥0**	**¥0**	**¥2,457**	**¥2,461**

2014	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	¥53	¥32	¥19	¥4	–	¥108

2015	Thousands of U.S. Dollars					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	**$17**	**$16**	**$0**	**$0**	**$20,475**	**$20,508**

(3) Information about goodwill

2015	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill	**¥ 51**	**–**	**–**	**–**	**–**	**¥ 51**
Balance of goodwill	**114**	**–**	**–**	**–**	**–**	**114**

2014	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill (negative goodwill)	¥ 54	–	–	–	–	¥ 54
Balance of goodwill	¥163	–	–	–	–	¥163

2015	Thousands of U.S. Dollars					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill	**$425**	**–**	**–**	**–**	**–**	**$425**
Balance of goodwill	**$950**	**–**	**–**	**–**	**–**	**$950**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daido Steel Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daido Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

Offices & Branches

	Address	Phone (Facsimile)
Head Office	Urbannet Nagoya Building,1-10, Higashisakura 1-chome, Higashi-ku, Nagoya, Aichi 461-8581, Japan	81-52-963-7501 (81-52-963-4386)
Tokyo Head Office	Daido Shinagawa Building, 6-35, Konan 1-chome, Minato-ku, Tokyo 108-8478, Japan	81-3-5495-1253 (81-3-5495-6733)
Osaka Branch	Kogin Building, 1-1, Koraibashi 4-chome, Chuo-ku, Osaka 541-0043, Japan	81-6-6229-6530 (81-6-6202-8663)
Fukuoka Sales Office	13-2, Tenjin 1-chome, Chuo-ku, Fukuoka 810-0001, Japan	81-92-771-4481 (81-92-771-9384)

Research Institute & Plants

Daido Corporate Research & Development Center	30, Daido-cho 2-chome, Minami-ku, Nagoya, Aichi 457-8545, Japan	81-52-611-2522 (81-52-611-9004)
Chita Plant	39, Motohama-machi, Tokai, Aichi 477-0035, Japan	81-562-33-3101 (81-562-33-1570)
Chita Forging Plant		81-562-33-7461 (81-562-33-1550)
Chita Steel Strip Plant		81-562-33-7465 (81-562-33-1019)
Hoshizaki Plant	30, Daido-cho 2-chome, Minami-ku, Nagoya, Aichi 457-8545, Japan	81-52-611-2512 (81-52-614-2492)
Shibukawa Plant	500, Ishihara, Shibukawa, Gunma 377-0007, Japan	81-279-25-2000 (81-279-25-2040)
Kawasaki Techno Center	4-1, Yako 2-chome, Kawasaki-ku, Kawasaki, Kanagawa 210-0863, Japan	81-44-266-3760 (81-44-266-3768)
Tsukiji Techno Center	10, Ryugu-cho, Minato-ku, Nagoya, Aichi 455-0022, Japan	81-52-691-5181 (81-52-691-5212)
Metal Powder Plant		81-52-691-5186 (81-52-691-5195)
Oji Plant	9-3, Kamiya 3-chome, Kita-ku, Tokyo 115-0043, Japan	81-3-3901-4161 (81-3-3901-8211)
Kimitsu Plant	1, Kimitsu, Kimitsu, Chiba 299-1141, Japan	81-439-52-1541 (81-439-54-1280)
Takiharu Techno Center	9, Takiharu-cho, Minami-ku, Nagoya, Aichi 457-8712, Japan	81-52-613-6801 (81-52-613-6840)
Nakatsugawa Techno Center	1642-144, Nasubigawa, Nakatsugawa, Gifu 509-9132, Japan	81-573-68-6171 (81-573-68-6188)

Specialty Steel

Daido Die & Mold Solutions Co., Ltd.
Daido Tienwen Steel Co., Ltd.
DAIDO AMISTAR (S) PTE LTD
DAIDO PDM (Thailand) CO., LTD.
DAIDO AMISTAR (M) SDN. BHD.
Daido Shizai Service Co., Ltd.
Daido EcoMet Co., Ltd.
Daido Technica Co., Ltd.
Maruta Transport Co., Ltd.
Sakurai Kosan Co., Ltd.
Izumi Denki Kogyo Co., Ltd.
Riken Seiko Co., Ltd.
Kawaichi Sangyo Co., Ltd.
Tohoku Steel Co., Ltd.

High Performance Materials and Magnetic Materials

Nippon Seisen Co., Ltd.
Shimomura Tokushu Seiko Co., Ltd.
Daido Electronics Co., Ltd.
Daido Electronics (Thailand) Co., Ltd.
Daido Electronics (Suzhou) Co., Ltd.
Daido-Special Metals Ltd.
Nissei Seiko Co., Ltd.
THAI SEISEN Co., Ltd.
Intermetallics Japan Corporation

Parts for Automobile and Industrial Equipment

Fuji OOZX Inc.
Daido Castings Co., Ltd.
Toyo Sangyo Co., Ltd.
Japan Drop Forge Co., Ltd.
Daido Star Techno Co., Ltd
Daido Precision Industries Ltd.
OHIO STAR FORGE CO.

Engineering

Daido Machinery Co., Ltd.
Daido Environment Engineering Co., Ltd.
Daido Plant Industries Co., Ltd.

Trading and Service

Daido Kogyo Co., Ltd.
Daido Life Service Co., Ltd.
Life Support Co., Ltd.
Kisokoma Heights Co., Ltd.
Daido Bunseki Research Inc.
Daido Steel (America) Inc.
Star Info Tech Co., Ltd.

(As of March 31, 2015)

CORPORATE DATA (As of March 31, 2015)

Corporate Name:	Daido Steel Co., Ltd.
Founded:	August 19, 1916
Incorporated:	February 1, 1950
Office:	(Head Office) Urbannet Nagoya Building, 1-10, Higashisakura 1-chome, Higashi-ku, Nagoya, Aichi 461-8581, Japan Phone: 81-52-963-7501 Facsimile: 81-52-963-4386 (Tokyo Head Office) Daido Shinagawa Building, 6-35, Konan 1-chome, Minato-ku, Tokyo 108-8478, Japan Phone: 81-3-5495-1253 Facsimile: 81-3-5495-6733
Internet Address:	http://www.daido.co.jp/en/index.html
Number of Employees (Non-Consolidated:	3,146
Common Stock:	¥37,172 million
Number of Authorized Shares:	1,160,000,000
Number of Issued Shares:	434,487,693
Number of Shareholders:	29,440
Independent Auditor:	Deloitte Touche Tohmatsu LLC
Stock Exchange Listings:	Tokyo, Nagoya
Transfer Agent of Common Stock:	The Chuo Mitsui Trust and Banking Company, Limited
Principal Shareholders:	NIPPON STEEL & SUMITOMO METAL CORPORATION Japan Trustee Services Bank, Ltd. (Trust Account) Meiji Yasuda Life Insurance Company Mizuho Bank, Ltd. NHK Spring Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. HONDA MOTOR CO., LTD. The Master Trust Bank of Japan, Ltd. (Trust Account) TOYOTA MOTOR CORPORATION DENSO CORPORATION
For Further Information, Please Contact:	Investor Relations (Head Office) Phone: 81-52-963-7516 Facsimile: 81-52-963-4386

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