

2015

INABATA

Financial
Statements



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, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements 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.

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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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

July 3, 2015
Osaka, Japan

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Current assets:			
Cash and time deposits (Notes 14 and 17)	¥ 23,572	¥ 23,263	\$ 196,155
Receivables:			
Trade notes and accounts (Note 17):			
Unconsolidated subsidiaries and affiliates	686	1,133	5,709
Sumitomo Chemical Company, Limited	3,084	2,724	25,664
Other	152,191	140,150	1,266,464
Other	4,000	2,348	33,286
Allowance for doubtful receivables (Note 17)	(1,406)	(1,203)	(11,700)
	<u>158,555</u>	<u>145,152</u>	<u>1,319,423</u>
Merchandise and finished goods	44,478	38,126	370,126
Work in Process	452	332	3,761
Raw materials and supplies	3,213	3,311	26,737
Deferred tax assets (Note 7)	456	1,058	3,795
Other	4,248	3,417	35,350
Total current assets	<u>234,974</u>	<u>214,659</u>	<u>1,955,347</u>
Investments and long-term receivables:			
Investment securities (Notes 5, 8 and 17):			
Unconsolidated subsidiaries and affiliates	5,291	5,658	44,029
Other	62,965	64,127	523,966
Long-term loans receivables (Note 17):			
Unconsolidated subsidiaries and affiliates	556	118	4,627
Other	976	1,456	8,122
Net defined benefit asset (Note 13)	3,795	2,023	31,580
Other	2,268	2,701	18,873
Allowance for doubtful receivables	(814)	(1,472)	(6,774)
	<u>75,037</u>	<u>74,611</u>	<u>624,423</u>
Property and equipment:			
Land	2,130	2,087	17,725
Buildings and structures	12,854	12,552	106,965
Machinery and equipment	17,245	15,546	143,505
Construction in progress	1,128	135	9,387
Other	2,995	2,775	24,923
	<u>36,352</u>	<u>33,095</u>	<u>302,505</u>
Less accumulated depreciation	(23,702)	(21,438)	(197,237)
	<u>12,650</u>	<u>11,657</u>	<u>105,268</u>
Other assets			
Deferred tax assets (Note 7)	576	420	4,793
Intangible assets	3,625	3,690	30,166
	<u>4,201</u>	<u>4,110</u>	<u>34,959</u>
	<u>¥ 326,862</u>	<u>¥ 305,037</u>	<u>\$ 2,719,997</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 12 and 17)	¥ 54,460	¥ 63,134	\$ 453,191
Payables:			
Trade notes and accounts (Note 17):			
Unconsolidated subsidiaries and affiliates	3,153	2,975	26,238
Sumitomo Chemical Company, Limited	1,332	1,596	11,084
Other	86,673	79,438	721,253
Accrued employees' bonuses	1,150	1,172	9,570
Other	2,524	2,055	21,004
	<u>94,832</u>	<u>87,236</u>	<u>789,149</u>
Income taxes and enterprise tax payable	1,650	1,890	13,731
Accrued expenses	1,297	1,084	10,793
Provision for loss on business liquidation (Note 11)	-	40	0
Other current liabilities (Note 7)	2,474	1,692	20,588
Total current liabilities	<u>154,713</u>	<u>155,076</u>	<u>1,287,452</u>
Long-term liabilities:			
Long-term debt (Notes 12 and 17)	24,355	13,449	202,671
Directors' retirement benefits	34	29	283
Deferred tax liabilities (Note 7)	16,630	17,608	138,387
Provision for loss on business liquidation (Note 11)	-	43	-
Provision for loss on debt guarantees	19	19	158
Net defined benefit liability (Note 13)	910	1,277	7,573
Other non-current liabilities	1,675	1,655	13,939
	<u>43,623</u>	<u>34,080</u>	<u>363,011</u>
Contingent liabilities (Note 20)			
Net assets (Note 18):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 63,499,227 shares in 2015 and 65,159,227 shares in 2014	9,364	9,364	77,923
Capital surplus	7,709	7,709	64,151
Retained earnings	68,838	64,273	572,838
Treasury stock, at cost:			
801,996 shares in 2015 and 1,886,225 shares in 2014 and	(470)	(932)	(3,911)
Total shareholders' equity	<u>85,441</u>	<u>80,414</u>	<u>711,001</u>
Accumulated other comprehensive income			
Net unrealized holding gains on securities	34,934	33,862	290,705
Net unrealized holding gains on derivatives	(79)	(21)	(657)
Foreign currency translation adjustments	6,911	1,610	57,510
Remeasurements of defined benefit plans (Note 3)	464	(855)	3,861
Total accumulated other comprehensive income	<u>42,230</u>	<u>34,596</u>	<u>351,419</u>
Minority interests	855	871	7,115
Total net assets	<u>128,526</u>	<u>115,881</u>	<u>1,069,535</u>
	<u>¥ 326,862</u>	<u>¥ 305,037</u>	<u>\$ 2,719,998</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Revenues:			
Net sales	¥ 572,114	¥ 561,174	\$ 4,760,872
Cost and expenses:			
Cost of sales (Note 10)	533,073	522,662	4,435,991
Selling, general and administrative expenses (Note 10)	28,267	27,575	235,225
Operating income	10,774	10,937	89,656
Other income (expenses):			
Interest and dividend income	2,291	1,190	19,065
Interest expense (Note 12)	(946)	(938)	(7,872)
Gain on foreign exchange	82	180	682
Equity in earnings of unconsolidated subsidiaries and affiliates	516	505	4,294
Loss on impairment of noncurrent assets (Note 9)	(372)	(377)	(3,096)
Gain on sales of noncurrent assets	-	220	-
Gain on sales of investment securities	293	-	2,438
Loss on valuation of investment securities	-	(222)	-
Gain on reversal of loss on valuation of investments in subsidiaries and affiliates	-	132	-
Gain on sales of investment in subsidiaries and affiliates	-	1,117	-
Loss on sales of investments in subsidiaries and affiliates	-	(136)	-
Loss on liquidation of subsidiaries and affiliates	-	(554)	-
Insurance income	-	109	-
Other, net	501	580	4,170
	2,365	1,806	19,681
Income before income taxes and minority interests	13,139	12,743	109,337
Provision for income taxes (Note 7)			
Current	3,430	3,355	28,543
Prior periods	-	174	-
Deferred	945	342	7,864
	4,375	3,871	36,407
Income before minority interests	8,764	8,872	72,930
Minority interests	(133)	(203)	(1,107)
Net income	¥ 8,631	¥ 8,669	\$ 71,823
Amounts per share:			U.S. dollars (Note 1)
	Yen		
Net income per share - basic	¥ 137.20	¥ 137.01	\$ 1.14
Cash dividends per share applicable to the year	33.00	30.00	0.27

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 8,764	¥ 8,872	\$ 72,930
Other comprehensive income (Note 15):			
Net unrealized holding gains (losses) on securities	947	5,054	7,881
Net unrealized holding gains (losses) on derivatives	(58)	(46)	(483)
Foreign currency translation adjustments	5,261	2,212	43,780
Remeasurements of defined benefit plans	1,319	-	10,976
Share of other comprehensive income of associates accounted for using the equity method	310	134	2,579
Total other comprehensive income	<u>7,779</u>	<u>7,354</u>	<u>64,733</u>
Comprehensive income	<u>¥ 16,543</u>	<u>¥ 16,226</u>	<u>\$ 137,663</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 16,327	¥ 16,003	\$ 135,866
Minority interests	216	223	1,797

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Year ended March 31, 2015

	Thousands Number of shares of common stock	Millions of yen										
		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, 2014	65,159	¥ 9,364	¥ 7,709	¥ 64,273	¥ (932)	¥ 33,862	¥ (21)	¥ 1,610	¥ (855)	¥ 871	¥ 115,881	
Net income	-	-	-	8,631	-	-	-	-	-	-	-	8,631
Cash dividends paid - per share	-	-	-	(2,142)	-	-	-	-	-	-	-	(2,142)
Treasury stock, net	(1,660)	-	(0)	(1,061)	462	-	-	-	-	-	-	(599)
Change in scope of consolidation	-	-	-	58	-	-	-	-	-	-	-	58
Change in scope of equity method	-	-	-	(921)	-	-	-	-	-	-	-	(921)
Changes in fiscal year-end of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	1,072	(58)	5,301	1,319	(16)	-	7,618
Balance at March 31, 2015	63,499	¥ 9,364	¥ 7,709	¥ 68,838	¥ (470)	¥ 34,934	¥ (79)	¥ 6,911	¥ 464	¥ 855	¥ 128,526	

Thousands of U.S. dollars (Note 1)

	Common stock	Shareholders' equity		Accumulated other comprehensive income				Minority interests	Total		
		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, 2014	\$ 77,923	\$ 64,151	\$ 534,851	\$ (7,756)	\$ 281,784	\$ (175)	\$ 13,398	\$ (7,115)	\$ 7,248	\$ 964,309	
Net income	-	-	71,823	-	-	-	-	-	-	-	71,823
Cash dividends paid - per share	-	-	(17,825)	-	-	-	-	-	-	-	(17,825)
Treasury stock, net	-	(0)	(8,829)	3,845	-	-	-	-	-	-	(4,984)
Change in scope of consolidation	-	-	482	-	-	-	-	-	-	-	482
Change in scope of equity method	-	-	(7,664)	-	-	-	-	-	-	-	(7,664)
Changes in fiscal year-end of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	8,921	(482)	44,112	10,976	(133)	-	63,394
Balance at March 31, 2015	\$ 77,923	\$ 64,151	\$ 572,838	\$ (3,911)	\$ 290,705	\$ (637)	\$ 57,510	\$ 3,861	\$ 7,115	\$ 1,069,535	

See accompanying Notes to Consolidated Financial Statements.

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

	Thousands Number of shares of common stock	Millions of yen										Total
		Shareholders' equity			Accumulated other comprehensive income				Remeasurements of defined benefit plans		Minority interests	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments				
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 in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	
Change in scope of equity method	-	-	-	333	-	-	-	-	-	-	333	
Changes in fiscal year-end of consolidated subsidiaries	-	-	-	912	-	-	-	-	-	-	912	
Net changes in 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	

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 13,139	¥ 12,743	\$ 109,337
Adjustments to reconcile net income before income taxes and minority interests			
to cash provided by operating activities:			
Depreciation and amortization	2,151	2,180	17,900
Loss on impairment of noncurrent assets (Note 9)	372	377	3,096
Allowance for doubtful receivables	(615)	631	(5,118)
Interest and dividend income	(2,291)	(1,190)	(19,065)
Interest expense (Note 12)	946	938	7,872
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(516)	(505)	(4,294)
Increase (decrease) in provision for loss on business liquidation (Note 11)	(85)	(214)	(707)
Loss (gain) on sales of noncurrent assets	-	(220)	-
Loss (gain) on sales of investment securities	(293)	-	(2,438)
Loss (gain) on valuation of investment securities	-	222	-
Loss (gain) on sales of investments in subsidiaries and affiliates	-	(980)	-
Gain on reversal of loss on valuation of investments in subsidiaries and affiliates	-	(132)	-
Loss on liquidation of subsidiaries and affiliates	-	554	-
Insurance income	-	(109)	-
Decrease (increase) in receivables	(1,050)	(1,672)	(8,738)
Decrease (increase) in inventories	(2,036)	(3,793)	(16,943)
Decrease (increase) in other current assets	(1,537)	(464)	(12,790)
Decrease (increase) in other noncurrent assets	387	(616)	3,220
Increase (decrease) in payables	1,130	(4,977)	9,403
Increase (decrease) in other current liabilities	918	(1,037)	7,639
Other - net	(5)	100	(41)
Subtotal	<u>10,615</u>	<u>1,836</u>	<u>88,333</u>
Interest and dividends received	2,487	1,238	20,696
Interest paid	(929)	(954)	(7,731)
Proceeds from insurance income	-	109	-
Income taxes paid	<u>(3,818)</u>	<u>(2,994)</u>	<u>(31,771)</u>
Net cash provided by (used in) operating activities	8,355	(765)	69,527
Cash flows from investing activities:			
Payments for time deposits	(5,822)	(4,789)	(48,448)
Proceeds from time deposits	5,185	272	43,147
Acquisitions of property and equipment	(2,151)	(3,163)	(17,900)
Proceeds from sales of property and equipment	61	272	508
Acquisitions of intangible assets	(514)	(272)	(4,277)
Proceeds from sales of intangible assets	-	143	-
Payments for purchase of investment securities	(45)	(250)	(374)
Proceeds from sales of investment securities	754	1,467	6,274
Payment for purchase of shares of subsidiaries	(401)	(775)	(3,337)
Proceeds from liquidation of subsidiaries	-	617	-
Payments for sales of shares of subsidiaries excluded from scope of consolidation (Note 14)	-	(56)	-
Net decrease (increase) in short-term loans receivable	(69)	617	(574)
Long-term loans receivable advanced	(248)	(5)	(2,064)
Proceeds from collection of long-term loans receivable	222	437	1,847
Other - net	<u>(16)</u>	<u>17</u>	<u>(133)</u>
Net cash provided by (used in) investing activities	(3,044)	(5,468)	(25,331)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (13,119)	¥ 3,776	\$ (109,170)
Proceeds from long-term debt	12,002	6,500	99,875
Repayment of long-term debt	(3,982)	(4,884)	(33,136)
Purchase of treasury stock	(605)	(0)	(5,035)
Dividends paid	(2,150)	(1,524)	(17,891)
Dividends paid to minority interests	(232)	(127)	(1,931)
Other - net	(108)	(102)	(899)
Net cash provided by (used in) financing activities	(8,194)	3,639	(68,187)
Effects of foreign exchange rates on cash and cash equivalents	1,664	868	13,847
Net increase (decrease) in cash and cash equivalents	(1,219)	(1,726)	(10,144)
Cash and cash equivalents at beginning of year	18,403	18,986	153,141
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	210	-	1,748
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year-end of certain subsidiaries	-	1,143	-
Cash and cash equivalents at end of year (Note 14)	¥ 17,394	¥ 18,403	\$ 144,745

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, 2015, which was ¥120.17 to US\$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 42 (43 in 2014) 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 2014) unconsolidated subsidiaries and 5 (6 in 2014) 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 when 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.

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 been applied.

(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 are mainly stated at the lower of cost determined by the moving average 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.

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 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 recognized mainly 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 attributed to each period using plan's benefit formula basis.

Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years.

Prior service cost is recognized in the income statement using the straight-line method over 14 years.

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, 2014 have been made to conform to the 2015 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

Year ended March 31, 2014

(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 this 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.

(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 and net defined benefit liability of ¥1,277 million were recognized.

Also, accumulated other comprehensive income decreased by ¥855 million.

(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 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 respectively.

Year ended March 31, 2015

Change in accounting policies

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

The Company adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs.

In addition, the Company has changed the method of attributing expected benefit to periods from the straight-line basis to plan's benefit formula basis and determining the discount rates.

The adoption of the accounting standard and change in methods had no effect on the consolidated financial

statements for the year ended March 31, 2015.

Accounting standards issued but not yet applied

- “Revised Accounting Standards for Business Combination” (ASBJ Statement No. 21, September 13, 2013)
- “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013)
- “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013)
- “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, September 13, 2013)
- “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013)
- “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, September 13, 2013)

(a) Summary

The above standards and guidance have been revised primarily to account for:

- (1) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
- (2) Treatment of acquisition related costs
- (3) Presentation of current net income and the change of shareholder’s equity from minority interests to non-controlling interests
- (4) Provisional application of accounting treatments

(b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(c) Effects of the application of the standards

The Companies are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2015 and 2014.

(1) Trading securities:

At March 31, 2015 and 2014, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2015 and 2014:

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

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
			2015
Equity securities:			
Acquisition costs	¥ 7,703	¥ 7,219	\$ 64,101
Book values	<u>58,078</u>	<u>59,075</u>	<u>483,299</u>
Differences	<u>¥ 50,375</u>	<u>¥ 51,856</u>	<u>\$ 419,198</u>
Bonds:			
Acquisition costs	¥ -	¥ -	\$ -
Book values	<u>-</u>	<u>-</u>	<u>-</u>
Differences	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

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

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
			2015
Equity securities:			
Acquisition costs	¥ 238	¥ 941	\$ 1,981
Book values	<u>232</u>	<u>836</u>	<u>1,931</u>
Differences	<u>¥ (6)</u>	<u>¥ (105)</u>	<u>\$ (50)</u>
Bonds:			
Acquisition costs	¥ -	¥ -	\$ -
Book values	<u>-</u>	<u>-</u>	<u>-</u>
Differences	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>
Others:			
Acquisition costs	¥ 73	¥ 62	\$ 607
Book values	<u>73</u>	<u>62</u>	<u>607</u>
Differences	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

(b) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
			2015
Total sales of available-for-sale securities	¥ 731	¥ 179	\$ 6,083
Amount of related gains	293	66	2,438
Amount of related losses	15	-	125

(c) The loss on valuation of investment securities as of March 31, 2015 and 2014:

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
			2015
Available-for-sale securities	¥ 27	¥ 222	\$ 225
Investment in subsidiaries and affiliates	-	-	-

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.

5. 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 fluctuations in the exchange rates of 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 hedge effectiveness if the significant terms of the hedging instruments and those of the hedged items are the same and the risk of change in foreign exchange rates is effectively hedged.

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

Currency related

		March 31, 2015			
		Millions of yen			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
	Japanese yen	¥ 1	¥ -	¥ (0)	¥ (0)
	S.G. dollars	113	-	(0)	(0)
	Buying:				
	U.S. dollars	363	-	(2)	(2)
	S.G. dollars	78	-	(0)	(0)
	Japanese yen	483	-	(4)	(4)
	Total	¥ 1,038	¥ -	¥ (6)	¥ (6)

		March 31, 2015			
		Thousands of U.S. dollars			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	\$ 8	\$ -	\$ (0)	\$ (0)
	S.G. dollars	940	-	(0)	(0)
	Buying:				
	U.S. dollars	3,021	-	(17)	(17)
	S.G. dollars	649	-	(0)	(0)
	Japanese yen	4,020	-	(33)	(33)
	Total	\$ 8,638	\$ -	\$ (50)	\$ (50)

		March 31, 2014			
		Millions of yen			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
	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)

Interest rate related

		March 31, 2015			
		Millions of yen			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps: (Pay fixed rate, receive floating rate)	¥ 1,322	¥ 1,322	¥ (18)	¥ (18)
	Total	<u>¥ 1,322</u>	<u>¥ 1,322</u>	<u>¥ (18)</u>	<u>¥ (18)</u>

		March 31, 2015			
		Thousands of U.S. dollars			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps: (Pay fixed rate, receive floating rate)	\$ 11,001	\$ 11,001	\$ (150)	\$ (150)
	Total	<u>\$ 11,001</u>	<u>\$ 11,001</u>	<u>\$ (150)</u>	<u>\$ (150)</u>

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2015 and 2014, respectively.

(b) Derivative transactions for which hedge accounting is applied
 Currency related

		March 31, 2015			
		Millions of yen			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair Value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 7,584	¥ -	¥ (119)
	G.B. pound	Accounts	0	-	0
	Euro	receivable	28	-	3
	Swiss franc		2	-	(0)
	Buying:				
	U.S. dollars		4,025	-	26
	Euro	Accounts	474	-	(31)
	China yuan	payable	1	-	0
	Thai baht		381	-	3
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 2,008	¥ -	¥
	G.B. pound		44	-	
	Euro	Accounts	38	-	
	Swiss franc	receivable	4	-	
	Thai baht		24	-	
	Japanese yen		8	-	
	Buying:				
	U.S. dollars		374	-	(*2)
	G.B. pound		1	-	
	Euro	Accounts	60	-	
	China yuan	payable	54	-	
	Thai baht		3	-	
	Japanese yen		57	-	
	Currency swap contracts:	Long-term debt	2,409	2,409	
	Total		<u>¥ 17,579</u>	<u>¥ 2,409</u>	<u>¥ (118)</u>

		March 31, 2015				
		Thousands of U.S. dollars				
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair Value	
Deferral hedge accounting (*1)	Forward foreign exchange contracts:					
	Selling:					
		U.S. dollars		\$ 63,111	\$ -	\$ (990)
		G.B. pound	Accounts receivable	0	-	0
		Euro		233		25
		Swiss franc		17		(0)
	Buying:					
		U.S. dollars		33,494	-	216
	Euro	Accounts payable	3,944	-	(258)	
	China yuan		8	-	0	
	Thai baht		3,171	-	25	
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:					
	Selling:					
		U.S. dollars		\$ 16,710	\$ -	\$ -
		G.B. pound		366	-	
		Euro	Accounts receivable	316	-	
		Swiss franc		33	-	
		Thai baht		200	-	
		Japanese yen		67	-	
	Buying:					
		U.S. dollars		3,112	-	(*2)
		G.B. pound		8	-	
		Euro	Accounts payable	499	-	
		China yuan		449	-	
		Thai baht		25	-	
	Japanese yen		474	-		
	Currency swap contracts:		20,047	20,047		
	Total		<u>\$ 146,284</u>	<u>\$ 20,047</u>	<u>\$ (982)</u>	

		March 31, 2014				
		Millions of yen				
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair Value	
Deferral hedge accounting (*1)	Forward foreign exchange contracts:					
	Selling:					
		U.S. dollars	Accounts receivable	¥ 5,191	¥ -	¥ (46)
		G.B. pound		1	-	(0)
	Buying:					
		U.S. dollars		1,839	-	7
		Euro	Accounts payable	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		¥ 1,961	¥ -	¥ -
		G.B. pound		47	-	
		Euro	Accounts receivable	218	-	
		Swiss franc		1	-	
		Japanese yen		2	-	(*2)
	Buying:					
		U.S. dollars		1,601	-	
		Euro	Accounts payable	537	-	
	Japanese yen		5	-		
	Currency swap contracts:		3,305	3,305		
	Total		<u>¥ 15,265</u>	<u>¥ 3,305</u>	<u>¥ (32)</u>	

(*1) Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2015 and 2014, respectively.

(*2) Since forward foreign exchange contracts, etc., are accounted for by the allocation method (refer to Note 2(e)), their fair value is included in that of the account receivable, account payable and long-term debt disclosed in Note 17, "Financial instruments."

Interest rate related

		March 31, 2015			
		Millions of yen			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair Value
Special accounting treatment	Interest rate swaps:				
	(Pay fixed rate, receive floating rate)	Long-term debt	¥ 1,961	¥ 1,961	¥ (*)
	Total		<u>¥ 1,961</u>	<u>¥ 1,961</u>	<u>¥ -</u>

		March 31, 2015			
		Thousands of U.S. dollars			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair Value
Special accounting treatment	Interest rate swaps:				
	(Pay fixed rate, receive floating rate)	Long-term debt	\$ 16,319	\$ 16,319	\$ (*)
	Total		<u>\$ 16,319</u>	<u>\$ 16,319</u>	<u>\$ -</u>

(*) Since interest rate swaps are accounted for by special accounting treatment (refer to Note 2(e)), their fair value is included in that of the long-term debt disclosed in Note 17, "Financial instruments."

6. 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 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

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

	2015	2014
Statutory tax rate	35.4%	37.8%
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1.4)	(1.5)
Nondeductible expenses	1.7	2.3
Dividend income, not taxable	(8.5)	(4.6)
Elimination of dividend income	6.5	1.9
Unrealized tax benefits, such as those on prior losses of consolidated subsidiaries	2.0	0.6
Decrease in deferred tax assets (liabilities) for enacted changes in tax rate	(0.1)	0.6
Adjustment of loss on sales of investments in subsidiaries and affiliates	0.2	0.9
Income taxes for prior periods	0.4	1.4
Foreign source tax	3.2	0.8
Foreign subsidiaries' tax rates	(5.9)	(10.2)
Other	(0.2)	0.4
Effective tax rate	<u>33.3%</u>	<u>30.4%</u>

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful receivables	¥ 492	¥ 744	\$ 4,094
Loss carryforwards	233	556	1,939
Net defined benefit liability	297	534	2,471
Net defined benefit asset	-	301	-
Directors' retirement benefits	119	137	990
Unrealized profit on inventories	238	206	1,981
Unrealized profit on property and equipment	309	309	2,571
Depreciation	156	128	1,298
Write-down of golf club memberships	13	15	108
Write-down of investment securities	290	299	2,413
Write-down of inventories	62	37	516
Accrued employees' bonuses	322	350	2,680
Enterprise tax payable	102	90	849
Provision for loss on business liquidation	-	276	-
Other	693	403	5,768
Total deferred tax assets	<u>3,326</u>	<u>4,385</u>	<u>27,678</u>
Valuation allowance	<u>(1,423)</u>	<u>(1,472)</u>	<u>(11,842)</u>
Net deferred tax assets	<u>1,903</u>	<u>2,913</u>	<u>15,836</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(698)	(765)	(5,808)
Net unrealized holding gains on securities	(16,057)	(18,125)	(133,619)
Net defined benefit asset	(220)	-	(1,831)
Other	(526)	(153)	(4,377)
Total deferred tax liabilities	<u>(17,501)</u>	<u>(19,043)</u>	<u>(145,635)</u>
Net deferred tax liabilities	<u>¥ (15,598)</u>	<u>¥ (16,130)</u>	<u>\$ (129,799)</u>

Net deferred tax liabilities as of March 31, 2015 and 2014 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets (current assets)	¥ 456	¥ 1,058	\$ 3,795
Deferred tax assets (other assets)	576	420	4,793
Deferred tax liabilities (current liabilities)	-	-	-
Deferred tax liabilities (long-term liabilities)	(16,630)	(17,608)	(138,387)
Net deferred tax liabilities	¥ (15,598)	¥ (16,130)	\$ (129,799)

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

On March 31, 2015, 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 to 33.1% for years beginning on or after April 1, 2015 and 32.3% for years beginning on or after April 1, 2016. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are 33.1 % and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates as of March 31, 2015, net deferred tax assets decreased by ¥35 million (\$291 thousand), net deferred tax liabilities decreased by ¥1,555 million (\$12,940 thousand), and deferred income tax expense recognized for the year ended March 31, 2015 decreased by ¥18 million (\$150 thousand), remeasurements of defined benefit plans decreased by ¥22 million (\$183 thousand) and net unrealized holding gains on securities increased by ¥1,536 million (\$12,782 thousand).

7. Pledged assets

At March 31, 2015 and 2014, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities	¥ 9,341	¥ 10,555	\$ 77,732

8. Loss on impairment of noncurrent assets

Loss on impairment of noncurrent assets for the years ended March 31, 2015 consisted of the following.

For the year ended March 31, 2015

Use	Type of asset	Location	Millions of yen	Thousands of U.S. dollars
Production facilities for manufacturing and coloring synthetic resin materials	Buildings	Dalian China	¥ 101	\$ 840
	Machinery and equipment		¥ 84	\$ 699
	Others		¥ 27	\$ 225
Production facilities for plastic films	Buildings and Structures	Hasuda City Saitama Japan	¥ 75	\$ 624
	Machinery and equipment		¥ 70	\$ 583
	Others		¥ 15	\$ 125
Total			¥ 372	\$ 3,096

The Company and its subsidiaries grouped their assets principally by industry segment. Leased assets and idle assets were grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment loss of 372 million (\$3,096 thousand) due to the book value exceeding future cashflow as a result of a decrease in the profitability of the consolidated subsidiary.

The recoverable amounts were determined based on the estimated utility value that discounted future cashflow in 3.6% and 0.23% respectively.

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
Production facilities for Part of synthetic rubber and silicon rubber	Structures	Ayutthaya Thailand	¥ 29
	Machinery and equipment		¥ 211
	Others		¥ 137
Total			¥ 377

The Company and its subsidiaries grouped their assets principally by industry segment. Leased assets and idle assets were grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment loss of 377 million due to the book value exceeding future cashflow as a result of a decrease in the profitability of the consolidated subsidiary.

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

9. 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, 2015 and 2014 totaled ¥181 million (\$1,506 thousand) and ¥224 million, respectively.

10. 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.

11. Short-term loans and long-term debt

Short-term loans at March 31, 2015 and 2014 consisted of bank loans bearing interest at average annual rates of 1.10% and 0.91%, respectively. Long-term loans due within one year at March 31, 2015 and 2014 consisted of bank loans bearing interest at average annual rates of 1.36% and 2.27%, respectively.

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

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2015</u>	<u>2014</u>	<u>U.S. dollars</u>
			<u>2015</u>
Unsecured loans from banks and insurance companies due through 2025 with interest principally at 0.48% - 5.45%	¥ 25,895	¥ 17,336	\$ 215,486
Less amounts due within one year	<u>(1,540)</u>	<u>(3,887)</u>	<u>(12,815)</u>
	<u>¥ 24,355</u>	<u>¥ 13,449</u>	<u>\$ 202,671</u>

The aggregate annual maturities of long-term debt at March 31, 2015 were as follows:

<u>Year ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of</u>
		<u>U.S. dollars</u>
2017	¥ 3,317	\$ 27,603
2018	7,407	61,638
2019	4,500	37,447
2020	2,562	21,320
2021 and thereafter	<u>6,569</u>	<u>54,663</u>
	<u>¥ 24,355</u>	<u>\$ 202,671</u>

The Company has commitment line contracts with six banks in the aggregate amount of ¥24,420 million (\$203,212 thousand) in order to secure the efficient procurement of operating funds. At March 31, 2015, the total ¥24,420 million (\$203,212 thousand) was unused and available.

12. Employees' severance and pension benefits

Defined benefit plan

(a) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 7,936	¥ 7,918	\$ 66,040
Service cost	402	366	3,345
Interest cost	89	87	741
Actuarial difference	(29)	(169)	(241)
Benefits paid	(395)	(338)	(3,287)
Others	44	72	365
Balance at end of year	¥ 8,047	¥ 7,936	\$ 66,963

(b) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 8,681	¥ 7,300	\$ 72,239
Expected return on plan assets	210	178	1,748
Actuarial difference	1,854	946	15,428
Contributions by the employer	420	461	3,495
Benefits paid	(234)	(208)	(1,947)
Others	2	4	16
Balance at end of year	¥ 10,933	¥ 8,681	\$ 90,979

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded projected benefit obligations	¥ 7,313	¥ 7,287	\$ 60,855
<u>Plan assets</u>	<u>(10,933)</u>	<u>(8,681)</u>	<u>(90,979)</u>
Subtotal	(3,620)	(1,394)	(30,124)
Unfunded projected benefit obligations	735	648	6,117
Net amount of liabilities and assets recognized in consolidated balance sheet	(2,885)	(746)	(24,007)
Liabilities (net defined benefit liability)	910	1,277	7,573
<u>Assets (net defined benefit asset)</u>	<u>(3,795)</u>	<u>(2,023)</u>	<u>(31,580)</u>
Net amount of liabilities and assets recognized in consolidated balance sheet	(2,885)	(746)	(24,007)

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 402	¥ 366	\$ 3,345
Interest cost	89	87	741
Expected return on plan assets	(210)	(178)	(1,748)
Amortization of actuarial differences	173	296	1,440
<u>Amortization of prior service cost</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Total	¥ 454	¥ 571	\$ 3,778

(e) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (0)	¥ -	\$ (0)
Actuarial differences	2,014	-	16,759
Total	¥ 2,014	¥ -	\$ 16,759

(f) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (26)	¥ (27)	\$ (216)
Unrecognized actuarial differences	(662)	1,353	(5,509)
Total	¥ (688)	¥ 1,326	\$ (5,725)

(g) Plan assets

	2015	2014
Bonds	29.4%	22.8%
Equity securities	63.4	41.0
Cash and time deposits	6.9	35.9
Others	0.3	0.3
Total	100.0%	100.0%

Note: Total plan assets include securities contributed to the retirement benefit trust (34.3% at March 31, 2015 and 28.9% at March 31, 2014).

(h) Assumptions used in actuarial calculations

	2015	2014
Discount rates	1.0%	1.0%
Long-term rate of expected return on plan assets	3.0	3.0

Note: Current and target asset allocations, historical and expected return on various categories of plan assets have been considered in determining the long-term rate of expected return.

Defined contribution pension plan

The required contribution to the defined contribution pension plan for the years ended March 31, 2015 and 2014 was ¥164 million (\$1,365 thousand) and ¥159 million, respectively.

13. 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits in balance sheets	¥ 23,572	¥ 23,263	\$ 196,155
Time deposits maturing after three months	(6,178)	(4,860)	(51,410)
Cash and cash equivalents in statements of cash flow	¥ 17,394	¥ 18,403	\$ 144,745

(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, 2015
not applicable

Year ended March 31, 2014

	Millions of yen
Current Assets	¥ 727
Fixed Assets	49
Current Liabilities	(155)
Long-term Liabilities	(615)
Minority interests	(3)
Loss on sales of shares	(2)
Sale price of sales of shares for the year	1
Cash and cash equivalents of the Company excluded from the scope of consolidation	(57)
Payments for sale of shares of subsidiaries excluded from the scope of consolidation	¥ (56)

14. 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 for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	(829)	7,810	(6,898)
Reclassification adjustments	(293)	(66)	(2,438)
Subtotal, before tax	(1,122)	7,744	(9,336)
Tax (expense) benefit	2,069	(2,690)	17,217
Subtotal, net of tax	¥ 947	¥ 5,054	\$ 7,881
Net unrealized holding gains (losses) on derivatives			
Increase (decrease) during the year	(86)	(76)	(716)
Subtotal, before tax	(86)	(76)	(716)
Tax (expense) benefit	28	30	233
Subtotal, net of tax	¥ (58)	¥ (46)	\$ (483)
Foreign currency translation adjustments			
Increase (decrease) during the year	5,232	2,225	43,538
Reclassification adjustments	42	(14)	350
Subtotal, before tax	5,274	2,211	43,888
Tax (expense) benefit	(13)	1	(108)
Subtotal, net of tax	¥ 5,261	¥ 2,212	\$ 43,780
Remeasurements of defined benefit plans			
Increase (decrease) during the year	1,845	-	15,353
Reclassification adjustments	169	-	1,406
Subtotal, before tax	2,014	-	16,759
Tax (expense) benefit	(695)	-	(5,783)
Subtotal, net of tax	¥ 1,319	¥ -	\$ 10,976
Share of other comprehensive income of associates accounted for by the equity method			
Increase (decrease) during the year	315	283	2,621
Reclassification adjustments	(5)	(149)	(42)
Subtotal	¥ 310	¥ 134	\$ 2,579
Total other comprehensive income	¥ 7,779	¥ 7,354	\$ 64,733

15. 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.

The 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, 2015 and 2014 was as follows:

Year ended March 31, 2015	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥ 209,370	¥ 52,846	¥ 34,660	¥ 250,428	¥ 24,258	¥ 552	¥ -	¥ 572,114
Intersegment	-	-	-	-	-	-	-	-
Total	209,370	52,846	34,660	250,428	24,258	552	-	572,114
Segment income (loss)	¥ 4,489	¥ 1,073	¥ 1,038	¥ 3,730	¥ 286	¥ 158	¥ -	¥ 10,774
Total assets	¥ 93,024	¥ 31,512	¥ 18,114	¥ 113,164	¥ 9,350	¥ 978	¥ 60,720	¥ 326,862
Depreciation and amortization	¥ 516	¥ 132	¥ 251	¥ 1,192	¥ 55	¥ 5	¥ -	¥ 2,151
Amortization of goodwill	51	-	-	-	-	-	-	51
Investment in equity method	1,588	919	-	840	-	-	-	3,347
Increase in property and equipment and intangible assets	¥ 179	¥ 275	¥ 196	¥ 1,446	¥ 2	¥ 1	¥ 566	¥ 2,665

Year ended March 31, 2015	Thousands of U.S. dollars							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	\$ 1,742,282	\$ 439,760	\$ 288,425	\$ 2,083,948	\$ 201,864	\$ 4,593	\$ -	\$ 4,760,872
Intersegment	-	-	-	-	-	-	-	-
Total	1,742,282	439,760	288,425	2,083,948	201,864	4,593	-	4,760,872
Segment income (loss)	\$ 37,355	\$ 8,929	\$ 8,638	\$ 31,039	\$ 2,380	\$ 1,315	\$ -	\$ 89,656
Total assets	\$ 774,103	\$ 262,229	\$ 150,736	\$ 941,700	\$ 77,806	\$ 8,138	\$ 505,285	\$ 2,719,997
Depreciation and amortization	\$ 4,294	\$ 1,098	\$ 2,089	\$ 9,919	\$ 458	\$ 42	\$ -	\$ 17,900
Amortization of goodwill	424	-	-	-	-	-	-	424
Investment in equity method	13,215	7,647	-	6,990	-	-	-	27,852
Increase in property and equipment and intangible assets	\$ 1,490	\$ 2,288	\$ 1,631	\$ 12,033	\$ 17	\$ 8	\$ 4,710	\$ 22,177

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
Segment 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

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 ¥60,720 million (\$505,285 thousand) and ¥67,233 million for the years ended March 31, 2015 and 2014, 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 ¥566 million (\$4,710 thousand) and ¥255 million for the years ended March 31, 2015 and 2014, respectively, is attributable to the Company's administrative functions.

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

[Related information]

(a) Information about geographic areas

(1) Revenues

Year ended March 31, 2015

Millions of yen							
Japan	Southeast Asia	Northeast Asia			North America	Europe	Consolidated
		China	Taiwan	Other			
<u>¥ 225,712</u>	<u>¥ 126,091</u>	<u>¥ 118,097</u>	<u>¥ 58,656</u>	<u>¥ 16,344</u>	<u>¥ 16,540</u>	<u>¥ 10,674</u>	<u>¥ 572,114</u>

Year ended March 31, 2015

Thousands of U.S dollars							
Japan	Southeast Asia	Northeast Asia			North America	Europe	Consolidated
		China	Taiwan	Other			
<u>\$ 1,878,272</u>	<u>\$ 1,049,272</u>	<u>\$ 982,749</u>	<u>\$ 488,109</u>	<u>\$ 136,008</u>	<u>\$ 137,638</u>	<u>\$ 88,824</u>	<u>\$ 4,760,872</u>

Year ended March 31, 2014

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

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

(2) Tangible fixed asset

Year ended March 31, 2015

Millions of yen							
Japan	Southeast Asia		Northeast Asia		North America	Europe	Consolidated
	Indonesia	Others	China	Others			
<u>¥ 4,914</u>	<u>¥ 1,861</u>	<u>¥ 1,572</u>	<u>¥ 3,062</u>	<u>¥ 33</u>	<u>¥ 120</u>	<u>¥ 1,088</u>	<u>¥ 12,650</u>

Year ended March 31, 2015

Thousands of U.S dollars							
Japan	Southeast Asia		Northeast Asia		North America	Europe	Consolidated
	Indonesia	Others	China	Others			
<u>\$ 40,892</u>	<u>\$ 15,486</u>	<u>\$ 13,081</u>	<u>\$ 25,481</u>	<u>\$ 275</u>	<u>\$ 999</u>	<u>\$ 9,054</u>	<u>\$ 105,268</u>

Year ended March 31, 2014

Millions of yen							
Japan	Southeast Asia		Northeast Asia		North America	Europe	Consolidated
	Indonesia	Otehrs	China	Others			
¥ 5,011	¥ 1,055	¥ 1,398	¥ 2,928	¥ 39	¥ 80	¥ 1,146	¥ 11,657

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

Year ended March 31, 2015

Millions of yen							
Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
¥ -	¥ -	¥ -	¥ 372	¥ -	¥ -	¥ -	¥ 372

Year ended March 31, 2015

Thousands of U.S. dollars							
Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
\$ -	\$ -	\$ -	\$ 3,096	\$ -	\$ -	\$ -	\$ 3,096

Year ended March 31, 2014

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

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

Year ended March 31, 2015

	Millions of yen							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	¥ 51	¥ -	¥ -	¥ 0	¥ -	¥ -	¥ -	¥ 51
Unamortized balance	47	-	-	-	-	-	-	47

Year ended March 31, 2015

	Thousands of U.S. dollars							
	Information Technology	Chemicals	Life Industry	Plastics	Housing and Construction	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	\$ 424	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ 424
Unamortized balance	391	-	-	-	-	-	-	391

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

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

16. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2015 and 2014 were as follows:

	Millions of yen		
	March 31, 2015		
	Book values	Fair values	Differences
Cash and time deposits	¥ 23,572	¥ 23,572	¥ -
Receivables: trade notes and accounts	155,961		
Allowance for doubtful receivables (*1)	(785)		
	155,176	155,176	-
Trading securities and investment securities			
Available-for-sale securities	58,382	58,382	-
Long-term loans receivables	1,532	1,562	30
Total Assets	¥ 238,662	¥ 238,692	¥ 30
Payables: trade note and accounts	¥ 91,158	¥ 91,158	¥ -
Short-term loans (*2)	54,460	54,460	-
Long-term debt	24,355	24,506	(151)
Total Liabilities	¥ 169,973	¥ 170,124	¥ (151)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (24)	¥ (24)	¥ -
Derivative transactions for which hedge accounting is applied	(118)	(118)	-
Total Derivative Transactions	¥ (142)	¥ (142)	¥ -

	Thousands of U.S. dollars		
	March 31, 2015		
	Book values	Fair values	Differences
Cash and time deposits	\$ 196,155	\$ 196,155	\$ -
Receivables: trade notes and accounts	1,297,837		
Allowance for doubtful receivables (*1)	<u>(6,533)</u>		
	1,291,304	1,291,304	-
Trading securities and investment securities			
Available-for-sale securities	485,828	485,828	-
Long-term loans receivables	<u>12,749</u>	<u>12,998</u>	<u>249</u>
Total Assets	<u>\$ 1,986,036</u>	<u>\$ 1,986,285</u>	<u>\$ 249</u>
Payables: trade note and accounts	\$ 758,575	\$ 758,575	\$ -
Short-term loans (*2)	453,191	453,191	-
Long-term debt	<u>202,671</u>	<u>203,928</u>	<u>(1,257)</u>
Total Liabilities	<u>\$ 1,414,437</u>	<u>\$ 1,415,694</u>	<u>\$ (1,257)</u>
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	\$ (200)	\$ (200)	\$ -
Derivative transactions for which hedge accounting is applied	<u>(982)</u>	<u>(982)</u>	<u>-</u>
Total Derivative Transactions	<u>\$ (1,182)</u>	<u>\$ (1,182)</u>	<u>\$ -</u>

(*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 ¥1,540 million (\$12,815 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, 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)	¥ -

(*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.

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

(a) Methods used to calculate 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 the book value approximates 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, 2015 and 2014:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2015	2014	2015
Investments in subsidiaries and affiliates	¥ 5,291	¥ 5,658	\$ 44,029
Available for sale securities			
Non-quoted equity securities	4,763	4,211	39,636
Others	6	5	50
Total	¥ 10,060	¥ 9,874	\$ 83,715

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, 2015				
Millions of yen				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Cash and time deposits	¥ 23,572	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	154,381	1,574	6	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	73	-	-	-
Long-term loans receivables	-	1,087	387	58
Total	¥ 178,026	¥ 2,661	¥ 393	¥ 58
Thousands of U.S. dollars				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Cash and time deposits	\$ 196,155	\$ -	\$ -	\$ -
Receivables: trade notes and accounts	1,284,688	13,098	51	-
Available-for-sale securities				
Bonds	-	-	-	-
Others	608	-	-	-
Long-term loans receivables	-	9,046	3,220	483
Total	\$ 1,481,451	\$ 22,144	\$ 3,271	\$ 483
March 31, 2014				
Millions of yen				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
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

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

March 31, 2015				
Millions of yen				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Short-term loans	¥ 54,460	¥ -	¥ -	¥ -
Long-term debt	-	17,786	6,569	-
Total	<u>¥ 54,460</u>	<u>¥ 17,786</u>	<u>¥ 6,569</u>	<u>¥ -</u>
Thousands of U.S. dollars				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Short-term loans	\$ 453,191	\$ -	\$ -	\$ -
Long-term debt	-	148,008	54,663	-
Total	<u>\$ 453,191</u>	<u>\$ 148,008</u>	<u>\$ 54,663</u>	<u>\$ -</u>
March 31, 2014				
Millions of yen				
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Short-term loans	¥ 63,134	¥ -	¥ -	¥ -
Long-term debt	-	10,449	3,000	-
Total	<u>¥ 63,134</u>	<u>¥ 10,449</u>	<u>¥ 3,000</u>	<u>¥ -</u>

17. 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 in which 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.

The Law also provides for companies to purchase treasury stock and to dispose and cancel of such treasury stock by resolution of the Board of Directors. For the year ended March 31, 2015, the Company acquired shares of the Company’s common stock under its acquisition plan by the Company’s Board of Directors on August 6, 2014. As a result, treasury stock increased by ¥605 million (\$5,035 thousand) for the year ended March 31, 2015. For the year ended March 31, 2015, the Company canceled 1,660,000 shares on August 22, 2014 in accordance with board resolutions on August 6, 2014. As a result, capital surplus, retained earnings and treasury stock decreased by ¥0 million (\$0 thousand), ¥1,061 million (\$8,829 thousand), and ¥1,061 million (\$8,829 thousand), respectively.

18. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited, which owned 22.0% and 21.8% of the Company's voting shares at March 31, 2015 and 2014, respectively.

Sumika Technology Co., Ltd. and Dongwoo Fine-Chem Co., Ltd. are subsidiaries of Sumitomo Chemical Company, Limited. As of March 31, 2015 and 2014, the Company controlled 15% and 15% of the voting shares of Sumika Technology Co., Ltd.

Significant transactions with related parties for the years ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Sumitomo Chemical Company, Limited		
Net sales	¥ 5,674	\$ 47,216
Purchases	¥ 10,671	\$ 88,799
Trade notes and accounts receivable	¥ 3,084	\$ 25,664
Trade notes and accounts payable	¥ 1,332	\$ 11,084
Pledge of investment securities	¥ 8,227	\$ 68,461
Sumika Technology Co., Ltd		
Net sales	¥ 22,916	\$ 190,697
Trade notes and accounts receivable	¥ 8,780	\$ 73,063
Debt guarantees	¥ 939	\$ 7,814
Dongwoo Fine-Chem Co., Ltd		
Net sales	¥ 13,660	\$ 113,672
Trade notes and accounts receivable	¥ 3,743	\$ 31,148

Year ended March 31, 2014

	<u>Millions of yen</u>
Sumitomo Chemical Company, Limited	
Net sales	¥ 5,721
Purchases	¥ 11,030
Trade notes and accounts receivable	¥ 2,724
Trade notes and accounts payable	¥ 1,596
Pledge of investment securities	¥ 9,820
Sumika Technology Co., Ltd	
Net sales	¥ 21,237
Trade notes and accounts receivable	¥ 6,683
Debt guarantees	¥ 955
Dongwoo Fine-Chem Co., Ltd	
Net sales	¥ 11,102
Trade notes and accounts receivable	¥ 4,311

The Consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2015 and 2014 were as follows:

TAIWAN INABATA SANGYO CO., LTD.
Year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Sumika Technology Co., Ltd		
Purchases	¥ 49,323	\$ 410,444
Trade notes and accounts payable	¥ 8,752	\$ 72,830

Year ended March 31, 2014

	<u>Millions of yen</u>
Sumika Technology Co., Ltd	
Purchases	¥ 51,960
Trade notes and accounts payable	¥ 6,822

19. Contingent liabilities

At March 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
As endorsers of notes discounted or endorsed	¥ 911	¥ 907	\$ 7,581
As guarantors of indebtedness of unconsolidated subsidiaries and affiliates	3,985	2,772	33,161
Others	<u>1,356</u>	<u>955</u>	<u>11,284</u>
	<u>5,341</u>	<u>3,727</u>	<u>44,445</u>
	<u>¥ 6,252</u>	<u>¥ 4,634</u>	<u>\$ 52,026</u>

20. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 8, 2015, an appropriation of nonconsolidated retained earnings for the year ended March 31, 2015 was duly approved as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends - ¥18.00 (\$0.150) per share	¥ 1,132	\$ 9,420