2014

INABATA

Financial Statements

KPMG

Independent Auditor's Report

To the Board of Directors of Inabata & Co., Ltd.:

We have audited the accompanying consolidated financial statements of Inabata & Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statement of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information 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 misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of Inabata & Co., Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 3(c) of the Notes to Consolidated Financial Statements. From the year ended March 31, 2014, the Company changed the useful life of some intangible assets.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 25, 2014
Osaka, Japan

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and time deposits (Notes 14 and 17)	¥ 23,263	¥ 19,259	$ 226,030
Receivables:			
Trade notes and accounts (Note 17):			
Unconsolidated subsidiaries and affiliates	1,133	1,288	11,009
Sumitomo Chemical Company, Limited	2,724	2,207	26,467
Other	140,150	134,075	1,361,737
Other	2,348	2,781	22,814
Allowance for doubtful receivables (Note 17)	(1,203)	(667)	(11,689)
	145,152	139,684	1,410,338
Merchandise and finished goods	38,126	31,418	370,443
Work in Process	332	705	3,226
Raw materials and supplies	3,311	2,617	32,171
Deferred tax assets (Note 7)	1,058	710	10,280
Other	3,417	2,915	33,199
Total current assets	214,659	197,308	2,085,687
Investments and long-term receivables:			
Investment securities (Notes 5, 8 and 17):			
Unconsolidated subsidiaries and affiliates	5,658	4,681	54,975
Other	64,127	55,598	623,076
Long-term loans receivables (Note 17):			
Unconsolidated subsidiaries and affiliates	118	114	1,147
Other	1,456	1,428	14,147
Net defined benefit asset (Note 13)	2,023	-	19,656
Other	2,701	4,627	26,244
Allowance for doubtful receivables	(1,472)	(1,037)	(14,302)
	74,611	65,411	724,943
Property and equipment:			
Land	2,087	2,015	20,278
Buildings and structures	12,552	11,614	121,959
Machinery and equipment	15,546	12,602	151,049
Construction in progress	135	91	1,312
Other	2,775	2,773	26,962
	33,095	29,095	321,560
Less accumulated depreciation	(21,438)	(19,405)	(208,298)
	11,657	9,690	113,262
Other assets			
Deferred tax assets (Note 7)	420	309	4,081
Intangible assets	3,690	4,220	35,853
	4,110	4,529	39,934
	¥ 305,037	¥ 276,938	$ 2,963,826

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 12 and 17)	¥ 63,134	¥ 57,342	$ 613,428
Payables:			
Trade notes and accounts (Note 17):			
Unconsolidated subsidiaries and affiliates	2,975	2,896	28,906
Sumitomo Chemical Company, Limited	1,596	2,951	15,507
Other	79,438	79,943	771,842
Accrued employees' bonuses	1,172	908	11,387
Other	2,055	2,025	19,967
	87,236	88,723	847,609
Income taxes and enterprise tax payable	1,890	1,430	18,364
Accrued expenses	1,084	1,276	10,532
Provision for loss on business liquidation (Note 11)	40	305	389
Other current liabilities (Note 7)	1,692	1,388	16,440
Total current liabilities	155,076	150,464	1,506,762
Long-term liabilities:			
Long-term debt (Notes 12 and 17)	13,449	10,731	130,674
Liability for severance and retirement benefits (Note 13)	-	638	0
Directors' retirement benefits	29	22	282
Deferred tax liabilities (Note 7)	17,608	14,701	171,084
Provision for loss on business liquidation (Note 11)	43	35	418
Provision for loss on debt guarantees	19	19	185
Net defined benefit liability (Note 13)	1,277	-	12,408
Other non-current liabilities	1,655	1,664	16,080
	34,080	27,810	331,131
Contingent liabilities (Note 20)			
Net assets (Note 18):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 65,159,227 shares in 2014 and 65,159,227 shares in 2013	9,364	9,364	90,983
Capital surplus	7,709	7,708	74,903
Retained earnings	64,273	55,877	624,495
Treasury stock, at cost:			
1,886,225 shares in 2014 and 1,887,522 shares in 2013 and	(932)	(935)	(9,056)
Total shareholders' equity	80,414	72,014	781,325
Accumulated other comprehensive income			
Net unrealized holding gains on securities	33,862	28,692	329,013
Net unrealized holding gains on derivatives	(21)	30	(204)
Foreign currency translation adjustments	1,610	(2,850)	15,643
Remeasurements of defined benefit plans (Note 3)	(855)	-	(8,307)
Total accumulated other comprehensive income	34,596	25,872	336,145
Minority interests	871	778	8,463
Total net assets	115,881	98,664	1,125,933
	¥ 305,037	¥ 276,938	$ 2,963,826

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Revenues:			
Net sales	¥ 561,174	¥ 479,942	$ 5,452,526
Cost and expenses:			
Cost of sales (Note 10)	522,662	446,940	5,078,333
Selling, general and administrative expenses (Note 10)	27,575	25,237	267,926
Operating income	10,937	7,765	106,267
Other income (expenses):			
Interest and dividend income	1,190	1,616	11,562
Interest expense (Note 12)	(938)	(969)	(9,114)
Gain on foreign exchange	180	83	1,749
Equity in earnings of unconsolidated subsidiaries and affiliates	505	569	4,907
Loss on impairment of noncurrent assets (Note 9)	(377)	(217)	(3,663)
Gain on sales of noncurrent assets	220	130	2,138
Gain on sales of investment securities	-	321	-
Loss on valuation of investment securities	(222)	-	(2,157)
Gain on reversal of loss on valuation of investments of subsidiaries and affiliates	132	-	1,283
Gain on sales of investment in subsidiaries and affiliates	1,117	-	10,853
Loss on sales of investments in subsidiaries and affiliates	(136)	(111)	(1,321)
Loss on valuation of investments in subsidiaries and affiliates	-	(257)	-
Loss on liquidation of subsidiaries and affiliates	(554)	-	(5,383)
Provision for loss on business liquidation (Note 11)	-	(281)	-
Gain on sales of goodwill	-	291	-
Insurance income	109	-	1,059
Other, net	580	541	5,634
	1,806	1,716	17,547
Income before income taxes and minority interests	12,743	9,481	123,814
Provision for income taxes (Note 7)			
Current	3,355	2,367	32,598
Prior periods	174	-	1,691
Deferred	342	336	3,323
	3,871	2,703	37,612
Income before minority interests	8,872	6,778	86,202
Minority interests	(203)	(148)	(1,972)
Net income	¥ 8,669	¥ 6,630	$ 84,230

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income per share - basic	¥ 137.01	¥ 104.29	$ 1.33
Cash dividends per share applicable to the year	30.00	23.00	0.29

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2014 and 2013

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2014		2013		2014	
Income before minority interests	¥	8,872	¥	6,778	$	86,202
Other comprehensive income (Note 15):						
Net unrealized holding gains (losses) on securities		5,054		12,850		49,106
Net unrealized holding gains (losses) on derivatives		(46)		(4)		(447)
Foreign currency translation adjustments		2,212		3,240		21,492
Share of other comprehensive income of associates accounted for using the equity method		134		285		1,302
Total other comprehensive income		7,354		16,371		71,453
Comprehensive income	¥	16,226	¥	23,149	$	157,655
Comprehensive income attributable to:						
Owners of the parent	¥	16,003	¥	23,014	$	155,489
Minority interests		223		135		2,166

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2014

	Thousands	Millions of yen									
	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income				Minority interests	Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
Balance at April 1, 2013	65,159	¥ 9,364	¥ 7,708	¥ 55,877	¥ (935)	¥ 28,692	¥ 30	¥ (2,850)	¥ -	¥ 778	¥ 98,664
Net income	-	-	-	8,669	-	-	-	-	-	-	8,669
Cash dividends paid - per share	-	-	-	(1,518)	-	-	-	-	-	-	(1,518)
Treasury stock, net	-	-	1	-	3	-	-	-	-	-	4
Change of scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Change of scope of equity method	-	-	-	333	-	-	-	-	-	-	333
Changes in fiscal year-end of consolidated subsidiaries	-	-	-	912	-	-	-	-	-	-	912
Net changes of items other than shareholders' equity	-	-	-	-	-	5,170	(51)	4,460	(855)	93	8,817
Balance at March 31, 2014	65,159	¥ 9,364	¥ 7,709	¥ 64,273	¥ (932)	¥ 33,862	¥ (21)	¥ 1,610	¥ (855)	¥ 871	¥ 115,881

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Accumulated other comprehensive income				Minority interests	Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
Balance at April 1, 2013	$ 90,983	$ 74,893	$ 542,917	$ (9,085)	$ 278,780	$ 291	$ (27,691)	$ -	$ 7,559	$ 958,647
Net income	-	-	84,230	-	-	-	-	-	-	84,230
Cash dividends paid - per share	-	-	(14,749)	-	-	-	-	-	-	(14,749)
Treasury stock, net	-	10	-	29	-	-	-	-	-	39
Change of scope of consolidation	-	-	-	-	-	-	-	-	-	-
Change of scope of equity method	-	-	3,236	-	-	-	-	-	-	3,236
Changes in fiscal year-end of consolidated subsidiaries	-	-	8,861	-	-	-	-	-	-	8,861
Net changes of items other than shareholders' equity	-	-	-	-	50,233	(495)	43,334	(8,307)	904	85,669
Balance at March 31, 2014	$ 90,983	$ 74,903	$ 624,495	$ (9,056)	$ 329,013	$ (204)	$ 15,643	$ (8,307)	$ 8,463	$ 1,125,933

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2013

	Thousands	Millions of yen									
	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income				Minority interests	Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
Balance at April 1, 2012	65,159	¥ 9,364	¥ 7,708	¥ 50,908	¥ (495)	¥ 15,810	¥ 34	¥ (6,355)	¥ -	¥ 757	¥ 77,731
Cumulative effect of change in accounting policy				(260)				260			
Balance at April 1, 2012, asn restated	65,159	¥ 9,364	¥ 7,708	¥ 50,648	¥ (495)	¥ 15,810	¥ 34	¥ (6,095)	¥ -	¥ 757	¥ 77,731
Net income	-	-	-	6,630	-	-	-	-	-	-	6,630
Cash dividends paid - per share	-	-	-	(1,401)	-	-	-	-	-	-	(1,401)
Treasury stock, net	-	-	-	-	(440)	-	-	-	-	-	(440)
Change of scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Change of scope of equity method	-	-	-	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	12,882	(4)	3,245	-	21	16,144
Balance at March 31, 2013	65,159	¥ 9,364	¥ 7,708	¥ 55,877	¥ (935)	¥ 28,692	¥ 30	¥ (2,850)	¥ -	¥ 778	¥ 98,664

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 12,743	¥ 9,481	$ 123,815
Adjustments to reconcile net income before income taxes and minority interests to cash provided by operating activities:			
Depreciation and amortization	2,180	3,047	21,182
Loss on impairment of noncurrent assets (Note 9)	377	217	3,663
Allowance for doubtful receivables	631	(589)	6,131
Interest and dividend income	(1,190)	(1,616)	(11,562)
Interest expense(Note 12)	938	969	9,114
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(505)	(569)	(4,907)
Increase (decrease) in provision for loss on business liquidation (Note 11)	(214)	101	(2,079)
Loss (gain) on sales of noncurrent assets	(220)	(130)	(2,138)
Loss (gain) on sales of investment securities	-	(321)	-
Loss (gain) on valuation of investment securities	222	-	2,157
Loss (gain) on sales of investments in subsidiaries and affiliates	(980)	111	(9,522)
Loss on valuation of investments in subsidiaries and affiliates	-	257	-
Gain on reversal of loss on valuation of investments of subsidiaries and affiliates	(132)	-	(1,283)
Loss on liquidation of subsidiaries and affiliates	554	-	5,383
Insurance income	(109)	-	(1,059)
Gain on sales of goodwill	-	(291)	-
Decrease (increase) in receivables	(1,672)	9,311	(16,246)
Decrease (increase) in inventories	(3,793)	74	(36,854)
Decrease (increase) in other current assets	(464)	212	(4,508)
Decrease (increase) in other noncurrent assets	(616)	519	(5,985)
Increase (decrease) in payables	(4,977)	(325)	(48,358)
Increase (decrease) in other current liabilities	(1,037)	(868)	(10,076)
Other - net	100	41	971
Subtotal	1,836	19,631	17,839
Interest and dividends received	1,238	1,648	12,029
Interest paid	(954)	(986)	(9,269)
Proceeds from compensation	-	159	-
Proceeds from insurance income	109	-	1,059
Income taxes paid	(2,994)	(1,745)	(29,091)
Income taxes refund	-	693	-
Net cash provided by (used in) operating activities	(765)	19,400	(7,433)
Cash flows from investing activities:			
Payments for time deposits	(4,789)	(769)	(46,531)
Proceeds from time deposits	272	1,038	2,643
Acquisitions of property and equipment	(3,163)	(1,469)	(30,733)
Proceeds from sales of property and equipment	272	391	2,643
Acquisitions of intangible assets	(272)	(312)	(2,643)
Proceeds from sales of intangible assets	143	-	1,389
Payments for purchase of investment securities	(250)	(78)	(2,429)
Proceeds from sales of investment securities	1,467	869	14,254
Proceeds from redemption of investment securities	-	100	-
Payment for purchase of shares of subsidiaries	(775)	(386)	(7,530)
Proceeds from liquidation of subsidiaries	617	-	5,995
Payments for sales of shares of subsidiaries excluded from the consolidation scope (Note 14)	(56)	(14)	(544)
Net decrease (increase) in short-term loans receivable	617	(116)	5,995
Long-term loans receivable advanced	(5)	(4)	(49)
Proceeds from collection of long-term loans receivable	437	807	4,246
Proceeds from sales of goodwill	-	291	-
Other - net	17	(70)	165
Net cash provided by (used in) investing activities	(5,468)	278	(53,129)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 3,776	¥ (9,409)	$ 36,689
Proceeds from long-term debt	6,500	4,000	63,156
Repayment of long-term debt	(4,884)	(5,404)	(47,454)
Purchase of treasury stock	(0)	(440)	0
Dividends paid	(1,524)	(1,406)	(14,808)
Dividends paid to minority interests	(127)	(123)	(1,234)
Other - net	(102)	(98)	(991)
Net cash provided by (used in) financing activities	3,639	(12,880)	35,358
Effects of foreign exchange rates on cash and cash equivalents	868	1,234	8,434
Net increase (decrease) in cash and cash equivalents	(1,726)	8,032	(16,770)
Cash and cash equivalents at beginning of year	18,986	10,757	184,473
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	197	-
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year-end of certain subsidiaries	1,143	-	11,106
Cash and cash equivalents at end of year (Note 14)	¥ 18,403	¥ 18,986	$ 178,809

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

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

The accounts of consolidated overseas subsidiaries are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable in compliance with ASBJ Practical Solution No.18, "Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements,".

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S.$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 43 (46 in 2013) significant domestic and foreign subsidiaries (together “the Companies”), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 1 (1 in 2013) unconsolidated subsidiaries and 6 (10 in 2013) affiliates accounted for by the equity method. Intercompany transactions and accounts have been eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. The excess of investment cost over the value of the net assets of the subsidiary acquired is, with minor exceptions, amortized on the straight-line basis over a period of five years.

To increase the accuracy of the consolidated financial information, the balance sheet date of 37 consolidated subsidiaries such as INABATA SINGAPORE (PTE.) LTD., INABATA THAI CO., LTD. and PT. INABATA CREATION INDONESIA, a non-consolidated subsidiary accounted for by the equity method, has been changed to March 31 from the consolidated fiscal year under review. Furthermore, for eight consolidated subsidiaries such as SHANGHAI INABATA TRADING CO., LTD., the consolidation method under which tentative financial statements as of March 31 (the consolidated balance sheet date) were prepared in the same manner as the regular year-end financial statements are used for consolidation purposes due to the regulations regarding accounting period in the respective countries has changed.

The gain resulting from said changes in fiscal year of the relevant consolidated subsidiaries and non-consolidated subsidiary accounted for by the equity method from January 1 to March 31, 2013 was ¥912 million ($8,861 thousand) and was recognized directly in retained earnings. The increase in cash and cash equivalents of the relevant subsidiaries for the corresponding period was ¥1,143 million ($11,106 thousand) and was stated as “Increase in cash and cash equivalents resulting from changes in fiscal year-end of certain subsidiaries” in the consolidated statements of cash flows.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount has been individually estimated. With respect to doubtful receivables of overseas consolidated subsidiaries, the allowance is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with available fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with available fair market values are stated at fair market value on the last day of the year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivatives are generally stated at fair value.

If a derivative financial instrument is used as a hedge and meets certain hedging criteria, the Companies defer recognition of gain or loss resulting from change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts or currency swap contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts, currency swap contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable,

(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate or swap rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

(f) Inventories

Inventories of the Company and its consolidated domestic subsidiaries, other than real estate held for sale, are mainly stated at the lower of cost determined by the moving average method or net realizable value. Real estate held for sale is stated at the lower of cost determined by the specific identification method or net realizable value.

(g) Property and equipment

Property and equipment are carried at cost and depreciated mainly by the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated mainly by the straight-line method. Software is depreciated by the straight-line method over its estimated useful life.

(j) Goodwill

Goodwill is depreciated by the straight-line method over five years.

And negative goodwill which occurred before March 31, 2010 is depreciated by the straight-line method over five years.

(k) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates.

Revenue and expense accounts are translated into Japanese yen at the average exchange rates of during the year.

The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in minority interests.

(m) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are mainly recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated total number of service years. Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years beginning with the following term at March 31, 2014. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2014.

Directors, corporate auditors and executive officers of certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed as of the balance sheet date.

Directors' retirement benefits for these officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(n) Accrued employees' bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(o) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2013 have been made to conform to the 2014 presentation.

(p) Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

3. Accounting Changes

(a)Change in accounting policies

(Change in the method of translating revenue and expense accounts of foreign subsidiaries and affiliated companies)

Previously, revenue and expense accounts of foreign subsidiaries and affiliated companies were translated into Japanese yen at the current exchange rate prevailing as of the balance sheet date of the foreign subsidiaries and affiliated companies. From the fourth quarter of the current fiscal year, the Company translates these amounts using the average exchange rate. The Company changed its method of translation to more accurately reflect the performance of the foreign subsidiaries and affiliated companies in the consolidated financial statements by mitigating the effect of temporary fluctuations in exchange rates and taking into consideration the importance of the foreign subsidiaries and affiliated companies.

However, since it is impracticable to retrospectively apply the treatment in principle for changes in accounting policies due to the retention period of 10 years for the documents relating to the financial statements as stipulated in the internal rules of the Company, the translation method into Japanese yen using average exchange rates has been retrospectively applied only from the fiscal year beginning April 1, 2003.

This change in accounting policy has been applied retrospectively. The consolidated financial statements for the previous fiscal year are shown in accordance with this retrospective application.

As a result, net sales decreased by ¥21,162 million ($205,616 thousand), operating income decreased by ¥397 million ($3,857 thousand), and net income decreased by ¥352 million ($3,420 thousand) on the consolidated statements of income for the years ended March 31, 2013. Also, the cumulative effect on the prior year's beginning net assets balance decreased retained earnings by ¥ 260 million ($2,526 thousand) and increased foreign currency translation adjustments by the same amount.

(Application of the Accounting Standard for Retirement Benefits and its Guidance)

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) were applied effectively at the end of the fiscal year under review except for the provisions specified in the main clause of Article 35 of the Accounting Standard for Retirement Benefits and the main clause of Article 67 of the Guidance on the Accounting Standard for Retirement Benefits. Under the new accounting policy, the amount of retirement benefit obligations minus plan assets is recorded as net defined benefit asset or liability, and the unrecognized actuarial difference and unrecognized past service costs are recognized in net defined benefit liability.

The application of the Accounting Standard for Retirement Benefits and its Guidance by the Company is subject to the tentative treatment provided for in Article 37 of the Accounting Standard for Retirement Benefits. Consequently, the effects of the changes in accounting policies were recognized in remeasurements of defined benefit plans under accumulated other comprehensive income in the fiscal year under review. As a result, as of the end of the fiscal year under review, net defined benefit asset of ¥2,023 million ($19,656 thousand) and net defined benefit liability of ¥1,277 million ($12,408 thousand) were recognized. Also, accumulated other comprehensive income decreased by ¥855 million ($8,307 thousand).

(b) Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

(Changes in method for depreciation of property and equipment)

The Company and its subsidiaries in Japan changed depreciation method of property and equipment for which the declining-balance was applied to the straight-line method from the consolidated fiscal year under review, taking into consideration, from the view point of budgeting etc., the expected stable consumption of the said assets' economic benefits over their useful lives as well as the consistency with the depreciation method applied by overseas consolidated subsidiaries with increasing materiality for their more appropriate reflection in the financial statements. As a result of this change, operating income and income before income taxes and minority interests both increased by ¥141 million ($1,370 thousand) in comparison with the amounts that would have been reported with previous method.

(c) Changes in accounting estimates

(Changes in useful lives of intangible assets)

From the fiscal year under review, the Company changed the useful life of its main information system (for internal use) included in intangible assets from five to ten years to more accurately reflect the estimation of the usable period in the financial statements. As a result of this change, operating income and income before income taxes and minority interests increased by ¥978 million ($9,503 thousand) respectively.

4. Accounting standards issued but not yet applied

(Accounting standard for retirement benefits)

On May 17, 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,".

(1) Overview:

Under the revised accounting standard, actuarial difference and past service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. In addition, the new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan's benefit formula basis. In addition, the determination method of the discount rate was amended.

(2) Date of adoption:

The Company will adopt the revised accounting standards with respect to the amendment of the calculation method for present value of defined benefit obligations and severance and retirement benefit expense from the beginning of the year ending March 31, 2015.

(3) Impact of the adoption of the accounting standards:

The Company is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

5. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2014 and 2013.

(1) Trading securities:

At March 31, 2014 and 2013, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2014 and 2013:

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities:			
Acquisition costs	¥ 7,219	¥ 5,420	$ 70,142
Book values	59,075	50,120	573,990
Differences	¥ 51,856	¥ 44,700	$ 503,848
Bonds:			
Acquisition costs	¥ -	¥ -	$ -
Book values	-	-	-
Differences	¥ -	¥ -	$ -

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities:			
Acquisition costs	¥ 941	¥ 2,638	$ 9,143
Book values	836	2,080	8,123
Differences	¥ (105)	¥ (558)	$ (1,020)
Bonds:			
Acquisition costs	¥ -	¥ 10	$ -
Book values	-	10	-
Differences	¥ -	¥ (0)	$ -
Others:			
Acquisition costs	¥ 62	¥ 35	$ 602
Book values	62	35	602
Differences	¥ -	¥ -	$ -

(b) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2014 and 2013:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
Total sales of available-for-sale securities	¥	179	¥	704	$	1,739
Amount of related gains		66		321		641
Amount of related losses		-		11		-

(c) The loss on valuation of investment securities as of March 31, 2014 and 2013:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
Available-for-sale securities	¥	222	¥	23	$	2,157
Investment in subsidiaries and affiliates		-		257		-

The Companies recognize impairment loss when, at the end of the period, the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30% if necessary, considering the possibility of market value recovery and other factors.

6. Derivative financial instruments and hedging transactions

The Companies enter into forward foreign exchange contracts, interest rate swap transactions, and currency swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts and currency swap contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies. Interest rate swap contracts are used to convert variable rates to fixed rates with respect to borrowings. The Companies use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes.

The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into in accordance with risk management policies and rules approved by the Board of Directors, which receives periodic reports on the results of the derivative transactions.

In sum, the Companies use forward foreign exchange contracts to hedge future transactions denominated in foreign currencies and currency swap transactions to hedge foreign currency monetary assets and liabilities.

With regard to forward foreign exchange contracts and currency swap contracts, the Companies do not evaluate the hedge effectiveness if the significant terms of the hedging instruments and those of the hedged items were the same, and the risk of change in foreign exchange rates was effectively hedged.

(a) Derivative transactions for which hedge accounting is not applied

Currency related

Classification	Type of derivative transaction	March 31, 2014 Millions of yen Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	¥ 41	¥ -	¥ 0	¥ 0
	S.G. dollars	106	-	0	0
	Buying:				
	U.S. dollars	308	-	1	1
	S.G. dollars	74	-	(0)	(0)
	Euro	16	-	(0)	(0)
	Japanese yen	320	-	(4)	(4)
	Total	¥ 865	¥ -	¥ (3)	¥ (3)

Classification	Type of derivative transaction	March 31, 2014 Thousands of U.S. dollars Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	$ 398	$ -	$ 0	$ 0
	S.G. dollars	1,030	-	0	0
	Buying:				
	U.S. dollars	2,994	-	10	10
	S.G. dollars	719	-	(0)	(0)
	Euro	155	-	(0)	(0)
	Japanese yen	3,109	-	(39)	(39)
	Total	$ 8,405	$ -	$ (29)	$ (29)

Classification	Type of derivative transaction	March 31, 2013 Millions of yen Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	¥ 17	¥ -	¥ (0)	¥ (0)
	S.G. dollars	92	-	(0)	(0)
	Japanese yen	23	-	0	0
	Buying:				
	U.S. dollars	259	-	(0)	(0)
	S.G. dollars	64	-	(0)	(0)
	Japanese yen	444	-	(24)	(24)
	Total	¥ 899	¥ -	¥ (24)	¥ (24)

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2014 and 2013, respectively.

(b) Derivative transactions for which hedge accounting is applied

Currency related

Method for hedge accounting	Type of derivative transaction	Major hedged item	March 31, 2014 Millions of yen Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 5,191	¥ -	¥ (46)
	G.B. pound		1	-	(0)
	Buying:				
	U.S. dollars	Accounts payable	1,839	-	7
	Euro		519	-	7
	China yuan		32	-	0
	G.B. pound		6	-	0
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 1,961	¥ -	¥ -
	G.B. pound		47	-	-
	Euro		218	-	-
	Swiss franc		1	-	-
	Japanese yen		2	-	-
	Buying:				
	U.S. dollars	Accounts payable	1,601	-	-
	Euro		537	-	-
	Japanese yen		5	-	-
	Currency swap contracts:	Long-term debt	3,305	3,305	-
	Total		¥ 15,265	¥ 3,305	¥ (32)

Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
			March 31, 2014		
			Millions of yen		
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	$ 50,436	$ -	$ (447)
	G.B. pound		10	-	(0)
	Buying:				
	U.S. dollars	Accounts payable	17,868	-	68
	Euro		5,043	-	68
	China yuan		311	-	0
	G.B. pound		58	-	0
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	$ 19,054	$ -	$ -
	G.B. pound		457	-	-
	Euro		2,118	-	-
	Swiss franc		10	-	-
	Japanese yen		19	-	-
	Buying:				
	U.S. dollars	Accounts payable	15,556	-	-
	Euro		5,218	-	-
	Japanese yen		49	-	-
	Currency swap contracts:	Long-term debt	32,112	32,112	-
	Total		$ 148,319	$ 32,112	$ (311)

Method for hedge accounting	Type of derivative transaction	Major hedged item	March 31, 2013 Millions of yen Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 2,214	¥ -	¥ (49)
	G.B. pound		0	-	0
	Euro		18	-	1
	Swiss franc		2	-	0
	Buying:				
	U.S. dollars	Accounts payable	1,466	-	71
	Euro		630	-	25
	G.B. pound		1	-	(0)
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 5,202	¥ -	¥ -
	G.B. pound		42	-	-
	Euro		148	-	-
	Swiss franc		1	-	-
	Japanese yen		20	-	-
	Buying:				
	U.S. dollars	Payables: Trade notes and accounts	5,515	-	-
	G.B. pound	Accounts payable	267	-	-
	Euro		89	-	-
	Chinese yuan		0	-	-
	Japanese yen		5	-	-
	Currency swap contracts:	Long-term debt	3,305	3,305	-
	Total		¥ 18,925	¥ 3,305	¥ 48

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2014 and 2013, respectively.

7. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 37.8% for the years ended March 31, 2014 and 2013, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2014	2013
Statutory tax rate	37.8%	37.8%
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1.5)	(2.3)
Nondeductible expenses	2.3	2.8
Dividend income, not taxable	(4.6)	(6.6)
Elimination of dividend income	1.9	4.9
Unrealized tax benefit, such as, on prior losses of consolidated subsidiaries	0.6	(5.1)
Decrease of deferred tax assets for enacted changes in tax rate	0.6	-
Adjustment of loss on sales of investments in subsidiaries and affiliates	0.9	0.5
Income taxes for prior periods	1.4	1.0
Foreign subsidiaries' tax rates	(10.2)	(6.9)
Other	1.2	2.4
Effective tax rate	30.4%	28.5%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for doubtful receivables	¥ 744	¥ 279	$ 7,229
Loss carryforwards	556	580	5,402
Severance and retirement benefits	-	359	-
Net defined benefit liability	534	-	5,188
Net defined benefit asset	301	-	2,925
Directors' retirement benefits	137	137	1,331
Unrealized profit on inventories	206	180	2,002
Unrealized profit on property and equipment	309	372	3,002
Depreciation	128	664	1,244
Write-down of golf club memberships	15	21	146
Write-down of investment securities	299	301	2,905
Write-down of inventories	37	43	360
Accrued employees' bonuses	350	289	3,401
Enterprise tax payable	90	91	874
Provision for loss on business liquidation	276	278	2,682
Other	403	481	3,916
Total deferred tax assets	4,385	4,075	42,607
Valuation allowance	(1,472)	(1,505)	(14,302)
Net deferred tax assets	2,913	2,570	28,305
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(765)	(765)	(7,433)
Net unrealized holding gains on securities	(18,125)	(15,399)	(176,108)
Other	(153)	(94)	(1,487)
Total deferred tax liabilities	(19,043)	(16,258)	(185,028)
Net deferred tax liabilities	¥ (16,130)	¥ (13,688)	$ (156,723)

Net deferred tax liabilities as of March 31, 2014 and 2013 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets (current assets)	¥ 1,058	¥ 710	$ 10,280
Deferred tax assets (other assets)	420	309	4,081
Other (current liabilities)	-	(6)	-
Deferred tax liabilities (long-term liabilities)	(17,608)	(14,701)	(171,084)
Net deferred tax liabilities	¥ (16,130)	¥ (13,688)	$ (156,723)

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:

On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 37.8% to 35.4% for years beginning on or after April 1, 2014.

Due to this change in statutory income tax rate, net deferred tax assets decreased by ¥76million ($738 thousand) and deferred income tax expense increased by the same amount.

8. Pledged assets

At March 31, 2014 and 2013, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities	¥ 10,555	¥ 9,408	$ 102,555

9. Loss on impairment of noncurrent assets

Loss on impairment of noncurrent assets for the years ended March 31, 2014 consisted of the following.

For the year ended March 31, 2014

Use	Type of asset	Location	Millions of yen	Thousands of U.S. dollars
Production facilities for Part of synthetic rubber and silicon rubber	Structures	Ayutthaya Thailand	¥ 29	$ 282
	Machinery and equipment		¥ 211	$ 2,050
	Others		¥ 137	$ 1,331
	Total		¥ 377	$ 3,663

The Company and its subsidiaries grouped their assets principally by each industry segment. Leased assets and idle assets are grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment losses of 377 million ($3,663 thousand) due to the book value of their assets exceeding future cashflow by the profitability of the consolidated subsidiary having decreased.

The recoverable amounts were determined based on the estimated utility value that discounted future cashflow in 3.5% .

Loss on impairment of noncurrent assets for the years ended March 31, 2013 consisted of the following.

For the year ended March 31, 2013

Use	Type of asset	Location	Millions of yen	
Production facilities for chemical raw material	Buildings and structures	JiangYin, JiangSu, China	¥	116
	Machinery and equipment		¥	99
	Construction in progress		¥	2
	Total		¥	217

The Company and its subsidiaries grouped their assets principally by each industry segment. Leased assets and idle assets are grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment losses of 217 million due to the planning of the restructuring of a consolidated subsidiary.

The recoverable amounts were determined based on the estimated net selling value.

10. Research and development expenses

Research and development expenses included in cost of products manufactured or selling, general and administrative expenses for the years ended March 31, 2014 and 2013 totaled ¥224 million ($2,176 thousand) and ¥170 million, respectively.

11. Provision for loss on business liquidation

The Company and its subsidiaries planned the restructuring of some consolidated subsidiaries, estimated the loss and recognized it as expense in this accounting period.

12. Short-term loans and long-term debt

Short-term loans at March 31, 2014 and 2013 consisted of bank loans bearing interest at average annual rates of 0.91% and 0.97%, respectively. Long-term loans due within one year at March 31, 2014 and 2013 consisted of bank loans bearing interest at average annual rates of 2.27% and 1.48%, respectively.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured loans from banks and insurance companies due through 2021 with interest principally at 0.48% - 4.98%	¥ 17,336	¥ 15,581	$ 168,442
Less amounts due within one year	(3,887)	(4,850)	(37,768)
	¥ 13,449	¥ 10,731	$ 130,674

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 1,540	$ 14,963
2017	2,909	28,264
2018	2,500	24,291
2019	3,500	34,007
2020 and thereafter	3,000	29,149
	¥ 13,449	$ 130,674

The Company has commitment line contracts with six banks in the aggregate amount of ¥22,350 million ($217,159 thousand) in order to secure the efficient procurement of operating funds. At March 31, 2014, the total ¥22,350 million ($217,159 thousand) was unused and available.

13. Employees' severance and pension benefits

The liability for employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2013 consisted of the following:

		Millions of yen
		2013
Projected benefit obligation	¥	7,918
Fair value of pension assets		(7,300)
Unrecognized prior service cost		27
Unrecognized actuarial differences		(2,747)
Prepaid expense for pension assets		2,740
Liability for severance and retirement benefits	¥	638

Severance and retirement benefit expense included in the consolidated statements of income for the years ended March 31, 2013 were as follows:

		Millions of yen
		2013
Service cost	¥	403
Interest cost		118
Expected return on plan assets		(156)
Amortization of actuarial differences		264
Amortization of prior service cost		1
Others		109
Severance and retirement benefit expense	¥	739

(*) This amount includes payment to the defined contribution pension plan in the amount of ¥70 million in 2013 and payment to the mutual aid pension plan in the amount of ¥39 million in 2013.

The discount rate used by the Company was 1.0% at March 31, 2013. The rate of expected return on plan assets used by the Company at March 31, 2013. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated total number of service years. Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years beginning with the following term at March 31, 2013. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2013.

2014
Defined benefit plan

(1) Movement in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥ 7,918	$ 76,934
Service cost	366	3,556
Interest cost	87	845
Actuarial difference	(169)	(1,642)
Benefits paid	(338)	(3,284)
Others	72	699
Balance at March 31, 2014	¥ 7,936	$ 77,108

(2) Movements in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥ 7,300	$ 70,929
Expected return on plan assets	178	1,729
Actuarial difference	946	9,192
Contributions by the employer	461	4,479
Benefit paid	(208)	(2,021)
Others	4	39
Balance at March 31, 2014	¥ 8,681	$ 84,347

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded projected benefit obligations	¥ 7,287	$ 70,803
Plan assets	(8,681)	(84,347)
Subtotal	¥ (1,394)	$ (13,544)
Unfunded projected benefit obligations	¥ 648	$ 6,296
Net amount of liabilities and assets recognized in consolidated balance sheet	(746)	(7,248)
Liabilities (net defined benefit liability)	1,277	12,408
Assets (net defined benefit asset)	(2,023)	(19,656)
Net amount of liabilities and assets recognized in consolidated balance sheet	(746)	(7,248)

(4) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 366	$ 3,556
Interest cost	87	845
Expected return on plan assets	(178)	(1,729)
Amortization of actuarial differences	296	2,876
Amortization of prior service cost	(0)	(0)
Total	¥ 571	$ 5,548

(5) Accumulated Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars	
	2014		2014	
Unrecognized prior service cost	¥	(27)	$	(262)
Unrecognized actuarial difference		1,353		13,146
Total	¥	1,326	$	12,884

(6) Plan assets

	Millions of yen
	2014
Equity securities	41.0%
Bonds	22.8%
Cash and time deposits	35.9%
Others	0.3%
Total	100.0%

(*) 28.9% of plan assets represents employee retirement benefit trust contribution to the corporate pension plan.

The discount rate used by the Company was 1.0% at March 31, 2014. The long-term rate of expected return on plan assets used by the Company was 3.0% at March 31, 2014. Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term rate of expected return.

Defined contribution pension plan

The amount of defined contribution pension plan was ¥159million ($1,545 thousand) in 2014.

14. Note to consolidated statements of cash flows

(a) The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2014 and 2013 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
Cash and time deposits in balance sheets	¥	23,263	¥	19,259	$	226,030
Time deposits maturing after three months		(4,860)		(273)		(47,221)
Cash and cash equivalents in statements of cash flow	¥	18,403	¥	18,986	$	178,809

(b) Assets and liabilities of the subsidiaries excluded from scope of consolidation

Assets and liabilities of the subsidiaries excluded from the scope of consolidation at the time the Company sold investment securities in the consolidated subsidiaries, the related sale price of shares and the payments (net) from the sale of the shares were as follows:

Year ended March 31, 2014	Millions of yen		Thousands of U.S. dollars	
Current Assets	¥	727	$	7,064
Fixed Assets		49		476
Current Liabilities		(155)		(1,506)
Long-term Liabilities		(615)		(5,976)
Minority interests		(3)		(29)
Loss on sales of shares		(2)		(19)
Sale price of sales of shares for the year		1		10
Cash and cash equivalents of the company excluded from the scope of consolidation		(57)		(554)
Payments for sale of shares of subsidiaries excluded from the scope of consolidation	¥	(56)	$	(544)

Year ended March 31, 2013	Millions of yen	
Current Assets	¥	84
Fixed Assets		91
Current Liabilities		(73)
Long-term Liabilities		(4)
Loss on sales of shares		(98)
Sale price of sales of shares for the year		-
Cash and cash equivalents of the company excluded from the scope of consolidation		(14)
Payments for sale of shares of subsidiaries excluded from the scope of consolidation	¥	(14)

15. Note to consolidated statements of comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	7,810	20,098	75,884
Reclassification adjustments	(66)	(287)	(641)
Sub- total, before tax	7,744	19,811	75,243
Tax (expense) or benefit	(2,690)	(6,961)	(26,137)
Sub- total, net of tax	¥ 5,054	¥ 12,850	$ 49,106
Net unrealized holding gains (losses) on derivatives			
Increase (decrease) during the year	(76)	(6)	(738)
Sub- total, before tax	(76)	(6)	(738)
Tax (expense) or benefit	30	2	291
Sub- total, net of tax	¥ (46)	¥ (4)	$ (447)
Foreign currency translation adjustments			
Increase (decrease) during the year	2,225	3,240	21,618
Reclassification adjustments	(14)	(0)	(136)
Sub- total, before tax	2,211	3,240	21,482
Tax (expense) or benefit	1	0	10
Sub- total, net of tax	¥ 2,212	¥ (3,240)	$ 21,492
Share of other comprehensive income of associates accounted for by using the equity method			
Increase (decrease) during the year	283	284	2,750
Reclassification adjustments	(149)	1	(1,448)
Sub- total	¥ 134	¥ 285	$ 1,302
Total other comprehensive income	¥ 7,354	¥ 16,371	$ 71,453

16. Segment information

(a)General Information about reportable segments.

Inabata Group's reportable segments represent the group's component divisions for which separate financial information is available. This information is regularly evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. Inabata Group is primarily engaged in the trading of merchandise, the manufacture and sale of various products and the provision of services in Japan and abroad and operates its business in line with a comprehensive strategy regarding merchandise, products and services for domestic and international markets. For effective business management purposes, Inabata Group has segmented its corporate sales and marketing functions into 5 divisions (reportable segments) based on merchandise, products and target markets/industries, namely: Information Technology, Chemicals, Life Industry, Plastics and Housing and Construction. Major merchandise, products and services covered by each reportable segment are as follows.

Information Technology:	Semiconductor manufacturing equipment
	Electronic materials, including parts
	Dyes for printing
	Raw materials for copying
Chemicals:	Motor parts and raw materials
	Raw materials for plastic resin
	Dyestuffs
Life Industry:	Pharmaceutical and agricultural chemicals and bulk raw materials
	Raw materials for insecticides
	Raw materials for toiletries
	Raw and processed agricultural products
	Raw and processed marine products
Plastics:	General purpose plastics
	Engineering plastics
Housing and Construction:	Lumber
	Composite materials
	Wooden building materials
	Residential housing equipment

(b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

Accounting methods applied to the reportable business segments are generally the same as those described in Note 2, "Summary of significant accounting policies." Segmental income derives from operating income. Inter-segment profits and transfers are based on prevailing market prices.

(c) Information about reported segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2014and 2013 was as follows:

Year ended March 31, 2014	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥210,704	¥ 52,399	¥ 37,654	¥232,878	¥ 26,512	¥ 1,027	¥ -	¥ 561,174
Intersegment	-	-	-	-	-	-	-	-
Total	210,704	52,399	37,654	232,878	26,512	1,027	-	561,174
Segmental income (loss)	¥ 4,863	¥ 863	¥ 1,746	¥ 2,829	¥ 344	¥ 292	¥ -	¥ 10,937
Total assets	¥ 81,804	¥ 26,998	¥ 17,682	¥100,506	¥ 10,100	¥ 714	¥ 67,233	¥ 305,037
Depreciation and amortization	¥ 388	¥ 262	¥ 248	¥ 1,226	¥ 52	¥ 4	¥ -	¥ 2,180
Amortization of goodwill	48	-	-	0	-	-	-	48
Investment in equity method	1,390	1,895	-	663	-	-	-	3,948
Increase in property and equipment and intangible assets	¥ 800	¥ 558	¥ 216	¥ 1,596	¥ 2	¥ 8	¥ 255	¥ 3,435

Year ended March 31, 2014	Thousands of U.S. dollars							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	$2,047,260	$ 509,124	$365,857	$2,262,709	$ 257,598	$ 9,978	$ -	$ 5,452,526
Intersegment	-	-	-	-	-	-	-	-
Total	2,047,260	509,124	365,857	2,262,709	257,598	9,978	-	5,452,526
Segmental income (loss)	$ 47,250	$ 8,385	$ 16,965	$ 27,487	$ 3,342	$ 2,838	$ -	$ 106,267
Total assets	$ 794,831	$ 262,320	$ 171,803	$ 976,545	$ 98,134	$ 6,937	$ 653,256	$ 2,963,826
Depreciation and amortization	$ 3,770	$ 2,546	$ 2,410	$ 11,912	$ 505	$ 39	$ -	$ 21,182
Amortization of goodwill	466	-	-	0	-	-	-	466
Investment in equity method	13,506	18,412	-	6,442	-	-	-	38,360
Increase in property and equipment and intangible assets	$ 7,773	$ 5,422	$ 2,089	$ 15,507	$ 19	$ 87	$ 2,478	$ 33,375

Year ended March 31, 2013	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥192,403	¥ 42,799	¥ 35,877	¥186,099	¥ 22,267	¥ 497	¥ -	¥ 479,942
Intersegment	-	495	-	-	-	-	(495)	-
Total	192,403	43,294	35,877	186,099	22,267	497	(495)	479,942
Segmental income (loss)	¥ 3,249	¥ 339	¥ 1,492	¥ 2,298	¥ 160	¥ 228	¥ -	¥ 7,765
Total assets	¥ 76,876	¥ 22,023	¥ 15,375	¥ 84,490	¥ 9,523	¥ 677	¥ 67,974	¥ 276,938
Depreciation and amortization	¥ 779	¥ 342	¥ 336	¥ 1,467	¥ 122	¥ 1	¥ -	¥ 3,047
Amortization of goodwill	36	-	48	27	-	-	-	111
Investment in equity method	1,078	1,772	157	535	-	-	-	3,542
Increase in property and equipment and intangible assets	¥ 189	¥ 183	¥ 183	¥ 828	¥ -	¥ 3	¥ 395	¥ 1,781

Notes: 1. Classified as “Other” are business segments not included in reportable segments, such as real estate rental services.

2. (1) Corporate assets included above in the elimination and corporate column in the amount of ¥67,233 million ($653,256 thousand) and ¥67,974 million for the years ended March 31, 2014 and 2013, respectively, are composed mainly of surplus funds (cash and deposits), long-term investment funds (investment securities, etc.) and assets pertaining to administrative functions of the Company.

(2) An increase in capital expenditure stated in the elimination and corporate column in the amount of ¥255 million ($2,478 thousand) and ¥395 million for the years ended March 31, 2014 and 2013, respectively, is attributable to the Company’s administrative functions.

3. Segmental income or loss has been adjusted to be consistent with operating income in the consolidated financial statements.

4. Information on change in reportable segment

(1) Change in the method of translating revenue and expense accounts of foreign subsidiaries and affiliated companies

Previously, revenue and expense accounts of foreign subsidiaries and affiliated companies were translated into Japanese yen at the current exchange rate prevailing as of the balance sheet date of the foreign subsidiaries and affiliated companies. From the fourth quarter of the current fiscal year, the Company translates these amounts using the average exchange rate. The Company changed its method of translation to more accurately reflect the performance of the foreign subsidiaries and affiliated companies in the consolidated financial statements by mitigating the effect of temporary fluctuations in exchange rates and taking into consideration the importance of the foreign subsidiaries and affiliated companies.

Information about reported segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2013 have been adjusted retrospectively to apply the change in accounting policy.

(2) Changes in method for depreciation of property and equipment

The Company and its subsidiaries in Japan changed depreciation method of property and equipment for which the declining-balance was applied to the straight-line method from the consolidated fiscal year under review, taking into consideration, from the view point of budgeting etc., the expected stable consumption of the said assets' economic benefits over their useful lives as well as the consistency with the depreciation method applied by overseas consolidated subsidiaries with increasing materiality for their more appropriate reflection in the financial statements. As a result of this change, each segmental income increased by as follows: ¥20 million ($194 thousand) in Information Technology, ¥6 million ($58 thousand) in Chemicals, ¥15 million ($146 thousand) in Life Industry, ¥96 million ($933 thousand) in Plastics, and ¥4 million ($39 thousand) in Housing and Construction.

(3) Changes in useful lives of intangible assets

From the fiscal year under review, the Company changed the useful life of its main information system (for internal use) included in intangible assets from five to ten years to more accurately reflect the estimation of the usable period in the financial statements. As a result of this change, each segmental income increased by as follows: ¥380 million ($3,692 thousand) in Information Technology, ¥113 million ($1,098 thousand) in Chemicals, ¥125 million ($1,215 thousand) in Life Industry, ¥280 million ($2,721 thousand) in Plastics, and ¥80 million ($777 thousand) in Housing and Construction.

[Related information]

(a) Information about geographic areas

(1) Revenues

Year ended March 31, 2014

Millions of yen							
		Northeast Asia					
Japan	Southeast Asia	China	Taiwan	Other	North America	Europe	Consolidated
¥ 224,538	¥ 114,113	¥ 122,676	¥ 56,112	¥ 13,572	¥ 17,406	¥ 12,757	¥ 561,174

Year ended March 31, 2014

Thousands of U.S dollars							
		Northeast Asia					
Japan	Southeast Asia	China	Taiwan	Other	North America	Europe	Consolidated
$ 2,181,675	$ 1,108,754	$ 1,191,955	$ 545,200	$ 131,869	$ 169,122	$ 123,951	$ 5,452,526

Year ended March 31, 2013

Millions of yen							
		Northeast Asia					
Japan	Southeast Asia	China	Taiwan	Other	North America	Europe	Consolidated
¥ 212,523	¥ 87,652	¥ 86,497	¥ 51,279	¥ 15,285	¥ 13,290	¥ 13,416	¥ 479,942

Note: Sales amounts are based on customer locations and divided into countries and regions.

(2) Tangible fixed asset

Year ended March 31, 2014

Millions of yen						
		Northeast Asia				
Japan	Southeast Asia	China	Other	North America	Europe	Consolidated
¥ 5,011	¥ 2,453	¥ 2,928	¥ 39	¥ 80	¥ 1,146	¥ 11,657

Year ended March 31, 2014

Thousands of U.S. dollars						
		Northeast Asia				
Japan	Southeast Asia	China	Other	North America	Europe	Consolidated
$ 48,688	$ 23,834	$ 28,449	$ 379	$ 777	$ 11,135	$ 113,262

Year ended March 31, 2013

Millions of yen						
		Northeast Asia				
Japan	Southeast Asia	China	Other	North America	Europe	Consolidated
¥ 5,089	¥ 2,579	¥ 993	¥ 23	¥ 82	¥ 924	¥ 9,690

(b) Information on the amount of loss on impairment of noncurrent assets by reportable segment

Year ended March 31, 2014

Millions of yen							
Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
¥ -	¥ 377	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 377

Year ended March 31, 2014

Thousands of U.S. dollars							
Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
$ -	$ 3,663	$ -	$ -	$ -	$ -	$ -	$ 3,663

Year ended March 31, 2013

Millions of yen							
Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
¥ -	¥ 217	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 217

(c) Information on the amount of amortization and unamortized balance of goodwill by reportable segment

Year ended March 31, 2014	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	¥ 48	¥ -	¥ -	¥ 0	¥ -	¥ -	¥ -	¥ 48
Unamortized balance	91	-	-	-	-	-	-	91

Year ended March 31, 2014	Thousands of U.S. dollars							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	$ 466	$ -	$ -	$ 0	$ -	$ -	$ -	$ 466
Unamortized balance	884	-	-	-	-	-	-	884

Year ended March 31, 2013	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	¥ 36	¥ -	¥ 48	¥ 27	¥ -	¥ -	¥ -	¥ 111
Unamortized balance	119	-	-	-	-	-	-	119

Note: Amounts stated in the “Other” column are related to the business of design, construction and sale of hoists and cranes.

17. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2014 and 2013 were as follows:

	Millions of yen		
	March 31, 2014		
	Book values	Fair values	Differences
Cash and time deposits	¥ 23,263	¥ 23,263	¥ -
Receivables: trade notes and accounts	144,007		
Allowance for doubtful receivables (*1)	(746)		
	143,261	143,261	-
Trading securities and investment securities			
Available-for-sale securities	59,973	59,973	-
Long-term loans receivables	1,574	1,576	2
Total Assets	¥ 228,071	¥ 228,073	¥ 2
Payables: trade note and accounts	¥ 84,009	¥ 84,009	¥ -
Short-term loans (*2)	63,134	63,134	-
Long-term debt	13,449	13,498	(49)
Total Liabilities	¥ 160,592	¥ 160,641	¥ (49)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (2)	¥ (2)	¥ -
Derivative transactions for which hedge accounting is applied	(32)	(32)	-
Total Derivative Transactions	¥ (34)	¥ (34)	¥ -

	Thousands of U.S. dollars		
	March 31, 2014		
	Book values	Fair values	Differences
Cash and time deposits	$ 226,030	$ 226,030	$ -
Receivables: trade notes and accounts	1,399,213		
Allowance for doubtful receivables (*1)	(7,248)		
	1,391,965	1,391,965	-
Trading securities and investment securities			
Available-for-sale securities	582,715	582,715	-
Long-term loans receivables	15,294	15,313	19
Total Assets	$ 2,216,004	$ 2,216,023	$ 19
Payables: trade note and accounts	$ 816,255	$ 816,255	$ -
Short-term loans (*2)	613,428	613,428	-
Long-term debt	130,674	131,150	(476)
Total Liabilities	$ 1,560,357	$ 1,560,833	$ (476)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	$ (19)	$ (19)	$ -
Derivative transactions for which hedge accounting is applied	(311)	(311)	-
Total Derivative Transactions	$ (330)	$ (330)	$ -

(*1) The balance of "Allowance for doubtful receivables" is deducted individually from the balances of "Receivables: trade notes and accounts".

(*2) Short-term loans include long-term debt due within one year in the amount of ¥3,887 million ($37,767 thousand).

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

	Millions of yen		
	March 31, 2013		
	Book values	Fair values	Differences
Cash and time deposits	¥ 19,259	¥ 19,259	¥ -
Receivables: trade notes and accounts	137,570		
Allowance for doubtful receivables (*1)	(376)		
	137,194	137,194	-
Trading securities and investment securities			
Available-for-sale securities	52,245	52,245	-
Long-term loans receivables	1,542	1,548	6
Total Assets	¥ 210,240	¥ 210,246	¥ 6
Payables: trade note and accounts	¥ 85,790	¥ 85,790	¥ -
Short-term loans (*2)	57,342	57,342	-
Long-term debt	10,731	10,815	(84)
Total Liabilities	¥ 153,863	¥ 153,947	¥ (84)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (24)	¥ (24)	¥ -
Derivative transactions for which hedge accounting is applied	48	48	-
Total Derivative Transactions	¥ 24	¥ 24	¥ -

(*1) The balance of "Allowance for doubtful receivables" is deducted individually from the balances of "Receivables: trade notes and accounts".

(*2) Short-term loans include long-term debt due within one year in the amount of ¥4,850 million.

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Methods of calculating fair values of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and time deposits

Because "Cash and time deposits" are short-term and their book values approximate the fair value, these instruments are stated at book value.

(2) Receivables: trade notes and accounts

Because "Receivables: trade notes and accounts" are short-term and their book values approximate the fair value, these instruments are stated at book value. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

(3) Trading securities and investment securities

The fair value of equity securities is equivalent to the quoted market price, if available. The fair value of bonds is calculated using the present value as determined by discounting the total amount of principal and interest at a rate determined by taking into account the current maturity and credit risks. Because negotiable deposits are short-term and their book values approximate the fair value, these instruments are stated at book value. Please see Note 5 "Securities" for matters relating to trading securities and investment securities based on holding purposes.

(4) Long-term loans receivables

For long-term loans receivables at floating interest rates, market interest rates are reflected over a short period. As such, they are stated at book value because such amounts approximate fair value unless the borrower's credit status has become materially different after such loans were made. The fair value of long-term loans receivables at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. Future cash flows are calculated for each group and discounted by a rate that is the sum of an appropriate index rate, such as the long-term prime rate, and the credit spread. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

Liabilities

(1) Payables: trade notes and accounts and (2) Short-term loans

Because "Payables: trade notes and accounts" and short-term loans are short-term and their book values approximate the fair value, these instruments are stated at book value.

(3) Long-term debt

The fair value of long-term debt is calculated by discounting the total amount of the principal and interest at a rate that is assumed to be applied when a similar loan is newly borrowed. A part of the long-term debt is subject to currency swaps. The fair value of these long-term debts is determined by discounting the future cash flows that were accounted for as a single item with the related currency swap, at the rate that is assumed to apply if a new similar loan was taken out.

Derivative Transactions

See Note 6 "Derivative financial instruments and hedging transactions".

(b) The following table summarizes book values of financial instruments with no available fair value as of March 31, 2014 and 2013:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2013	2014
Investments in subsidiaries and affiliates	¥ 5,658	¥ 4,681	$ 54,975
Available for sale securities			
Non-quoted equity securities	4,211	3,374	40,915
Others	5	14	49
Total	¥ 9,874	¥ 8,069	$ 95,939

The above items are not included in "Trading securities and investment securities" because the absence of a market value makes it impossible to estimate future cash flows and extremely difficult to determine the fair value.

(c) Financial instruments with maturities were as follows:

	March 31, 2014			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 23,263	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	143,587	415	5	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	62	-	-	-
Long-term loans receivables	-	1,384	130	60
Total	¥ 166,912	¥ 1,799	¥ 135	¥ 60

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 226,030	$ -	$ -	$ -
Receivables: trade notes and accounts	1,395,132	4,032	49	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	602	-	-	-
Long-term loans receivables	-	13,448	1,263	583
Total	$ 1,621,764	$ 17,480	$ 1,312	$ 583

	March 31, 2013			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 19,259	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	136,758	812	-	-
Available-for-sale securities				
Bonds		10	-	-
Others	35	-	-	-
Long-term loans receivables	-	1,247	233	62
Total	¥ 156,052	¥ 2,069	¥ 233	¥ 62

(d) Long-term loans and other interest bearing debt with maturities were as follows:

	March 31, 2014			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	¥ 63,134	¥ -	¥ -	¥ -
Long-term debt	-	10,449	3,000	-
Total	¥ 63,134	¥ 10,449	¥ 3,000	¥ -
	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	$ 613,428	$ -	$ -	$ -
Long-term debt	-	101,525	29,149	-
Total	$ 613,428	$ 101,525	$ 29,149	$ -

	March 31, 2013			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	¥ 57,342	¥ -	¥ -	¥ -
Long-term debt	-	9,731	1,000	-
Total	¥ 57,342	¥ 9,731	¥ 1,000	¥ -

18. Net assets

The Japanese Corporate Law (the “Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (the “Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

19. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited, which owned 21.8% and 21.8% of the Company's voting shares at March 31, 2014 and 2013, respectively.

Sumika Technology Co., Ltd. and Dongwoo Fine-Chem Co., Ltd. are subsidiaries of Sumitomo Chemical Company, Limited and NOBEL NC CO., LTD is an affiliate of the Company. As of March 31, 2014 and 2013, the Company controlled 15% and 15% of the voting shares of Sumika Technology Co., Ltd. , and controlled 49% and 12.3% of the voting shares of NOBEL NC CO., LTD.

Significant transactions with related parties for the years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars	
Sumitomo Chemical Company, Limited				
Net sales	¥	5,721	$	55,587
Purchases	¥	11,030	$	107,171
Trade notes and accounts receivable	¥	2,724	$	26,467
Trade notes and accounts payable	¥	1,596	$	15,507
Pledge of investment securities	¥	9,820	$	95,414
Sumika Technology Co., Ltd				
Net sales	¥	21,237	$	206,345
Trade notes and accounts receivable	¥	6,683	$	64,934
Debt guarantees	¥	955	$	9,279
Dongwoo Fine-Chem Co., Ltd				
Net sales	¥	11,102	$	107,870
Trade notes and accounts receivable	¥	4,311	$	41,887
Unconsolidated subsidiaries and affiliates				
Allowance for doubtful receivables	¥	(*)149	$	1,448
Provision for loss on debt guarantees	¥	19	$	185

(*) Reversal of allowance for doubtful receivables included that of the unconsolidated subsidiaries and affiliates in the amount of ¥0 million ($0 thousand) on the consolidated financial statements for the year ended March 31, 2014.

Year ended March 31, 2013

		Millions of yen
Sumitomo Chemical Company, Limited		
Net sales	¥	5,179
Purchases	¥	14,061
Trade notes and accounts receivable	¥	2,207
Trade notes and accounts payable	¥	2,951
Pledge of investment securities	¥	8,789
NOBEL NC CO., LTD		
Debt guarantees	¥	2,825
Sumika Technology Co., Ltd		
Net sales	¥	21,412
Trade notes and accounts receivable	¥	8,705
Debt guarantees	¥	2,758
Dongwoo Fine-Chem Co., Ltd		
Net sales	¥	12,776
Trade notes and accounts receivable	¥	2,890
Unconsolidated subsidiaries and affiliates		
Allowance for doubtful receivables	¥	(*)149
Provision for loss on debt guarantees	¥	19

(*) Reversal of allowance for doubtful receivables included that of the unconsolidated subsidiaries and affiliates in the amount of ¥0 million ($0 thousand) on the consolidated financial statements for the year ended March 31, 2013.

The Consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2014 and 2013 were as follows:

TAIWAN INABATA SANGYO CO., LTD.
Year ended March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Sumika Technology Co., Ltd		
Purchases	¥ 51,960	$ 504,858
Trade notes and accounts payable	¥ 6,822	$ 66,284

Year ended March 31, 2013

	Millions of yen
Sumika Technology Co., Ltd	
Purchases	¥ 42,294
Trade notes and accounts payable	¥ 6,520

20. Contingent liabilities

At March 31, 2014 and 2013, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
As endorsers of notes discounted or endorsed	¥ 907	¥ 46	$ 8,813
As guarantors of indebtedness of			
unconsolidated subsidiaries and affiliates	2,772	4,154	26,934
Others	955	2,758	9,279
	3,727	6,912	36,213
	¥ 4,634	¥ 6,958	$ 45,026

21. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 8, 2014, an appropriation of nonconsolidated retained earnings for the year ended March 31, 2014 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥19.00 ($0.185) per share	¥ 1,206	$ 11,718