HOYA

HOYA Corporation and its subsidiaries
Consolidated Financial Statements under IFRSs
and Independent Auditor's Report

For the year ended 31 March 2014

HOYA Corporation

Contents

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HOYA CORPORATION:

We have audited the accompanying consolidated financial statements of HOYA CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

5 June 2014

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Statement of Financial Position

HOYA Corporation and its subsidiaries

As at 31 March 2014

	Notes	(Millions of Yen) As at 31 March 2013	(Millions of Yen) As at 31 March 2014	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2014
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6,8,34	140,747	129,513	1,258,381
Goodwill	7,8,32(6)	8,367	10,961	106,502
Intangible assets	7,8,32(5),34	19,189	23,947	232,680
Investments in associates	9	534	140	1,358
Long-term financial assets	11,23	9,150	9,062	88,050
Other non-current assets	8,12,19	2,467	2,527	24,551
Deferred tax assets	10	15,473	13,421	130,402
Total non-current assets		195,927	189,571	1,841,924
CURRENT ASSETS:				
Inventories	13	66,720	62,647	608,696
Trade and other receivables	14,23	88,824	95,529	928,187
Other short-term financial assets	11,23	9,210	10,492	101,939
Income tax receivables		722	982	9,537
Other current assets	12	7,786	13,970	135,732
Cash and cash equivalents	15,23	248,896	331,094	3,217,000
Total current assets		422,157	514,712	5,001,091
Total assets		618,084	704,283	6,843,015

	Notes	(Millions of Yen) As at 31 March 2013	(Millions of Yen) As at 31 March 2014	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2014
EQUITY AND LIABILITIES				
EQUITY				
Share capital	22(1)	6,264	6,264	60,865
Capital reserves	22(1)	15,899	15,899	154,476
Treasury shares	22(2)	(10,712)	(8,890)	(86,378)
Other capital reserves	22(2),24	(2,313)	(2,839)	(27,587)
Retained earnings	22(3),35	485,836	516,243	5,015,962
Accumulated other comprehensive income/(loss)		(24,241)	9,850	95,705
Equity attributable to owners of the Company		470,733	536,526	5,213,043
Non-controlling interests	22(4)	(187)	6,121	59,476
Total equity		470,547	542,648	5,272,519
LIABILITIES				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	16,17,23	60,837	35,829	348,127
Other long-term financial liabilities	11,23	149	—	—
Retirement benefits liabilities	19	1,457	1,675	16,275
Provisions	20	1,975	2,155	20,942
Other non-current liabilities	12	2,224	2,188	21,256
Deferred tax liabilities	10,32(5)	2,160	2,911	28,286
Total non-current liabilities		68,802	44,758	434,886
CURRENT LIABILITIES:				
Interest-bearing short-term debt	16,17,23	1,891	27,450	266,714
Trade and other payables	21,23	40,415	40,291	391,476
Other short-term financial liabilities	11,23	385	152	1,474
Income tax payables		5,680	13,369	129,900
Provisions	20	800	955	9,283
Other current liabilities	12	29,564	34,660	336,762
Total current liabilities		78,735	116,877	1,135,610
Total liabilities		147,537	161,635	1,570,496
Total equity and liabilities		618,084	704,283	6,843,015

Consolidated Statement of Comprehensive Income

HOYA Corporation and its subsidiaries

For the year ended 31 March 2014

	Notes	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2014
Continuing operations				
Revenue:				
Sales	25	372,494	427,575	4,154,438
Finance income	26	965	1,849	17,965
Other income	25	39,888	5,453	52,984
Total Revenue		413,347	434,877	4,225,387
Expense:				
Changes in inventories of goods, products and work in progress		7,379	7,038	68,387
Raw materials and consumables used		70,634	84,135	817,479
Employee benefits expense	19,24,25	94,168	102,759	998,437
Depreciation and amortisation	6,7,25	30,872	33,891	329,293
Subcontracting cost		4,707	4,737	46,030
Advertising and promotion expense		10,310	11,769	114,354
Commission expense	25	21,357	20,460	198,794
Impairment losses	8	1,119	4,770	46,347
Finance costs	26	2,143	1,309	12,720
Share of loss of associates	9	11,912	268	2,608
Foreign exchange (gain)/loss	25	(12,539)	(8,496)	(82,550)
Other expenses	6,7,18,25	80,080	86,749	842,879
Total Expense		322,144	349,391	3,394,778
Profit before tax		91,204	85,486	830,609
Income tax expense	10	18,801	25,347	246,275
Profit for the year from continuing operations		72,403	60,140	584,334
Profit for the year		72,403	60,140	584,334
Other comprehensive income:	27			
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the net defined benefit liability (asset)		(98)	81	787
Income tax relating to components of other comprehensive income	10	19	(15)	(143)
Sub total		(80)	66	644
Items that may be reclassified subsequently to profit or loss:				
Net gain /(loss) on revaluation of available-for-sale financial assets		613	(185)	(1,799)
Exchange differences on translation of foreign operations		42,175	34,488	335,096
Income tax relating to components of other comprehensive income	10	(203)	(89)	(860)
Sub total		42,585	34,214	332,437
Total other comprehensive income/(loss)		42,506	34,281	333,081
Total comprehensive income for the year		114,909	94,420	917,415

	Notes	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars(Note 2)) For the year ended 31 March 2014
Profit attributable to:				
Owners of the Company		72,260	58,390	567,334
Non-controlling interests		143	1,750	17,001
Total		72,403	60,140	584,334
Total comprehensive income attributable to:				
Owners of the Company		114,765	92,548	899,219
Non-controlling interests		143	1,873	18,196
Total		114,909	94,420	917,415

	Notes	(Yen) For the year ended 31 March 2013	(Yen) For the year ended 31 March 2014	(U.S. Dollars(Note 2)) For the year ended 31 March 2014
Basic earnings per share	28			
Continuing operations		167.47	135.26	1.31
Discontinued operations		—	—	—
Basic earnings per share		167.47	135.26	1.31
Diluted earnings per share	28			
Continuing operations		167.44	135.04	1.31
Discontinued operations		—	—	—
Diluted earnings per share		167.44	135.04	1.31

Consolidated Statement of Changes in Equity

HOYA Corporation and its subsidiaries

For the year ended 31 March 2014

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 2012		**6,264**	**15,899**	**(10,928)**	**(2,505)**	**442,898**
Accumulated adjustments due to changes in accounting policies						(1,198)
Balance at 1 April 2012 (restated)		6,264	15,899	(10,928)	(2,505)	441,700
Total comprehensive income/(loss) for the year						
Profit for the year						72,260
Other comprehensive income/(loss)	27					
Total comprehensive income/(loss) for the year						72,260
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)			(2)		
Disposal of treasury shares	22(2)			218	(106)	
Dividends, 65 Yen per share	22(3)					(28,045)
Change in non-controlling interests	22					
Share-based payments (Stock option)	24				299	
Transfer to retained earnings						(80)
Total contributions by and distributions to owners				216	193	(28,124)
Total transactions with owners				216	193	(28,124)
Balance at 31 March 2013		**6,264**	**15,899**	**(10,712)**	**(2,313)**	**485,836**
Total comprehensive income/(loss) for the year						
Profit for the year						58,390
Other comprehensive income/(loss)	27					
Total comprehensive income/(loss) for the year						58,390
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)			(5)		
Disposal of treasury shares	22(2)			1,827	(768)	
Dividends, 65 Yen per share	22(3)					(28,050)
Change in non-controlling interests	22					
Share-based payments (Stock option)	24				242	
Transfer to retained earnings						66
Total contributions by and distributions to owners				1,822	(527)	(27,983)
Total transactions with owners				1,822	(527)	(27,983)
Balance at 31 March 2014		**6,264**	**15,899**	**(8,890)**	**(2,839)**	**516,243**

(Millions of Yen)

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 1 April 2012		**186**	**(64,869)**	**—**	**(2,143)**	**(66,826)**
Accumulated adjustments due to changes in accounting policies		(34)	(2,110)		2,143	—
Balance at 1 April 2012 (restated)		152	(66,978)	—	—	(66,826)
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	27	403	42,182	(80)		42,505
Total comprehensive income/(loss) for the year		403	42,182	(80)	—	42,505
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)					
Disposal of treasury shares	22(2)					
Dividends, 65 Yen per share	22(3)					
Change in non-controlling interests	22					
Share-based payments (Stock option)	24					
Transfer to retained earnings				80		80
Total contributions by and distributions to owners				80		80
Total transactions with owners				80		80
Balance at 31 March 2013		**555**	**(24,797)**	**—**	**—**	**(24,241)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	27	(114)	34,205	66		34,158
Total comprehensive income/(loss) for the year		(114)	34,205	66	—	34,158
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)					
Disposal of treasury shares	22(2)					
Dividends, 65 Yen per share	22(3)					
Change in non-controlling interests	22					
Share-based payments (Stock option)	24					
Transfer to retained earnings				(66)		(66)
Total contributions by and distributions to owners				(66)		(66)
Total transactions with owners				(66)		(66)
Balance at 31 March 2014		**442**	**9,408**	**—**	**—**	**9,850**

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 2012		**384,802**	**(149)**	**384,653**
Accumulated adjustments due to changes in accounting policies		(1,198)		(1,198)
Balance at 1 April 2012 (restated)		383,604	(149)	383,455
Total comprehensive income/(loss) for the year				
Profit for the year		72,260	143	72,403
Other comprehensive income/(loss)	27	42,505	1	42,506
Total comprehensive income/(loss) for the year		114,765	143	114,909
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	22(2)	(2)		(2)
Disposal of treasury shares	22(2)	112		112
Dividends, 65 Yen per share	22(3)	(28,045)	(134)	(28,178)
Change in non-controlling interests	22		(47)	(47)
Share-based payments (Stock option)	24	299		299
Transfer to retained earnings		―		―
Total contributions by and distributions to owners		(27,636)	(181)	(27,817)
Total transactions with owners		(27,636)	(181)	(27,817)
Balance at 31 March 2013		**470,733**	**(187)**	**470,547**
Total comprehensive income/(loss) for the year				
Profit for the year		58,390	1,750	60,140
Other comprehensive income/(loss)	27	34,158	123	34,281
Total comprehensive income/(loss) for the year		92,548	1,873	94,420
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	22(2)	(5)		(5)
Disposal of treasury shares	22(2)	1,058		1,058
Dividends, 65 Yen per share	22(3)	(28,050)	(6)	(28,055)
Change in non-controlling interests	22		4,441	4,441
Share-based payments (Stock option)	24	242		242
Transfer to retained earnings		―		―
Total contributions by and distributions to owners		(26,754)	4,435	(22,319)
Total transactions with owners		(26,754)	4,435	(22,319)
Balance at 31 March 2014		**536,526**	**6,121**	**542,648**

Consolidated Statement of Changes in Equity

HOYA Corporation and its subsidiaries

For the year ended 31 March 2014-Continued

(Thousands of U.S. Dollars (Note 2))

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2013		**60,865**	**154,476**	**(104,079)**	**(22,469)**	**4,720,522**
Total comprehensive income/(loss) for the year						
Profit for the year						567,334
Other comprehensive income/(loss)	27					
Total comprehensive income/(loss) for the year						567,334
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)			(46)		
Disposal of treasury shares	22(2)			17,747	(7,466)	
Dividends, 65 Yen per share	22(3)					(272,537)
Change in non-controlling interests	22					
Share-based payments (Stock option)	24				2,348	
Transfer to retained earnings						644
Total contributions by and distributions to owners				17,701	(5,118)	(271,893)
Total transactions with owners				17,701	(5,118)	(271,893)
Balance at 31 March 2014		**60,865**	**154,476**	**(86,378)**	**(27,587)**	**5,015,962**

(Thousands of U.S. Dollars (Note 2))

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 31 March 2013		**5,395**	**(240,930)**	**－**	**－**	**(235,536)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	27	(1,104)	332,345	644		331,885
Total comprehensive income/(loss) for the year		(1,104)	332,345	644	－	331,885
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	22(2)					
Disposal of treasury shares	22(2)					
Dividends, 65 Yen per share	22(3)					
Change in non-controlling interests	22					
Share-based payments (Stock option)	24					
Transfer to retained earnings				(644)		(644)
Total contributions by and distributions to owners				(644)		(644)
Total transactions with owners				(644)		(644)
Balance at 31 March 2014		**4,291**	**91,414**	**－**	**－**	**95,705**

(Thousands of U.S. Dollars (Note 2))

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2013		**4,573,778**	**(1,813)**	**4,571,965**
Total comprehensive income/(loss) for the year				
Profit for the year		567,334	17,001	584,334
Other comprehensive income/(loss)	27	331,885	1,196	333,081
Total comprehensive income/(loss) for the year		899,219	18,196	917,415
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	22(2)	(46)		(46)
Disposal of treasury shares	22(2)	10,281		10,281
Dividends, 65 Yen per share	22(3)	(272,537)	(55)	(272,592)
Change in non-controlling interests	22		43,147	43,147
Share-based payments (Stock option)	24	2,348		2,348
Transfer to retained earnings		―		―
Total contributions by and distributions to owners		(259,954)	43,092	(216,862)
Total transactions with owners		(259,954)	43,092	(216,862)
Balance at 31 March 2014		**5,213,043**	**59,476**	**5,272,519**

Consolidated Statement of Cash Flows

HOYA Corporation and its subsidiaries

For the year ended 31 March 2014

	Notes	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2014
Cash flows from operating activities				
Profit before tax		91,204	85,486	830,609
Depreciation and amortisation		30,872	33,891	329,293
Impairment losses		1,119	4,770	46,347
Finance income		(965)	(1,849)	(17,965)
Finance costs		2,143	1,309	12,720
Share of (profits)/loss of associates		11,912	268	2,608
(Gain)/loss on sales of property, plant and equipment		(1,973)	(658)	(6,396)
Loss on disposal of property, plant and equipment		735	450	4,368
Others		(22,771)	(2,900)	(28,181)
Cash generated from operations (before movements in working capital)		112,275	120,767	1,173,403
Movements in working capital				
Decrease/(increase) in inventories		5,030	11,785	114,508
Decrease/(increase) in trade and other receivables		(8,216)	(4,548)	(44,188)
Increase/(decrease) in trade and other payables		(7,692)	(2,171)	(21,091)
Increase/(decrease) in retirement benefits liabilities		(6,081)	215	2,087
Sub-total		95,316	126,048	1,224,719
Interests received		1,000	1,065	10,351
Dividends received		59	56	544
Interests paid		(1,544)	(1,238)	(12,033)
Income taxes paid		(6,073)	(24,492)	(237,970)
Income taxes refunded		232	1,231	11,964
Net cash generated from operating activities		88,991	102,670	997,575
Cash flows from investing activities				
Withdrawals of time deposit		1,656	6,098	59,247
Deposits for time deposit		(1,721)	(9,087)	(88,290)
Proceeds from withdrawals of certificate of deposit		40,000	－	－
Proceeds from sales of property, plant and equipment		7,573	950	9,230
Payments for acquisition of property, plant and equipment		(43,049)	(16,546)	(160,762)
Proceeds from sales of investment		－	1,007	9,784
Payments for purchase of subsidiary	32	(10,127)	(6,390)	(62,091)
Payments to non-controlling interests on merger		(4)	(4)	(39)
Proceeds from business transfer		568	－	－
Payments for business acquisition		(3,150)	－	－
Other proceeds		9,050	7,339	71,312
Other payments		(1,745)	(4,250)	(41,290)
Net cash used in investing activities		(948)	(20,882)	(202,899)

Consolidated Statement of Cash Flows

HOYA Corporation and its subsidiaries

For the year ended 31 March 2014-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2014
Cash flows from financing activities				
Dividends paid to owners of the Company		(28,071)	(28,101)	(273,033)
Dividends paid to non-controlling interests		(134)	(6)	(55)
Increase/(decrease) in short-term debt		(380)	(2)	(22)
Repayments of long-term borrowings		(235)	(505)	(4,904)
Payments for redemption of bonds		(40,287)	(234)	(2,277)
Proceeds from disposal of treasury shares		0	—	—
Payments for purchase of treasury shares		(2)	(5)	(46)
Proceeds from exercise of stock options		111	1,058	10,281
Net cash used in financing activities		(68,997)	(27,794)	(270,054)
Net increase/(decrease) in cash and cash equivalents		19,046	53,994	524,622
Cash and cash equivalents at the beginning of the year		204,772	248,896	2,418,343
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		25,078	28,204	274,035
Cash and cash equivalents at the end of the year	15	248,896	331,094	3,217,000

Note:

Non-cash transactions are stated in Note 29 “Non-cash transactions”.

Notes to the Consolidated Financial Statements

1.General information

HOYA Corporation (the "Company") is a limited company incorporated in Japan. The addresses of its registered office and principal place of business are disclosed on the Company's website (URL http://www.hoya.co.jp). The principal activities of the Company, its subsidiaries and its associates (the "Group") are described in Note 5 "Operating segment information".

2.Basis of consolidated financial statements

(1) Basis of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accompanying consolidated financial statements are stated in Japanese Yen.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥102.92 to $1, the foreign exchange rate at 31 March 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S.dollars at that or any other rate. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

The Company and its domestic subsidiaries maintain their books and prepare their financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") while its foreign subsidiaries maintain their books and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to IFRSs. These adjustments were not recorded in their statutory books and ledgers.

(2) Effects of applying new accounting standards

The Group adopted the following IFRSs for the year ended 31 March 2014:

IFRSs		Subject of new standards/amendments and transitional provisions
IAS 1 (Revised)	Presentation of Financial Statements	- Revision to the presentation of other comprehensive income - Clarification of the following requirements for comparative information: 1.Additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1 2. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirement 3. An entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period would present the statement of financial position at the end of the current period and the beginning and end of the preceding period 4. Other than disclosure of certain specified information, related notes are not required to accompany the opening statement of financial position as at the beginning of the preceding period
IAS 16 (Revised)	Property, Plant and Equipment	- Classification of servicing equipment that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise

IFRSs		Subject of new standards/amendments and transitional provisions
IAS 19 (Revised)	Employee Benefits	- Revision to the treatment of actuarial gains or losses eliminating the use of the 'corridor' approach and all remeasurement results be recognised in other comprehensive income (OCI) - Revision to recognition of actuarial gains and losses to be recognised in other comprehensive income - Revision to the calculation method for interest cost with the removal of expected return on plan assets - Introduction of enhanced disclosures for defined benefit plans
IAS 27 (Revised)	Separate Financial Statements	- Amendments based on the publication of IFRS 10 and applicable only to separate financial statements
IAS 28 (Revised)	Investments in Associates and Joint Ventures	- Amendments based on the publication of IFRS 10, IFRS11 and IFRS 12
IAS 32 (Revised)	Financial Instruments: Presentation	- Clarification that income tax relating to distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12
IAS 34 (Revised)	Interim Financial Reporting	- Revision that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment
IFRS 7 (Revised)	Financial Instruments: Disclosures	- Disclosure requirement of information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement
IFRS 10	Consolidated Financial Statements	- Guidance for consolidated financial statements including the definition, elements and assessment of control for all entities
IFRS 11	Joint Arrangements	- Classification of joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity) - Requirement of the use of the equity method of accounting for interests in joint ventures and the elimination of the proportionate consolidation method - An investor of joint operation must include in its financial statements its share of assets, liabilities, revenues and expenses relating to the joint operation
IFRS 12	Disclosure of Interests in Other Entities	- Integration of the disclosure requirements on the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements
IFRS 13	Fair Value Measurement	- New guidance for both financial and non-financial items measured at fair value

These standards were applied in accordance with respective transitional provisions. There are no standards that were early adopted by the Group.

Except for the impact of adoption of the revision to IAS 1 and IAS 19 discussed below, these standards had no significant impact for the year ended 31 March 2013 and 2014.
The changes in accounting policies due to the revision of IAS 1 and IAS 19 were applied retrospectively, and the financial statements as at/for the year ended 31 March 2013 were restated. The effects of these changes on each financial statement line item are as follows:

Consolidated Statement of Financial Position

	(Millions of Yen) As at 31 March 2013	(Millions of Yen) Adjustments	(Millions of Yen) As at 31 March 2013 (Restated)
Deferred tax assets	15,464	9	15,473
Total non-current assets	195,917	9	195,927
Total assets	618,074	9	618,084
Retained earnings	485,953	(117)	485,836
Accumulated other comprehensive income	(24,220)	(21)	(24,241)
Equity attributable to owners of the Company	470,872	(138)	470,733
Total equity	470,685	(138)	470,547
Retirement benefits liabilities	1,309	148	1,457
Total non-current liabilities	68,655	148	68,802
Total liabilities	147,389	148	147,537
Total equity and liabilities	618,074	9	618,084

Consolidated Statement of Comprehensive Income

	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) Adjustments	(Millions of Yen) For the year ended 31 March 2013 (Restated)
Other income	38,809	1,080	39,888
Total Revenue	412,268	1,080	413,347
Employee benefits expense	94,982	(814)	94,168
Finance costs	2,086	57	2,143
Total Expense	322,900	(757)	322,144
Profit before tax	89,368	1,836	91,204
Income tax expense	18,125	675	18,801
Profit for the year from continuing operations	71,242	1,161	72,403
Profit for the year	71,242	1,161	72,403
Items that will not be reclassified subsequently to profit or loss: Remeasurements of the net defined benefits liability (asset)	—	(98)	(98)
Income tax relating to components of other comprehensive income	—	19	19
Total items that will not be reclassified subsequently to profit or loss	—	(80)	(80)
Net gain/(loss) on revaluation of available-for-sale financial assets	594	19	613
Exchange differences on translation of foreign operations	42,045	130	42,175
Share of other comprehensive income of associates	171	(171)	—
Total other comprehensive income	42,606	(101)	42,506
Total comprehensive income for the year	113,848	1,060	114,909
Profit attributable to: Owners of the Company	71,099	1,161	72,260
Total comprehensive income attributable to: Owners of the Company	113,705	1,060	114,765

	(Yen) For the year ended 31 March 2013	(Yen) Adjustments	(Yen) For the year ended 31 March 2013 (Restated)
Basic earnings per share	164.78	2.69	167.47
Diluted earnings per share	164.75	2.69	167.44

Consolidated Statement of Cash Flows

	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) Adjustments	(Millions of Yen) For the year ended 31 March 2013 (Restated)
Profit before tax	89,368	1,836	91,204
Finance costs	2,086	57	2,143
Cash generated from operations (before movements in working capital)	110,381	1,893	112,275
Decrease in retirement benefits liabilities and provisions	(4,188)	(1,893)	(6,081)

(3) Standards and interpretations in issue not yet adopted by the Group

At the date of approval of the consolidated financial statements, the main standards and interpretations that were in issue but not yet effective for mandatory adoption are as follows. There are no standards and interpretations that were early adopted by the Group. The description of the standards related to the first-time adoption, IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 14 "Regulatory Deferral Accounts" are omitted.

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 2 (Revised)	Share-based Payment	1 July 2014	31 March 2016	- Performance conditions and service conditions are defined in order to clarify various issues, including the following: 1. A performance condition may be a market or non-market condition 2. A performance condition must contain a service condition
IFRS 3 (Revised)	Business Combinations	1 July 2014	31 March 2016	- Contingent consideration in a business combination that is not classified as equity but as an asset or liability is subsequently measured at fair value through profit or loss - The amendment clarifies that: 1. Joint arrangements are outside the scope of IFRS 3, not just joint ventures 2. The scope exception applies only to the accounting in the financial statements of the joint arrangement itself
IFRS 8 (Revised)	Operating Segments	1 July 2014	31 March 2016	- Operating segments may be combined/aggregated if they are consistent with the core principle of the standard, which includes that the segments have similar economic characteristics and that they are similar in other qualitative respects. If they are combined, an entity must disclose the basis of determination whether the segments are 'similar' or not. - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is regularly provided to the chief operating decision maker, similar to the disclosure requirement for segment liabilities.

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 9 (Revised in 2013)	Financial Instruments	Not determined	Not determined	- Replacement of IAS 39 for classification of financial assets measured either at amortised cost or fair value on the basis of the business model and contractual cash flows of the financial assets - Amendment to IAS 39 where financial instruments measured at fair value through profit or loss (FVTPL) or amortised cost, all relating gains or losses are recognised in profit or loss, where investments in equity instruments are designated to be measured at fair value through other comprehensive income, all relating gains or losses are recognised in other comprehensive income, except dividends on the investments which are recognised in profit or loss - Amendment that the changes in fair value of financial liabilities designated at fair value through profit or loss are to be recognised in profit or loss, except changes in the own credit risk which are recognised directly in other comprehensive income - Prohibition on the reclassification of amount presented in other comprehensive income subsequently to profit or loss - Enhancement of eligible hedged items and hedging instruments with economic relationship to better reflect the entity's risk management activities in their financial statements - Introduction of flexibility of hedge effectiveness testing by removing the effectiveness test in the subsequent period and quantitative threshold (within 80-125 percent). - Enhancement of disclosures about hedge accounting - Time value of options, and forwards, which qualities for hedge accounting are accounted for as hedging costs, by using a systematic and rational basis - Introduction of accounting for credit derivative for hedging purpose to be measured at FVTPL, if an entity manages the credit risk of all or a portion of a credit exposure - Amendment to allow an entity elect to account for certain agreements to buy or sell a nonfinancial item for "own use" at FVTPL if it eliminates or significantly reduces an accounting mismatch

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 10 (Revised)	Consolidated Financial Statements	1 January 2014	31 March 2015	- Exception of the requirements of consolidation of subsidiaries if an entity meets the definition of investment entity, such as requiring to measure its investments in certain subsidiaries at fair value through profit or loss in accordance with IFRS 9 or IAS 39
IFRS 11 (Revised)	Joint Arrangements	1 January 2016	31 March 2017	- An acquirer of interests in a joint operation in which the activity constitutes a business as defined in IFRS 3 is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. - The amendments apply not only to the acquisition of an interest in an existing joint operation and but also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.
IFRS 12 (Revised)	Disclosure of Interests in Other Entities	1 January 2014	31 March 2015	- Amendments as a result of addition of “Investment Entities” to IFRS 10
IFRS 13 (Revised)	Fair Value Measurements	1 July 2014	31 March 2016	- Clarification that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32.
IFRS 15	Revenue from Contracts with Customers	1 July 2017	31 March 2018	- The core principle of IFRS 15 which consists of five steps is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. - Extensive disclosures are required, including disaggregation of total revenue; information about performance obligations; changes in contract assets and liabilities between periods and key judgements and estimates.
IAS 16 (Revised) IAS 38 (Revised)	Property, Plant and Equipment Intangible Assets	1 July 2014	31 March 2015	- Proportionate restatement of accumulated depreciation for property, plant and equipment accounted for under revaluation model - Clarification of revaluation for property, plant and equipment accounted for under revaluation model by using observable data with respect to the gross or net carrying amount - The amendment also clarifies that accumulated depreciation/amortisation is the difference between the gross and the net carrying amounts of the asset

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IAS 19 (Revised)	Employee Benefits	1 July 2014	31 March 2016	- Clarification of requirement for contributions from employees or third parties under defined benefit plans - Clarification that, if the amount of the contributions is independent of the number of years of service, an entity may recognise such contributions as a reduction in the service cost in the period in which the service is rendered, which may affect remeasurement of defined benefit liabilities (assets) - If such contributions are linked to the period of service, it shall be attributed to periods of service as a negative benefit, similar to the allocation of the contributions to the periods of service.
IAS 24 (Revised)	Related Party Disclosures	1 July 2014	31 March 2015	- Clarification that a management entity, which provides key management personnel services, is a related party subject to the related party disclosures - An entity which employs a management entity is required to disclose the expenses incurred for management services.
IAS 27 (Revised)	Consolidated and Separate Financial Statements	1 January 2014	31 March 2015	- Amendments based on the application of "Investment Entities" to IFRS 10
IAS 32 (Revised)	Financial Instruments: Presentation	1 January 2014	31 March 2015	- Clarification that in order to offset a financial asset and a financial liability, a right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy - Clarification on which settlement processes would meet the requirement for offsetting that an entity has the intention to settle a financial asset and a financial liability net or simultaneously
IAS 36 (Revised)	Impairment of Assets	1 January 2014	31 March 2015	- Clarification of the requirement to disclose the recoverable amount for each cash-generating unit for which the significant components of carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit, only when an impairment loss has been recognised - Clarification of disclosure requirement for the recoverable amounts of impaired assets only when the amount is measured at fair value less costs of disposal
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement	1 January 2014	31 March 2015	- Amendments that the novation of a hedging instrument should not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when a hedging derivative is novated as a consequence of laws and regulations, or the introduction of laws and regulations, one or more clearing counterparties replace the original counterparty

IFRSs		Mandatory adoption（from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards and interpretations /amendments
IAS 40 (Revised)	Investment Property	1 July 2014	31 March 2016	- Clarification that determining whether a transaction meets the definition of business combination as defined in IFRS 3 on asset acquisition requires consideration of application of IFRS 3, not the incidental services under IAS 40, the separate application of both standards independently of each other
IFRIC 21	Levies	1 January 2014	31 March 2015	- Guidance on when to recognise a liability for a levy imposed by a government when an obligating event has occurred - The liability is recognised progressively if the obligating event occurs over a period of time. - If an obligation is triggered on reaching a minimum threshold (e.g., amounts of sales or products), the liability is recognised when that minimum threshold is reached.

The Group will apply the aforementioned standards and interpretations for the respective fiscal years.
The implications from adoption of these standards and interpretations have not yet been fully assessed by the Group, however, these standards and interpretations should have no significant impacts on the future consolidated financial statements of the Group, except for IFRS 9 “Financial Instruments (Revised in 2013)” and IFRS 15 “Revenue from Contracts with Customers”.

3.Significant accounting policies

(1) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments measured at revalued amounts or fair value. The principal accounting policies are set out below.

(2) Basis of consolidation

① Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as at 31 March of each year. An investor controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to elements of control.

The operating results of the subsidiaries are included in the consolidated statement of comprehensive income from the effective date the Group obtained control of the subsidiaries to the effective date the Group lost control, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full in preparing consolidated financial statements.

Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective percentage of interests in the subsidiary. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognised directly in equity and attributed to the owners of the parent.

If loss in control of a subsidiary occurs, the Group recognises in profit or loss any resulting difference of the following:
1. sum of the fair value of any consideration received and any investment retained in the former subsidiary at its fair value;
2. previous carrying amounts of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

② Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The results of and the investments in associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as assets held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and then adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of the investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and the excess of those losses is no longer recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is tested for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss. When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

③ Joint Arrangements
The Group classifies joint arrangements as either joint operations (having rights to assets and obligations for liabilities accounted for accordingly) or joint ventures (having rights to net assets and equity accounted). The classification depends upon the rights and obligations of the parties to the arrangement.

Joint operators shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation. Joint ventures shall apply the equity method. The Group does not have either joint operations or joint ventures.

(3) Business combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognised in profit or loss as incurred. The acquiree's identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date except for the following:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed, and a liability (or asset, if any) related to the acquiree's employee benefit arrangements;
- a liability or an equity instrument related to the replacement of an acquiree's share-based payment awards with share-based payment awards of the acquirer; and
- an asset or disposal group that is classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The changes in the fair value of the contingent consideration resulting from events after the acquisition date are accounted for as follows:
(a) Contingent consideration classified as equity shall not be remeasured and any subsequent settlement shall be accounted for in equity.
(b) Contingent consideration classified as an asset or a liability is accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 39 "Financial Instruments: Recognition and Measurement" or other IFRSs as appropriate.

Goodwill is measured on the basis of the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets acquired, net of liabilities assumed at acquisition date. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in subsidiaries are reported in equity separately from the equity attributable to owners of the Company. Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to the fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that were previously recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill arising from business combinations before the IFRSs transition date is measured at their carrying amount in accordance with the previous GAAP (i.e., Japanese GAAP) after performing an impairment test.

(4) Foreign currencies

① Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e., its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position and cash flows of each group entity are presented in Japanese Yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss during the period.

② Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese Yen at the foreign exchange rates prevailing at the end of reporting period. The revenues and expenses of foreign operations are translated into Japanese Yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognised as exchange differences on translation of foreign operations in other comprehensive income and accumulated in "accumulated other comprehensive income", which are reclassified from equity to profit or loss on disposal of the net investment and included in "other expenses" in the consolidated statement of comprehensive income.

(5) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.
Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Cost includes the expenses directly attributable to the assets, the initial estimated costs relating to scrap, removal and retirement, and, for qualifying assets, the borrowing cost for long-term project. Depreciation of these assets commences when the assets are available for their intended use.

When significant components of property, plant and equipment are required to be replaced periodically, the Group recognises such parts as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Buildings and structures: 3-50 years
Machinery and carriers: 3-10 years
Tools, equipment and fixtures: 2-10 years

Leased assets are depreciated over their estimated useful lives where the transfer of the title of the assets is certain by the end of the lease term. Leased assets where the transfer of the title of the assets is not certain by the end of the lease term are depreciated over the shorter of their estimated useful lives or their lease terms.

(6) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As a lessee, assets held by the Group under finance leases such as machinery and carriers, furniture and fixtures, tools, equipment and fixtures, are initially recognised as assets of the Group at their fair value at the inception of the lease or the present value of the minimum lease payments, whichever is lower. The corresponding liability to the lessor is included in the consolidated statement of financial position as ‘Interest-bearing short-term debt’ or ‘Interest-bearing long-term debt’. Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the declining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Contingent rent is recognised as an expense in the period in which it is incurred.

(7) Intangible assets

The Group uses the cost model for measuring intangible assets. Intangible assets are carried at cost less accumulated amortisation and impairment losses.

① Intangible assets acquired separately and/or acquired in a business combination

Intangible assets acquired separately are carried at cost at the initial recognition. Intangible assets acquired in a business combination and recognised separately from goodwill at their fair value at the acquisition date, when they are satisfied with the definition of intangible assets, identifiable, and their fair value is reasonably measured.

② Internally-generated intangible assets—research and development costs

Expenditures on research activities are recognised as expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortised over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual carrying amount is expensed.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and impairment losses. Where no internally-generated intangible asset can be recognised, development costs are recognised as an expense in the period in which they are incurred.

③ Amortisation of intangible assets

Amortisation is recognised on a straight-line basis over the estimated useful lives below. The Group does not have any intangible assets with indefinite useful lives.

Patents: 7-12 years
Technology: 10-20 years
Customer related assets: 5-15 years
Software 3-5 years

④ Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

(8) Goodwill

Goodwill arising in an acquisition of business is recognised as an asset at the date that control is acquired (i.e., the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and the liabilities assumed.
Goodwill is not amortised but is reviewed for impairment at least annually. Goodwill is recorded at cost less accumulated impairment losses on the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in subsequent periods. On disposal of a cash-generating unit, goodwill attributed to the unit is included in the determination of the profit or loss on disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate is described at "(2) Basis of consolidation – ② Investments in associates" above.

(9) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (i.e., assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units) are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment losses is recognised immediately in profit or loss.

(10) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group uses forward exchange contracts to manage the foreign exchange exposure of recognised financial assets or liabilities, or future forecast transactions. Hedge accounting does not apply to these derivative transactions. Accordingly, derivative financial instruments are classified as FVTPL.

Details of derivative transactions are set out in Note 23 “Financial instruments”.

(11) Financial assets other than derivative financial instruments

① Initial recognition and measurement

All regular way purchases or sales of financial assets, that require delivery of assets within the time frame established by regulation or convention in the marketplace, are recognised and derecognised on the trade date, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories:
· financial assets at fair value through profit or loss (FVTPL);
· held-to-maturity investments;
· loans and receivables; and
· available-for-sale financial assets.
The classification depends on the nature and holding purpose of the financial assets and is determined at the time of initial recognition.

② Financial assets classified as FVTPL

Financial assets are classified as FVTPL when the financial assets are either held for trading or are designated as an FVTPL.
A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or
(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e., accounting mismatch) that would otherwise arise; or
(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets classified as FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends, interests or fair value gain or loss arising on remeasurement of the financial assets is included in the consolidated statement of comprehensive income.

As at 31 March 2013 and 2014, the Group did not have financial assets classified as FVTPL other than derivative financial instruments designated as FVTPL.

③ Held-to-maturity investments

Financial assets except derivatives for which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with income recognised on an effective yield basis. As at 31 March 2013 and 2014, the Group did not have held-to-maturity investments.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts, of which the calculation reflects effective interest method including premium or discount between counterparties through the expected life of the financial assets, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

④ Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Principally, interest income is recognised by applying the effective interest rate.

⑤ Available-for-sale financial assets

Financial assets other than derivatives, either designated as available-for-sale financial assets or not classified as FVTPL, held-to-maturity investments or loans and receivables, are classified as available-for-sale financial assets.

Available-for-sale equity investments that are listed and traded in an active market are classified as available-for-sale financial assets and stated at fair value. The Group also has investments in unlisted equity investments that are not traded in an active market but also classified as available-for-sale financial assets, which are stated at fair value using valuation techniques. Fair value is determined in the manner described in Note 23 “Financial instruments”. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses and foreign exchange gains and losses on monetary assets being recognised in profit or loss.

Where the financial asset is derecognised of or is determined to be impaired, the cumulative gain or loss, that were previously accumulated in accumulated other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale financial assets (equity instruments) are recognised in profit or loss when the Group’s right to receive the dividends is established. The fair value of available-for-sale financial assets (monetary assets) denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that were recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

⑥ Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.
For all other financial assets, including redeemable notes classified as available-for-sale financial assets and finance lease receivables, objective evidence of impairment could include:
(a) significant financial difficulties of the debtor;
(b) default or delinquency in interest or principal payments; or
(c) a high probability that the borrower will go into bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable, including past-due receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale financial assets (equity instruments), if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount the amortised cost would have been had the impairment not been recognised.

In respect of equity instruments classified as available-for-sale financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognised in other comprehensive income, unless additional impairment is recognised.

⑦ Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and a collateralised borrowing for the proceeds received.

(12) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs, including purchase costs, process costs, storage costs and all other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories mainly by the weighted-average method. The production costs include an appropriate portion of fixed and variable overhead expenses.

(13) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and bank deposits including short term investments. The short term investments with original maturities of three months or less are deemed as cash equivalents since they are readily convertible to cash without restriction and with low risk of fluctuation of values.

(14) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised after their classification.

(15) Treasury shares

The Group's own equity instruments, which are reacquired (i.e., treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised on the purchase, disposal or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration given is recognised in other capital reserves.

(16) Share-based payments

Equity-settled share-based payments (i.e., stock option), which are incentive plans to Group's directors, officers and certain employees, are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24 "Share-based payments".

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period while the corresponding amount to other capital reserves is recognised, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other capital reserves.

Accounting policies described above are applied to share-based payments which were granted after 7 November 2002 and vested on or after 1 April 2008.

(17) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's Board of Directors.

(18) Equity instruments and financial liabilities issued by the Group excluding derivative instruments

① Equity instruments (shares)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

② Financial liabilities

Financial liabilities are classified as either financial liabilities classified as FVTPL or other financial liabilities.

③ Financial liabilities classified as FVTPL

Financial liabilities classified as FVTPL are either held for trading or designated as an FVTPL.

A financial liability is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling or redeeming it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not a financial guarantee contract and is not designated as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities as FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in finance costs in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 23 "Financial instruments".

As at 31 March 2013 and 2014, the Group did not have financial liabilities as FVTPL other than derivative financial instruments designated as FVTPL.

④ Other financial liabilities

Other financial liabilities, including bank loans, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

⑤ Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

⑥ Financial guarantee contract

Financial guarantee contract are initially measured at their fair values and subsequently measured at the higher of:

· the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

· the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 "Revenue".

(19) Retirement benefit costs

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (other than interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:
Service cost (including current service cost, past service cost, as well as gains or losses on curtailments and settlements);
Net interest expense or income; or
Remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss as “Employee benefits expense” or “Finance cost”.
The retirement benefit liabilities recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service to the Group.

(20) Provisions, and contingent liabilities assumed in a business combination

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation by outflow of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (i.e., future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

Where time value of money is material, a provision is measured at the present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation Interest cost associated with the passage of time is recognised as finance cost.

The types of provisions are as follows:

① **Asset retirement obligation**

The Group recognises provisions for an asset retirement obligation for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and each asset is considered individually. The discount rate depends on the useful life of the corresponding assets and the country in which such assets are located. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

② **Warranties provision**

Warranties provision is estimated and recognised based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. Expected outflow of economic benefits in the future is within one year from each reporting period.

③ **Contingent liabilities assumed in a business combination**

Contingent liabilities resulting from a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are remeasured considering expected future payments, possible occurrence and timing of payments at each reporting period.

(21) Revenue

Revenue is recognised at fair value of the consideration received or receivable less discount, rebate and consumption taxes.

As for customers' earning points upon their purchase under customer loyalty programmes, the fair value of the points granted is estimated and accounted for as a reduction in revenue.

① Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue is recognised when the risks and rewards of ownership of the goods transfers from the Group to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale.

② Rendering of services

Services provided by the Group are mainly related to the products sold by the Group, including repairs and short term maintenance. Generally, revenue from rendering of services is recognised when the services have been provided to the customer.

③ Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. Interest income is recognised based on principal and effective interest rate on an accrual basis.

(22) Government grants

Government grants are measured and recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants associated with an expense are recognised as revenue in the same accounting period when the expense is incurred. Government grants for purchase of assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(23) Income taxes

Income tax expense represents the sum of the current tax and deferred tax. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or equity, or where they arise from the initial accounting for a business combination.

The current tax is calculated based on estimated refund or payment from/to taxation authorities. The Group’s current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group’s operating activity in each country.
Deferred tax is provided using the liability method on temporary differences, tax loss carry forward and tax credits at the reporting date.

Deferred tax assets or liabilities are not recognised for:
· Temporary differences arising from the initial recognition of goodwill
· Temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect either accounting profit or taxable profit (exclude business combination)
· Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority.

In the case of a business combination, the tax effect is included in the accounting for the business combination, when measuring the amount of goodwill or determining negative goodwill.

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by adjusting profit or loss attributable to ordinary equity holders of the parent and the weighted-average number of ordinary shares outstanding, for the effect of all potential dilutive ordinary shares.

(25) Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

4.Critical accounting judgements and key sources of estimation uncertainty

(1) Application of estimates and assumptions

Preparation of consolidated financial statements requires management to make estimates and assumptions in order to determine the reported amounts of certain assets, liabilities, income and expense items, as well as certain amounts disclosed in the notes to the consolidated financial statements relating to contingent liabilities.

The following are items that require estimates and assumptions and are considered significant:

· Determination of net realisable value of obsolete inventory (Note 13 “Inventories”)
· Expected cash flow from overdue trade and other receivables (Note 23 “Financial instruments”)
· Useful lives of property, plant and equipment, including assets under finance lease (Note 3 “Significant accounting policies”, Note 3 (5) “Property, plant and equipment” and Note 3 (7) “Intangible assets”)
· Assumptions used to estimate future cash flows of cash-generating units to assess the recoverability of property, plant and equipment and intangible assets, including goodwill (Note 8 “Impairment losses”)
· Valuation techniques used to value available-for-sale financial assets without an active market (Note 23 “Financial instruments”)
· Recoverability of deferred tax assets (Note 10 “Income taxes”)
· Assumptions used for treatment of retained earnings of overseas subsidiaries and associates for tax purposes (Note 10 “Income taxes”)
· Discrepancy in opinion with a tax authority relating to tax calculations (Note 10 “Income taxes”)
· Assumptions used to calculate retirement benefit obligations (Note 19 “Retirement benefit plans”)
· Asset retirement obligations arising from legal obligations and constructive obligations (Note 20 “Provisions”)
· Fair value of stock options (Note 24 “Share-based payments”)
· Possibility of outflow of resources embodying economic benefits on contingent liabilities (Note 33 “Contingent liabilities”)

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions of the accounting estimates will impact current and/or future periods.

(2) Key sources of risk and estimation uncertainty

The Group’s financial position, financial performance and cash flows are exposed to the following risks and uncertainties:

· Tough competition and excess-supply of inventory in the markets the Group belongs to
· Development of new products and timing of development
· Changes in the political, economic and regulatory environment, shortage of labour, labour strike, natural disasters, and impact of unexpected international affair in the countries the Group belongs to and operates in
· The effect of deferred taxes and income taxes on the transactions between locations in different tax jurisdictions with different tax rates, or the transactions between taxable and tax-exempt businesses (including the discrepancies in opinion between the Company and the tax authority)
· Fluctuation of currency exchange rates
· The trend of environmental and governmental regulation

The global economic stagnation and disaster may have a significant impact on future profitability of the Group. Future profitability of the Group may affect the estimates for the following:

· Impairment of property, plant and equipment and intangible assets including goodwill (Note 8 “Impairment losses”)
· Recoverability of deferred tax assets (Note 10 “Income taxes”)

5.Operating segment information

(1) Overview of major products and services of reportable segments

The reportable segments are constituent units of the Group for which separate financial information is obtained and examined on a regular basis by the Board of Directors, the chief operating decision maker, to determine the allocation of management resources and evaluate the business performance.

In accordance with its management philosophy, the Group has categorised “information technology” and “life and culture” as its business domains. To achieve sustainable growth in corporate value in these business domains, the Group has been making decisions on the allocation of management resources and monitoring the operating results.

As a result, the Group consists of three reportable business segments: the Information Technology business, the Life Care business and Other business, which are consistent with the above business domains.

In the Information Technology business, the Group has developed an extensive range of products following the digitalisation of information and the emergence of the internet. The Group produces and sells a broad array of I/O (Input/Output Device) related products in the information and communication sector, including electronics related products that are essential for the modern digital information and communication technologies, and imaging related products that are necessary to import pictures and video images as digital information based on optical technologies.

In the Life Care business, the Group produces and sells health care related products that are used in the health care and medical sectors and medical related products, including medical equipment and medical materials that are used in medical treatments. In operating this business, it is typically required to obtain approvals and permissions in accordance with the Pharmaceutical Affairs Act in Japan and other regulations, and sophisticated technologies and highly reliable quality control systems represent the critical elements for operating this business.

Other business mainly includes the business that provides information system services and new businesses.

The main products and services for each “reportable segment” described above are as follows:

Reportable Segment		Major Products and Services
Information Technology	Electronics related products	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs) Glass disks for hard disk drives (HDDs).
	Imaging related products	Optical lenses, Optical glasses, Digital camera modules, Optical devices, Laser equipments.
Life Care	Health Care related products	Eyeglass lenses, Contact lenses.
	Medical related products	Endoscopes, Medical accessories, Intraocular lenses, Artificial bone, Metallic implant for orthopedics.
Other		Design of information systems, other services.

(2) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 "Significant accounting policies".

(Millions of Yen)

For the year ended 31 March 2013	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	161,216	208,968	2,269	372,453	41	372,494
Inter-segment sales	159	1	2,670	2,831	(2,831)	—
Total	161,375	208,969	4,940	375,284	(2,790)	372,494
Interest income	302	289	10	600	305	906
Interest expense	(298)	(245)	(1)	(544)	(1,051)	(1,596)
Depreciation and amortisation	(18,103)	(12,408)	(142)	(30,653)	(219)	(30,872)
Share of profit (loss) of associates	2	—	—	2	(11,914)	(11,912)
Impairment losses	(805)	(314)	—	(1,119)	—	(1,119)
Others	(110,655)	(132,097)	(3,975)	(246,727)	10,030	(236,698)
Segment profit before tax	31,820	64,194	831	96,844	(5,640)	91,204
Other disclosure						
Capital expenditure	24,771	20,018	64	44,853	158	45,011

(Millions of Yen)

For the year ended 31 March 2014	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	159,333	265,470	2,739	427,542	33	427,575
Inter-segment sales	186	0	2,083	2,269	(2,269)	—
Total	159,520	265,470	4,822	429,811	(2,237)	427,575
Interest income	368	321	9	699	438	1,137
Interest expense	(318)	(312)	(0)	(630)	(665)	(1,295)
Depreciation and amortisation	(16,925)	(16,698)	(125)	(33,747)	(144)	(33,891)
Share of profit (loss) of associates	0	154	—	154	(422)	(268)
Impairment losses	(3,722)	(197)	—	(3,918)	(852)	(4,770)
Others	(103,069)	(199,051)	(4,104)	(306,224)	3,222	(303,002)
Segment profit before tax	35,854	49,689	602	86,146	(659)	85,486
Other disclosure						
Capital expenditure	8,736	7,834	143	16,713	125	16,838

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2014	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	1,548,127	2,579,383	26,610	4,154,120	317	4,154,438
Inter-segment sales	1,810	1	20,239	22,049	(22,049)	―
Total	1,549,937	2,579,384	46,848	4,176,169	(21,732)	4,154,438
Interest income	3,579	3,121	92	6,792	4,258	11,050
Interest expense	(3,089)	(3,027)	(4)	(6,120)	(6,458)	(12,578)
Depreciation and amortisation	(164,445)	(162,239)	(1,211)	(327,895)	(1,397)	(329,293)
Share of profit (loss) of associates	1	1,496	―	1,497	(4,104)	(2,608)
Impairment losses	(36,161)	(1,910)	―	(38,072)	(8,275)	(46,347)
Others	(1,001,451)	(1,934,034)	(39,873)	(2,975,358)	31,304	(2,944,054)
Segment profit before tax	348,371	482,790	5,853	837,014	(6,405)	830,609
Other disclosure						
Capital expenditure	84,879	76,118	1,394	162,390	1,217	163,607

Note:

(i) Adjustments to revenue from external customers of 41 million yen and 33 million yen (317 thousand U.S.dollars) for the years ended 31 March 2013 and 2014, respectively, represent revenue by R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of (5,640) million yen consist of the elimination of an inter-segment transaction of (1) million yen, and profit or loss of the Company's headquarters, R&D department and overseas holding companies (after elimination of dividend income from group companies) of (5,639) million yen for the year ended 31 March 2013 and (659) million yen ((6,405) thousand U.S.dollars) consist of elimination of inter-segment transaction of 3 million yen (29 thousand U.S.dollars), and profit or loss of the Company's headquarters, R&D department and overseas holding companies (after elimination of dividend income from group companies) of (662) million yen ((6,434) thousand U.S.dollars) for the year ended 31 March 2014.

(iii) Transfer prices between operating segments are on an arm's length basis for the years ended 31 March 2013 and 2014, respectively.

(iv) Insurance Proceeds pertaining to the flood in Thailand in the amount of 32,187 million yen and Gains related to the step acquisition of shares of subsidiary in the amount of 2,238 million yen are included in Others in Life Care for the year ended 31 March 2013.

(3) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services for the years ended 31 March 2013 and 2014:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Information Technology			
Electronics related products	108,756	115,973	1,126,828
Imaging related products	52,461	43,360	421,300
Information Technology total	161,216	159,333	1,548,127
Life Care			
Health Care related products	150,100	194,618	1,890,965
Medical related products	58,868	70,852	688,418
Life Care total	208,968	265,470	2,579,383
Other	2,269	2,739	26,610
Corporate (R&D)	41	33	317
Total revenue from external customers	372,494	427,575	4,154,438

(4) Information about geographical areas

Revenue from external customers

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Japan	136,896	143,560	1,394,870
U.S.A.	37,316	48,721	473,389
China	48,921	44,219	429,646
Others	149,361	191,074	1,856,532
Total	372,494	427,575	4,154,438

Note:

Geographical areas are based on the location of the customers.

Non-current assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Japan	43,552	39,716	385,890
Thailand	32,546	27,580	267,974
Vietnam	18,125	20,773	201,839
Philippines	15,486	8,650	84,050
Others	59,117	66,710	648,171
Total	168,827	163,429	1,587,923

Note:

(i) Geographical areas are based on the physical location where non-current assets are located.

(ii) Financial instruments, deferred tax assets, and pension plan assets are not included.

Revenue from external customers in Thailand, Vietnam, and Philippines is insignificant; therefore the amount is included in Others.
Non-current assets located in U.S.A. and China are insignificant; therefore the balance is included in Others.

(5) Information about major customers

The Group has no revenue from transactions with a single external customer that amounts to 10 percent or more of revenue of the Group.

6.Property, plant and equipment

The following are the cost, accumulated depreciation and impairment losses of property, plant and equipment:

（Millions of Yen）

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2012	77,933	221,416	42,480	10,100	13,108	365,038
Additions	1,345	3,505	2,154	―	37,056	44,060
Business transfer (iii)	1,155	2,380	131	117	816	4,599
Disposals (i)	(1,090)	(5,582)	(2,142)	(117)	(215)	(9,146)
Reclassification to assets held for sale	(324)	―	―	(310)	―	(634)
Transfer from construction in progress	6,513	21,397	1,189	―	(29,099)	―
Effect of foreign currency exchange differences	7,544	20,923	3,577	405	2,562	35,012
Others	(46)	312	193	332	(1,312)	(521)
Balance at 31 March 2013	93,031	264,352	47,581	10,527	22,916	438,407
Additions	1,048	1,702	1,865	17	10,538	15,169
Business combinations (iii)	74	768	160	―	12	1,014
Disposals (i)	(1,934)	(5,406)	(1,355)	(37)	(73)	(8,804)
Reclassification to assets held for sale	(62)	―	―	―	―	(62)
Transfer from construction in progress	2,821	16,953	1,005	―	(20,778)	―
Effect of foreign currency exchange differences	3,664	9,923	2,264	94	849	16,795
Others	(40)	(2,288)	234	―	309	(1,784)
Balance at 31 March 2014	98,602	286,003	51,753	10,602	13,773	460,733

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2012	(41,642)	(187,670)	(27,057)	(264)	−	(256,634)
Depreciation expense	(4,227)	(18,656)	(3,896)	−	−	(26,778)
Impairment losses (ii)	(289)	(243)	(46)	(286)	(112)	(975)
Disposals (i)	896	5,311	1,404	−	−	7,611
Reclassification to assets held for sale	287	−	−	286	−	573
Effect of foreign currency exchange differences	(3,141)	(14,854)	(2,866)	−	−	(20,862)
Others	(512)	(518)	436	−	−	(594)
Balance at 31 March 2013	(48,628)	(216,630)	(32,025)	(264)	(112)	(297,660)
Depreciation expense	(5,130)	(19,841)	(4,125)	−	−	(29,096)
Impairment losses (ii)	(2,555)	(740)	(104)	(852)	(310)	(4,561)
Disposals (i)	1,417	5,201	1,280	−	−	7,898
Reclassification to assets held for sale	57	−	−	−	−	57
Effect of foreign currency exchange differences	(1,742)	(7,394)	(1,564)	−	(14)	(10,714)
Others	62	1,827	944	−	22	2,855
Balance at 31 March 2014	(56,519)	(237,577)	(35,594)	(1,116)	(414)	(331,221)

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2012	36,292	33,745	15,423	9,836	13,108	108,404
Balance at 31 March 2013	44,402	47,721	15,556	10,263	22,804	140,747
Balance at 31 March 2014	42,083	48,426	16,159	9,486	13,359	129,513

(Thousands of U.S. Dollars (Note 2))

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2013	903,913	2,568,515	462,314	102,288	222,656	4,259,686
Additions	10,179	16,533	18,117	166	102,387	147,382
Business combinations (iii)	719	7,459	1,551	－	120	9,848
Disposals (i)	(18,787)	(52,528)	(13,164)	(359)	(708)	(85,546)
Reclassification to assets held for sale	(599)	－	－	－	－	(599)
Transfer from construction in progress	27,407	164,717	9,763	－	(201,887)	－
Effect of foreign currency exchange differences	35,603	96,417	21,993	917	8,251	163,182
Others	(388)	(22,230)	2,276	－	3,007	(17,335)
Balance at 31 March 2014	958,047	2,778,882	502,850	103,012	133,826	4,476,618

(Thousands of U.S. Dollars (Note 2))

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2013	(472,487)	(2,104,840)	(311,168)	(2,569)	(1,087)	(2,892,151)
Depreciation expense	(49,849)	(192,776)	(40,082)	－	－	(282,707)
Impairment losses (ii)	(24,821)	(7,191)	(1,015)	(8,275)	(3,010)	(44,312)
Disposals (i)	13,764	50,534	12,437	－	－	76,735
Reclassification to assets held for sale	557	－	－	－	－	557
Effect of foreign currency exchange differences	(16,922)	(71,843)	(15,193)	－	(141)	(104,100)
Others	601	17,753	9,177	－	210	27,741
Balance at 31 March 2014	(549,158)	(2,308,363)	(345,844)	(10,844)	(4,027)	(3,218,237)

(Thousands of U.S. Dollars (Note 2))

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2014	408,889	470,519	157,006	92,168	129,798	1,258,381

Note:

(i) Gain and loss arising from sale or disposal of property, plant and equipment for the years ended 31 March 2013 and 2014 are set out in Note 25 “Revenue and expenses (excluding finance income and costs).” Gain and loss on sale of assets held for sale were included in ‘gain on sale of property, plant and equipment’ and ‘loss on sale of property, plant and equipment’ in Note 25.

(ii) Details of impairment losses and reversal of impairment losses are set out in Note 8 “Impairment losses” .

(iii) Details of business combination are set out in Note 32 “Business combinations”.

(iv) Property, plant and equipment under construction are included in ‘construction in progress’ in the table above.

Buildings and structures of 33 million yen (320 thousand U.S. dollars), Machinery and carriers of 6 million yen (59 thousand U.S. dollars), and Tools, equipment and fixtures of 35 million yen (340 thousand U.S. dollars) has been pledged as collateral to secure 307 million yen (2,978 thousand U.S. dollars) ‘Interest-bearing long-term debt’ and 5 million yen (44 thousand U.S. dollars) ‘Interest-bearing short-term debt’ as at 31 March 2014. Refer to Note 16 “Interest-bearing debt” for details. Besides the above, Buildings in the amount of 90 million yen (878 thousand U.S. dollars) and Land in the amount of 1 million yen (11 thousand U.S. dollars) were provided as collateral for the conditional obligation in the amount of 95 million yen (923 U.S. dollars) associated with the government grant.
Details of commitments for the acquisition of property, plant, and equipment are set out in Note 34 “Commitments for expenditure”.
There is no borrowing cost capitalised and included in the cost of acquisition of property, plant and equipment.

The following are carrying amounts for property, plant and equipment under finance leases as at 31 March 2013 and 2014, which are included in each corresponding amount in the table above.

(Millions of Yen)

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2013	92	71	522	685
Balance at 31 March 2014	89	90	296	475

(Thousands of U.S. Dollars (Note 2))

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2014	866	874	2,874	4,614

The obligation under finance lease (Note 17 “Finance lease obligations”) is secured by the leased assets on which the lessor has ownership.

7.Goodwill and intangible assets

The following are the cost, accumulated amortisation and impairment losses of goodwill and intangible assets:

(Millions of Yen)

Cost	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others (i)	Total
Balance at 1 April 2012	3,905	12,166	10,791	10,591	―	3,297	36,844
Additions	―	867	―	29	―	42	938
Acquisitions through business combinations	6,382	107	―	1	6,417	1,506	8,031
Disposals (ii)	―	(414)	―	(130)	―	(0)	(544)
Effect of foreign currency exchange differences	910	1,044	337	0	565	363	2,309
Others	―	255	―	―	514	(501)	268
Balance at 31 March 2013	11,198	14,025	11,128	10,491	7,497	4,706	47,847
Additions	―	810	―	16	31	813	1,670
Acquisitions through business combinations	2,747	98	1,275	―	5,120	880	7,373
Disposals (ii)	―	(274)	―	―	―	(9)	(283)
Effect of foreign currency exchange differences	262	266	281	8	(18)	573	1,109
Others	―	209	(1)	(3)	―	7	211
Balance at 31 March 2014	14,207	15,134	12,682	10,512	12,630	6,970	57,927

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 2012	(2,474)	(8,793)	(6,934)	(6,172)	―	(1,781)	(23,679)
Amortisation expense (iii)	―	(1,272)	(800)	(1,259)	(542)	(221)	(4,094)
Impairment loss (iv)	―	(22)	―	(108)	―	―	(130)
Disposals (ii)	―	381	―	77	―	0	458
Effect of foreign currency exchange differences	(357)	(747)	(207)	(2)	(89)	(151)	(1,196)
Others	―	(17)	―	―	(214)	214	(17)
Balance at 31 March 2013	(2,831)	(10,470)	(7,940)	(7,464)	(845)	(1,939)	(28,658)
Amortisation expense (iii)	―	(1,399)	(863)	(1,195)	(847)	(490)	(4,795)
Impairment loss (iv)	(148)	(13)	―	―	―	(49)	(62)
Disposals (ii)	―	245	―	―	―	7	252
Effect of foreign currency exchange differences	(267)	(268)	(195)	(2)	(6)	(265)	(735)
Others	―	3	7	―	(7)	14	17
Balance at 31 March 2014	(3,246)	(11,901)	(8,992)	(8,661)	(1,705)	(2,722)	(33,980)

(Millions of Yen)

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 2012	1,431	3,373	3,856	4,419	―	1,516	13,164
Balance at 31 March 2013	8,367	3,555	3,187	3,027	6,652	2,767	19,189
Balance at 31 March 2014	10,961	3,232	3,691	1,851	10,925	4,248	23,947

(Thousands of U.S. Dollars (Note 2))

Cost	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others (i)	Total
Balance at 31 March 2013	108,798	136,271	108,120	101,935	72,841	45,728	464,896
Additions	―	7,867	―	153	305	7,899	16,225
Acquisitions through business combinations	26,695	948	12,392	―	49,748	8,554	71,641
Disposals (ii)	―	(2,659)	―	―	―	(92)	(2,751)
Effect of foreign currency exchange differences	2,546	2,586	2,727	74	(177)	5,566	10,776
Others	―	2,028	(14)	(26)	―	63	2,051
Balance at 31 March 2014	138,039	147,042	123,224	102,136	122,718	67,719	562,838

(Thousands of U.S. Dollars (Note 2))

Accumulated amortisation and impairment losses	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 31 March 2013	(27,507)	(101,729)	(77,150)	(72,519)	(8,208)	(18,842)	(278,448)
Amortisation expense (iii)	―	(13,594)	(8,386)	(11,614)	(8,230)	(4,760)	(46,585)
Impairment loss (iv)	(1,435)	(124)	―	―	―	(475)	(599)
Disposals (ii)	―	2,380	―	―	―	71	2,451
Effect of foreign currency exchange differences	(2,594)	(2,601)	(1,892)	(16)	(62)	(2,573)	(7,144)
Others	―	33	64	―	(63)	134	167
Balance at 31 March 2014	(31,536)	(115,636)	(87,364)	(84,149)	(16,564)	(26,445)	(330,158)

(Thousands of U.S. Dollars (Note 2))

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 31 March 2014	106,502	31,406	35,860	17,986	106,153	41,274	232,680

Note:

(i) There were no significant internally-generated intangible assets for the years ended 31 March 2013 and 2014.

(ii) Loss on disposal of intangible assets is set out in Note 25 "Revenue and expenses (excluding finance income and costs)", (6) Other expenses.

(iii) Amortisation expense is included in the line item 'Depreciation and amortisation' in the consolidated statement of comprehensive income.

(iv) Refer to Note 8 "Impairment losses" for details of impairment losses and reversal of impairment losses.

No intangible assets have been pledged as collateral to secure the debt. There is no restriction on legal title of these assets. Details of commitments for the acquisition of intangible assets are set out in Note 34 "Commitments for expenditure".

The details of intangible assets in Consolidated Statement of Financial Position are as follows:

		As at 31 March 2013		As at 31 March 2014		
		Carrying amount (Millions of Yen)	Remaining useful lives (Year)	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars (Note 2))	Remaining useful lives (Year)
Technology	Medical related products	2,201	4	2,962	28,776	10
Patents	Medical related products	2,673	2	1,604	15,589	1
Customer related assets	Health Care related products	5,636	14	6,896	67,002	10
	Medical related products	―	―	2,771	26,927	11

8.Impairment losses

The following are the details of impairment losses recognised.

Impairment losses have been included in the line item ‘Impairment losses’ in the consolidated statement of comprehensive income.

	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2014
Buildings and structures	289	2,555	24,821
Machinery and equipment	243	740	7,191
Tools, equipment and fixtures	46	104	1,015
Land	286	852	8,275
Construction in progress	112	310	3,010
Subtotal losses on property, plant and equipment	975	4,561	44,312
Goodwill	―	148	1,435
Intangible assets	130	62	599
Other non-current assets (Long-term prepaid expense)	14	―	―
Total impairment losses	1,119	4,770	46,347

(1) Cash-generating units

The Group identifies each strategic business unit (“SBU”) as a cash-generating unit for impairment testing purposes. Each business unit has been set based on the production and sale of product lines. For any asset expected to be sold or disposed, or any idle asset, an individual asset is tested for impairment.

(2) Impairment losses on assets in business units

For the year ended 31 March 2013

The Group identified indications of impairment due to the decline in the Optical device market caused by a decrease of demand in PCs and the spread of downloading data via the Internet. The Group performed an impairment test based on the latest business plan, and the following impairment losses were recognised.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for the following five fiscal years approved by the Group's management, and a discount rate of 10% per annum which is the SBU's pre-tax weighted average capital cost (WACC).

	(Millions of Yen)
	Impairment losses
Information Technology	
Imaging related products (Optical Devices)	
Buildings and structures	212
Machinery and carriers	231
Tools, equipment and fixtures	46
Construction in progress	112
Property, plant and equipment Total	601
Software	22
Patents	108
Intangible assets Total	130
Other non-current assets (Long-term prepaid expenses)	14
Information Technology Total	745

For the year ended 31 March 2014

The Group identified indications of impairment due to the delay in profit recovery in the electronics related products, although the Group has been promoting the products by developing and improving their brand recognition. In addition, the Group performed an impairment test for goodwill in Life Care based on the latest business plan, and the following impairment losses were recognised.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for the following four or five fiscal years approved by the Group's management, and a discount rate of 10% per annum which is the SBU's pre-tax weighted average capital cost (WACC).

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Information Technology		
Electronics related products		
Buildings and structures	558	5,426
Machinery and carriers	647	6,291
Tools, equipment and fixtures	1	15
Property, plant and equipment Total	1,207	11,731
Software	2	22
Information Technology Total	1,210	11,753
Life Care		
Health Care related products		
Goodwill	148	1,435
Life Care Total	148	1,435
Total	1,357	13,188

(3) Impairment losses on idle assets

For the year ended 31 March 2013 and 2014, the carrying amount of idle assets and the assets that the Group plans to change their intended purpose, resulting from business restructuring, which were not expected to be used in the future, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised. The fair value was based on an appraisal or publicly posted land price. For any asset to be disposed of, its recoverable amount was considered to be zero.

Impairment losses were recognised as follows for the year ended 31 March 2013:

	(Millions of Yen)
	Impairment losses
Information Technology	
Buildings and structures	60
Information Technology Total	60
Life Care	
Buildings and structures	17
Machinery and carriers	12
Land	286
Life Care Total	314
Total	374

Impairment losses were recognised as follows for the year ended 31 March 2014:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Information Technology		
Buildings and structures	1,996	19,396
Machinery and carriers	93	900
Tools, equipment and fixtures	103	1,000
Construction in progress	310	3,010
Property, plant and equipment Total	2,502	24,306
Software	10	102
Information Technology Total	2,512	24,408
Life Care		
Other intangible assets	49	475
Life Care Total	49	475
Corporate		
Land	852	8,275
Corporate Total	852	8,275
Total	3,413	33,158

(4) Goodwill allocated to cash-generating units

When the recoverable amount of the goodwill specifically associated with a cash-generating unit is lower than the carrying amount of such goodwill, an impairment loss is recognised and the goodwill is written down to the recoverable amount. Recoverable amount of goodwill allocated to cash-generating units was measured at the value in use and it was determined using cash flow projections based on the financial budgets which had been approved by the Group's management, and a discount rate of 5% to 10% per annum which is the cash-generating units' pre-tax weighted average capital cost (WACC). Cash flow projections during the budget period are based on the same expected gross margins and inflation throughout the budget period. The cash flows beyond budget period have been extrapolated using a steady annum growth rate which is the projected long-term average growth rate for the main products market. Management believes that any reasonably possible change in the key assumptions (e.g., profit ratio, inflation, the projected long-term average growth rate and the before tax, weighted average cost of capital) on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The carrying amount of goodwill was allocated to the cash-generating units as follows:

（Millions of Yen）

As at 31 March 2013				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	—	733	—	733
Americas	6,301	66	35	6,402
Europe	655	69	—	724
Asia	508	—	—	508
Total	7,464	868	35	8,367

（Millions of Yen）

As at 31 March 2014				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	—	1,524
Americas	6,175	71	38	6,284
Europe	694	911	—	1,605
Asia	1,549	—	—	1,549
Total	9,209	1,714	38	10,961

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2014				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	7,688	7,120	—	14,808
Americas	59,995	687	372	61,054
Europe	6,743	8,848	—	15,591
Asia	15,049	—	—	15,049
Total	89,476	16,654	372	106,502

Note:

Impairment loss on goodwill of Health Care related products (Eyeglass lens) was recognised in the amount of 148 million yen (1,435 thousand U.S. dollars) for the year ended 31 March 2014.

9.Investments in associates

Summary of the Group’s associates, not individually significant, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2013	As at / for the year ended 31 March 2014	As at / for the year ended 31 March 2014
Group’s share of net income (loss)	(11,912)	(268)	(2,608)
Group’s share of other comprehensive income (loss)	171	31	299
Group’s share of comprehensive income (loss)	(11,741)	(238)	(2,309)
Group’s share of net assets	534	140	1,358

Details of the Group’s associates, not individually significant, are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Segment	Ownership interest (%)	
				As at 31 March 2013	As at 31 March 2014
AVANSTRATE, INC.	Production and sale of glass substrate for thin film transistor (TFT) liquid crystal	JAPAN	Corporate	46.6	46.6
JIASHAN CANDEO OPTICAL GLASS CO., LTD.	Production and sale of special glass, such as colored glass	CHINA	Information Technology	49.0	49.0
SEIKO OPTICAL PRODUCTS CO., LTD.	Design and sales of optical lens and frames and other optical products	JAPAN	Life Care	ー	ー

Note:

SEIKO OPTICAL PRODUCTS CO., LTD. became an affiliate of the Group on 31 May 2013 with 30% ownership, and subsequently became a subsidiary of the Group on 31 March 2014 due to the additional acquisition of shares which resulted in 50% ownership by the Group.

Group’s unrecognised share of loss of associates is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2013	As at / for the year ended 31 March 2014	As at / for the year ended 31 March 2014
Group’s unrecognised share of net loss	ー	2,722	26,450
Group’s unrecognised share of accumulated net loss	ー	2,722	26,450

10.Deferred taxes and Income taxes

(1) Deferred taxes

Details of deferred tax assets and liabilities are as follows:

(Millions of Yen)

	As at 1 April 2012	Recognised in profit or loss	Recognised in other comprehensive income	Business Combinations	As at 31 March 2013
Temporary differences					
Enterprise tax payable	39	325	—	0	364
Written down inventories	878	(418)	—	35	495
Allowance for doubtful accounts	471	179	—	3	652
Provisions	672	46	—	116	834
Accrued expenses	4,389	565	—	49	5,002
Unrealised profit on inventories	2,248	224	—	—	2,472
Depreciation and amortisation	3,716	1,650	—	—	5,366
Tax goodwill	96	(96)	—	—	(0)
Impairment losses	1,127	19	—	—	1,146
Exchange differences on translating foreign operations	705	—	7	—	712
Others	4,010	(680)	19	44	3,392
Sub total	18,350	1,813	26	246	20,436
Undistributed retained earnings of subsidiaries	(605)	(501)	—	—	(1,106)
Depreciation and amortisation	(3,601)	(1,910)	—	(2,409)	(7,920)
Net gain/(loss) on revaluation of available-for-sale financial assets	(102)	—	(210)	—	(312)
Others	(507)	110	—	(190)	(586)
Sub total	(4,814)	(2,301)	(210)	(2,599)	(9,924)
Tax losses carry forward and tax credits					
Tax losses carry forward	10,990	(8,376)	—	—	2,615
Tax credits	841	(653)	—	—	188
Sub total	11,831	(9,029)	—	—	2,802
Total	25,367	(9,516)	(184)	(2,353)	13,314

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 10 “Income taxes” (2) Income taxes, is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2013	Recognised in profit or loss	Recognised in other comprehensive income	Business Combinations	As at 31 March 2014
Temporary differences					
Enterprise tax payable	364	448	—	2	813
Written down inventories	495	704	—	179	1,377
Allowance for doubtful accounts	652	77	—	33	761
Provisions	834	(52)	—	32	814
Accrued expenses	5,002	(1,257)	—	348	4,093
Unrealised profit on inventories	2,472	(12)	—	—	2,460
Depreciation and amortisation	5,366	(738)	—	0	4,629
Tax goodwill	(0)	0	—	—	—
Impairment losses	1,146	(141)	—	—	1,005
Exchange differences on translating foreign operations	712	—	(160)	—	552
Others	3,392	347	(15)	27	3,751
Sub total	20,436	(625)	(175)	620	20,255
Undistributed retained earnings of subsidiaries	(1,106)	(901)	—	—	(2,007)
Depreciation and amortisation	(7,920)	630	—	(1,679)	(8,970)
Net gain/(loss) on revaluation of available-for-sale financial assets	(312)	(0)	72	—	(240)
Others	(586)	(5)	—	—	(591)
Sub total	(9,924)	(276)	72	(1,679)	(11,808)
Tax losses carry forward and tax credits					
Tax losses carry forward	2,615	(828)	—	276	2,063
Tax credits	188	(188)	—	—	—
Sub total	2,802	(1,015)	—	276	2,063
Total	13,314	(1,917)	(103)	(784)	10,510

Note:
The difference between the total amount of "Recognised in profit or loss" as above and "Deferred tax expenses" in Note 10 "Income taxes" (2) Income taxes, is due to foreign exchange fluctuations.

(Thousands of U.S. Dollars (Note 2))

	As at 1 April 2013	Recognised in profit or loss	Recognised in other comprehensive income	Business Combinations	As at 31 March 2014
Temporary differences					
Enterprise tax payable	3,537	4,351	—	15	7,903
Written down inventories	4,807	6,837	—	1,735	13,378
Allowance for doubtful accounts	6,339	743	—	316	7,398
Provisions	8,102	(507)	—	311	7,906
Accrued expenses	48,603	(12,218)	—	3,381	39,766
Unrealised profit on inventories	24,023	(121)	—	—	23,902
Depreciation and amortisation	52,139	(7,167)	—	1	44,973
Tax goodwill	(0)	0	—	—	—
Impairment losses	11,133	(1,371)	—	—	9,762
Exchange differences on translating foreign operations	6,921	—	(1,556)	—	5,366
Others	32,956	3,375	(143)	261	36,449
Sub total	198,560	(6,077)	(1,699)	6,020	196,804
Undistributed retained earnings of subsidiaries	(10,746)	(8,754)	—	—	(19,501)
Depreciation and amortisation	(76,954)	6,121	—	(16,317)	(87,151)
Net gain/(loss) on revaluation of available-for-sale financial assets	(3,031)	(1)	696	—	(2,337)
Others	(5,694)	(49)	—	—	(5,743)
Sub total	(96,426)	(2,683)	696	(16,317)	(114,730)
Tax losses carry forward and tax credits					
Tax losses carry forward	25,405	(8,044)	—	2,680	20,041
Tax credits	1,823	(1,823)	—	—	—
Sub total	27,228	(9,867)	—	2,680	20,041
Total	129,362	(18,627)	(1,003)	(7,617)	102,116

Note:

The difference between the total amount of "Recognised in profit or loss" as above and "Deferred tax expenses" in Note 10 "Income taxes" (2) Income taxes, is due to foreign exchange fluctuations.

Tax losses carry forward and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Tax losses carry forward	10,345	14,808	143,875
Deductible temporary differences	942	3,340	32,451
Total	11,286	18,147	176,326

The expiration date and amounts of tax losses carry forward for which deferred tax assets are not recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Year 1	1,094	799	7,759
Year 2	1,460	640	6,216
Year 3	922	1,203	11,691
Year 4	2,056	1,455	14,134
Year 5 or later	4,812	10,712	104,077
Total	10,345	14,808	143,875

The aggregate amounts of temporary differences associated with undistributed retained earnings of the subsidiaries for which deferred tax liabilities have not been recognised at 31 March 2013 and 2014 were 250,948 million yen and 264,188 million yen (2,566,921 thousand U.S. dollars), respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Company recognised no deferred tax assets on the tax losses as at 31 March 2013 and 2014.

(2) Income taxes

In Japan, the normal effective statutory tax rates are approximately 38.0 % for the years ended 31 March 2013 and 2014.

Current or deferred taxes at other tax jurisdictions are calculated by the tax rates generally applied to those tax jurisdictions.

Details of current tax expense and deferred tax expense are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Current tax expense: (i)			
Current year	9,116	22,705	220,605
Prior years	(27)	115	1,113
Total current tax expense	9,089	22,819	221,717
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	9,712	2,174	21,120
Changes in tax rates	―	354	3,438
Total deferred tax expense	9,712	2,527	24,558
Total income tax expense	18,801	25,347	246,275
Continuing operations	18,801	25,347	246,275
Discontinued operations	―	―	―

Note:

(i) 'Current tax expense' includes previously unrecognised tax benefits from tax losses carry forward, tax credits and deductible temporary differences. These benefits were 135 million yen and 43 million yen (415 thousand U.S. dollars) for the years ended 31 March 2013 and 2014, respectively.

(ii) 'Deferred tax expense' includes previously unrecognised tax benefits from tax losses carry forward, tax credits, deductible temporary differences, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. These effects increased/decreased the deferred tax expense by (135) million yen and 2,128 million yen (20,678 thousand U.S. dollars) for the years ended 31 March 2013 and 2014, respectively.

(iii) On 26 June 2013, the Company received a reassessment notice for additional tax on the transfer pricing taxation. The additional tax assessment was 8,419 million yen (81,800 thousand U.S. dollars). The Company has lodged an objection with the Tokyo Regional Taxation Bureau ("TRTB") seeking withdrawal of the assessment in accordance with the relevant law. Consequently, 8,419 million yen is included in "Other current assets" as suspense payment.

A reconciliation of the normal effective statutory tax rate with the actual tax rate is as follows. The actual tax rate represents the ratio of income tax expense and profit before tax from continuing operations.

	For the year ended 31 March 2013	For the year ended 31 March 2014
Effective statutory tax rate	38.0%	38.0%
Expenses not deductible for tax purposes	0.7%	1.0%
Income not taxable for tax purposes	(4.6)%	(0.2)%
Effect of unrecognised deferred tax assets	0.4%	2.5%
Impact of different tax rates applied to overseas subsidiaries	(17.1)%	(16.4)%
Profits and losses on investments in associates	5.0%	0.1%
Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate	―%	0.4%
Tax rate difference due to the elimination of the unrealised profit on inventories	0.0%	0.5%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.5%	1.1%
Others	(2.3)%	2.6%
Actual tax rate	20.6%	29.6%

There was no effect on income tax resulting from dividends paid to shareholders.

11.Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Other financial assets			
FVTPL financial assets (derivative instruments)	3,555	1,295	12,585
Available-for-sale financial assets	3,281	2,821	27,412
Loans and receivables			
Loans and receivables	12,514	16,500	160,319
Allowance for doubtful accounts	(990)	(1,063)	(10,327)
Loans and receivables –net	11,524	15,437	149,992
Total	18,360	19,554	189,989
Non-current assets total (Long-term financial assets)	9,150	9,062	88,050
Current assets total (Other short-term financial assets)	9,210	10,492	101,939

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Other financial liabilities			
FVTPL financial liabilities (derivative instruments)	349	—	—
Other financial liabilities measured at amortised cost	185	152	1,474
Total	534	152	1,474
Non-current liabilities total (Other long-term financial liabilities)	149	—	—
Current liabilities total (Other short-term financial liabilities)	385	152	1,474

12.Other assets and liabilities

Details of other assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Non-current: Other assets			
Long-term prepaid expenses	1,853	2,222	21,589
Others	613	305	2,962
Total	2,467	2,527	24,551
Current: Other assets			
Suspense payment (i)	—	8,419	81,800
Prepaid expenses	2,196	1,948	18,923
Refundable consumption taxes	4,796	2,337	22,708
Others	794	1,266	12,302
Total	7,786	13,970	135,732

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Non-current: Other liabilities			
Consideration payable for business combination (ii)	1,009	998	9,700
Deposit received and Long-term advance revenue, etc	1,215	1,189	11,556
Total	2,224	2,188	21,256
Current: Other liabilities			
Accrued salary/bonus/vacation pay	11,159	12,251	119,035
Other accrued expenses	12,146	14,161	137,592
Advance received/Deferred revenue (iii)	1,785	2,959	28,751
Accrued consumption taxes	1,567	1,907	18,531
Others	2,906	3,381	32,852
Total	29,564	34,660	336,762

Note:

(i) On 26 June 2013, the Company received a reassessment notice for additional tax on the transfer pricing taxation in transactions with overseas subsidiaries that develop and manufacture electronics related products, for the five financial years ended 31 March 2007 to 31 March 2011 from the Tokyo Regional Taxation Bureau (“TRTB”). The additional tax assessment was 8,419 million yen. The Company was required to pay 3,309 million yen due to the existence of net operating losses carried forward with respect to the indicated financial years and paid it in the current year. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. Consequently 8,419 million yen is included in “Other current assets” as suspense payment.

(ii) The amount represents a part of the consideration payable for the business combination of Seiko Epson Corporation Eyeglass lens development and manufacturing on 1 February 2013 which will be paid when the actual amount of royalties for the four years after the closing date are determined.

(iii) Details of advance received and deferred revenue are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Advance received/Deferred revenue			
Government grants	250	335	3,256
Others	1,536	2,624	25,495
Total	1,785	2,959	28,751

13.Inventories

Details of inventories are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Goods and products	28,766	31,937	310,309
Work in progress	6,393	5,670	55,094
Raw materials	20,273	14,367	139,598
Supplies	11,289	10,672	103,694
Total	66,720	62,647	608,696
Inventories expected to be sold after more than 12 months	1	4	41

Inventories of 904 million yen are pledged as collateral for long-term bank loans of 290 million yen (Note 16. Interest-bearing debt).

The cost of inventories recognised as expense during the years ended 31 March 2013 and 2014 was 201,701 million yen and 221,199 million yen (2,149,233 thousand U.S. dollars), respectively.

The cost of inventories recognised as expense in respect of write-down and the reversal of such write-down is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Amount of write-down	2,272	2,564	24,910
Amount of reversal of write-down	―	―	―

14.Trade and other receivables

Details of trade and other receivables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Accounts receivable	73,416	89,400	868,640
Notes receivable	6,526	6,878	66,826
Other receivables	10,874	1,644	15,975
Allowance for doubtful accounts	(1,992)	(2,393)	(23,255)
Total	88,824	95,529	928,187

The credit terms for customers are set between 90 days to 120 days on average.
Refer to Note 23 “Financial instruments” for credit risk management and fair value of trade and other receivables.
Trade and other receivable of 1,063 million yen are pledged as collateral for long-term bank loans of 290 million yen (Note 16. Interest-bearing debt).
Other receivables as at 31 March 2013 include insurance proceeds receivable of 9,652 million yen for the damaged fixed assets and business interruptions caused by the flood in Thailand in October 2011. This amount is included in “Other income (Insurance proceeds)” in the consolidated statement of comprehensive income for the year ended 31 March 2013.

15.Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Cash and cash equivalents			
Cash and deposit within three months	239,498	331,094	3,217,000
Short-term investments within three months	9,398	—	—
Total	248,896	331,094	3,217,000

16.Interest-bearing debt

Details of interest-bearing debt are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Average interest rate (%) (i)	Due
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014		
Long-term bank loans (excluding current portion)	12	261	2,532	2.38	2016-2020
Current portion of long-term bank loans	1,477	82	796	2.54	—
Short-term bank loans	6	2,007	19,504	1.39	—
Bonds (ii)	60,126	35,032	340,384	—	—
Current portion of bonds (ii)	234	25,119	244,065	—	—
Long-term finance lease obligations (Note 17)	699	536	5,210	—	2016-2020
Short-term finance lease obligations (Note 17)	175	242	2,349	—	—
Interest-bearing debt Total	62,729	63,279	614,841		
Non-current debt total	60,837	35,829	348,127		
Current debt total	1,891	27,450	266,714		

Note:

(i) Interest rates are based on the weighted-average rates that applied to the balances at the end of each fiscal year.

(ii) The summary of issuance conditions for bonds is as follows:

Company	Item	Issue Date	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Interest rate (%)	Collateral (Millions of Yen)	Due
			As at 31 March 2013	As at 31 March 2014	As at 31 March 2014			
HOYA CORPORATION	Unsecured bond (No.2)	11 September 2007	24,980	24,993	242,841	1.62	—	19 September 2014
HOYA CORPORATION	Unsecured bond (No.3)	11 September 2007	34,944	34,956	339,641	1.93	—	20 September 2017
HOYA Technosurgical, Inc.	5 Private Notes	2011-2012	437	203	1,968	1.40	—	2014-2018
Total	—	—	60,360	60,152	584,450	—	—	—

Trade and other receivables of 1,063 million yen, Inventories of 904 million yen, Buildings and structures of 33 million yen, Machinery and carriers of 6 million yen, and Tools, equipment and fixtures of 35 million yen are pledged as collateral for long-term and short-term bank loans (including current portion) stated above.

The obligations under finance lease are secured by the leased assets for which the lessor has ownership. Refer to Note 17 “Finance lease obligations”.

There is no debt with covenants as at 31 March 2014.

Details of the remaining contractual maturity for long-term borrowings and bonds, and fair values are set out in Note 23 “Financial instruments”.

17.Finance lease obligations

Details of finance lease obligations are as follows:

	Minimum lease payments			Present Value of Minimum Lease Payments		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Amounts payable under finance leases:						
Not later than one year	201	266	2,588	175	242	2,349
Later than one year but not later than five years	725	595	5,776	662	516	5,010
Later than five years	43	23	226	37	21	200
Total	969	884	8,590	874	778	7,559
Less future finance charges	(95)	(106)	(1,031)			
Present value of lease obligations	874	778	7,559	874	778	7,559
Less amount due for settlement within 12 months				175	242	2,349
Amount due for settlement after 12 months				699	536	5,210

The Group has not entered into any new finance lease contracts in its policy, except the case only when it concludes that it has a number of advantages of having a lease arrangement in respect of cost reduction or the avoidance of the risk associated with product obsolescence. The average remaining lease term is approximately two to four years as at 31 March 2014.

Some lease contracts include renewal options or purchase options. However, there is no sub-lease contract, contingent rent, escalation payments and specific limitations (such as dividends, additional borrowing, and additional lease contract), included in these lease contracts.

The Group’s fair values of lease obligations are set out in Note 23 “Financial instruments”.

18.Operating lease arrangements

Details of minimum lease payments and contingent lease payments for the period under operating lease arrangements are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Minimum lease payments	6,547	7,664	74,466
Contingent rent	446	545	5,295
Total	6,993	8,209	79,761

The amounts above are included in the line item ‘Other expenses’ in the consolidated statement of comprehensive income.
Contingent rent, which are determined in rent contracts for stores at shopping malls, is the rent based on the stores’ sales amounts.

As at 31 March 2013 and 2014, the maturity periods of the outstanding commitments under non-cancellable operating leases are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Not later than 1 year	1,218	1,775	17,248
Later than 1 year but not later than 5 years	2,449	3,857	37,479
Later than 5 years	417	669	6,498
Total	4,083	6,301	61,225

Operating lease payments represent rentals payable by the Group for the land used for an office, building and machinery, and tools, equipment and fixtures. The average remaining operating lease terms for those assets as at 31 March 2014 are 18 years, three years and two years, respectively.

Some lease contracts include renewal options, purchase options or escalation payments. However, there are no sub-lease contract or restrictions (such as dividends, additional borrowing, and additional lease contract), included in these contracts.

19.Retirement benefit plans

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. The accounting policies adopted by the Group for retirement benefit plans is stated in Note 3 "Significant accounting policies (19) Retirement benefit costs". The Group has applied IAS 19 "Employee benefits (Revised in 2011)" and changed the accounting policies for the year ended 31 March 2014. These changes were applied retrospectively, and the accumulated effects of the changes were reflected in the beginning balance for the year ended 31 March 2013.

The Company and its domestic subsidiaries mainly have defined contribution plans. Overseas subsidiaries have benefit plans required by local law and regulations of each country. Unless a defined benefit plan is required by the laws of the country in which the overseas subsidiaries operate, a defined contribution plan has been put into place. The plan in U.K. represents a substantial portion of the pension plans of the Group, where it is the closed plan which stopped the new registrations. Management believes that general risks, such as investment risks, credit risks and salary risks are not significant in the plan.

Defined benefit plans taken over from PENTAX CORPORATION as a result of the merger were settled during the year ended 31 March 2013 and the plans have been converted to the Group's defined contribution plan.

The Group does not have retirement benefit plans other than pension plans and lump-sum retirement allowances.

(1) Defined benefit plans

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Present value of funded defined benefit obligation	3,870	4,832	46,949
Fair value of plan assets	(2,442)	(3,191)	(31,000)
Total	1,428	1,641	15,949
The effect of the changes to the asset ceiling	26	31	300
Net liability arising from defined benefit plans obligations	1,454	1,672	16,248
Balance in the consolidated statement of financial position			
Liability	1,457	1,675	16,275
Asset (Other non-current assets)	3	3	27

Amounts recognised in the consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Service cost			
Current service cost	466	389	3,779
Past service cost and (gain)/loss from settlements	(777)	(28)	(274)
Net interest expense	86	54	528
Components of defined benefit costs recognised in profit or loss	(226)	415	4,033
Remeasurement on the net defined benefit liability			
Return on plan assets	(113)	(10)	(98)
Actuarial gains and losses arising from changes in demographic assumptions	(57)	(20)	(191)
Actuarial gains and losses arising from changes in financial assumptions	186	(218)	(2,116)
Actuarial gains and losses arising from experience adjustments	59	166	1,618
Adjustments for restrictions on the defined benefit asset	24	0	0
Components of defined benefit costs recognised in other comprehensive income	98	(81)	(787)
Total	(127)	334	3,246

Movements in the present value of the defined benefit obligations are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Beginning balance	14,968	3,870	37,603
Current service cost	466	389	3,779
Interest cost	262	175	1,700
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	(57)	(20)	(191)
Actuarial gains and losses arising from changes in financial assumptions	186	(218)	(2,116)
Actuarial gains and losses arising from experience adjustments	59	166	1,618
Past service cost	—	(28)	(274)
Decrease due to settlement	(11,371)	—	—
Increase due to acquisition of subsidiaries	5	78	762
Benefits paid	(1,065)	(94)	(913)
Effect of foreign currency exchange differences	418	513	4,980
Ending balance	3,870	4,832	46,949

Movements in the present value of the plan assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Beginning balance	7,757	2,442	23,727
Interest income	176	121	1,172
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	113	10	98
Contributions from the employer	365	384	3,730
Decrease due to settlement	(5,581)	―	―
Benefits paid	(611)	(184)	(1,790)
Effect of foreign currency exchange differences	223	418	4,062
Ending balance	2,442	3,191	31,000

Movements in the effect of the changes to the asset ceiling are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Beginning balance	―	26	250
Interest expense	―	0	0
Remeasurement gain (loss)			
The effect of the changes to the asset ceiling	24	0	0
Effect of foreign currency exchange differences	2	5	49
Ending balance	26	31	300

The fair values of major categories of plan assets as at 31 March 2013 and 2014 are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Cash and cash equivalents	26	363	3,523
Equity instruments - Foreign equity instruments	1,391	1,016	9,876
Debt instruments - Foreign governmental bonds	470	1,299	12,620
Debt instruments - Foreign bonds	476	474	4,609
Others	80	38	373
Total	2,442	3,191	31,000

The fair values of financial instruments are measured at quoted market price in active market. No transferable instrument is included in plan assets.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 March 2013	As at 31 March 2014
Discount rate	4.4%	4.5%

The Group believes there is no material impact on operating results, financial positions and cash flows due to the defined benefit plan of the Group, including the amount, timing and uncertainly of future cash flows.

(2) Defined contribution plans

The total expense recognised was 1,451 million yen, and 1,908 million yen (18,537 thousand U.S. dollars) for the years ended 31 March 2013 and 2014, respectively.

(3) Severance payments

Under certain circumstances (such as retirement before the predetermined retirement date), additional payments are made upon retirement. The total expense recognised was 2,465 million yen, and 1,790 million yen (17,392 thousand U.S. dollars) for the years ended 31 March 2013 and 2014, respectively.

20.Provisions

Details of provisions are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Asset retirement obligation	2,071	2,142	20,813
Warranties provision	704	969	9,412
Total	2,776	3,111	30,225
Non-current liabilities	1,975	2,155	20,942
Current liabilities	800	955	9,283

An analysis of the change in provisions is as follows:

(Millions of Yen)

	Asset retirement obligation	Warranty provision	Total
Balance at 1 April 2013	2,071	704	2,776
Provision for the year	98	297	395
Business Combination	―	181	181
Interest cost associated with passage of time	29	―	29
Reduction resulting from settlement for the year	(115)	(279)	(394)
Effect of foreign currency exchange differences	59	66	124
Balance at 31 March 2014	2,142	969	3,111

(Thousands of U.S. Dollars (Note 2))

	Asset retirement obligation	Warranty provision	Total
Balance at 1 April 2013	20,126	6,843	26,969
Provision for the year	948	2,886	3,833
Business Combination	―	1,754	1,754
Interest cost associated with passage of time	286	―	286
Reduction resulting from settlement for the year	(1,117)	(2,709)	(3,826)
Effect of foreign currency exchange differences	570	639	1,209
Balance at 31 March 2014	20,813	9,412	30,225

Note:

Refer to Note 3 “Significant accounting policies (20) Provisions, and contingent liabilities assumed in a business combination” for detail of each provision.

21.Trade and other payables

Details of trade and other payables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Accounts payable	20,572	23,323	226,616
Notes payable, trade	373	407	3,957
Processing cost payable	399	959	9,321
Other payables	19,045	15,585	151,429
Notes payable for capital investment	27	16	153
Total	40,415	40,291	391,476

Trade notes payable are due 120 days on average.

Accounts payable are due 30 to 60 days from the invoice date in Asia except for Japan, and due 90 to 120 days from the invoice date in Japan. Accounts payable in Europe and U.S.A. are mainly payable related to the intragroup transactions, thus upon consolidation these trade accounts payable are eliminated. The Group arranges a cash pooling for Japan, Europe and the U.S.A. to ensure that all payables are paid within the pre-agreed credit terms.

22.Share capital and other equity items

(1) Share capital and capital reserves

	Number of authorised shares (Ordinary shares with no par-value)	Number of issued shares (Ordinary shares with no par-value)	Number of outstanding shares (Ordinary shares with no par-value)	Share capital (Millions of Yen)	Capital reserves (Millions of Yen)	Share capital (Thousands of U.S. Dollars (Note 2))	Capital reserves (Thousands of U.S. Dollars (Note 2))
Balance at 1 April 2012	1,250,519,400	435,017,020	431,425,420	6,264	15,899	60,865	154,476
Increase (i)	－	－	70,721	－	－	—	—
Balance at 31 March 2013	1,250,519,400	435,017,020	431,496,141	6,264	15,899	60,865	154,476
Increase (i)	－	－	598,558	－	－	—	—
Balance at 31 March 2014	1,250,519,400	435,017,020	432,094,699	6,264	15,899	60,865	154,476

Note:

(i) Increase or decrease in number of outstanding shares is due to increase or decrease in treasury shares.

(2) Treasury shares and other capital reserves

① Treasury shares

	Numbers of shares	Amount (Millions of Yen)
Balance at 1 April 2012	3,591,600	10,928
Repurchase of odd-lot shares Disposal of odd-lot shares to shareholders Decrease on exercise of stock option	911 (32) (71,600)	2 (0) (218)
Balance at 31 March 2013	3,520,879	10,712
Repurchase of odd-lot shares Decrease on exercise of stock option	1,842 (600,400)	5 (1,827)
Balance at 31 March 2014	2,922,321	8,890

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2013	3,520,879	104,079
Repurchase of odd-lot shares Decrease on exercise of stock option	1,842 (600,400)	46 (17,747)
Balance at 31 March 2014	2,922,321	86,378

② **Other capital reserves**

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Balance at 1 April 2012	(4,900)	2,788	(393)	(2,505)
Disposal of treasury shares	(89)	(17)	−	(106)
Share-based payments	−	299	−	299
Balance at 31 March 2013	(4,989)	3,070	(393)	(2,313)
Disposal of treasury shares	(535)	(233)	−	(768)
Share-based payments	−	242	−	242
Balance at 31 March 2014	(5,524)	3,078	(393)	(2,839)

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2013	(48,477)	29,826	(3,818)	(22,469)
Disposal of treasury shares	(5,199)	(2,267)	−	(7,466)
Share-based payments	−	2,348	−	2,348
Balance at 31 March 2014	(53,676)	29,906	(3,818)	(27,587)

Note:

(i) Refer to Note 24 "Share-based payments" for details of stock option.

(3) Retained earnings and dividends

	Amount (Millions of Yen)
Balance at 1 April 2012	441,700
Profit for the year (attributable to owners of the Company)	72,260
Dividends	(28,045)
Transfer to retained earnings	(80)
Balance at 31 March 2013	485,836
Profit for the year (attributable to owners of the Company)	58,390
Dividends	(28,050)
Transfer to retained earnings	66
Balance at 31 March 2014	516,243

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2013	4,720,522
Profit for the year (attributable to owners of the Company)	567,334
Dividends	(272,537)
Transfer to retained earnings	644
Balance at 31 March 2014	5,015,962

Details of dividends are as follows:

Date of resolution	Dividends per share (Yen)	Dividends per share (U.S. Dollars (Note 2))	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars (Note 2))	Record date	Effective date
30 May 2012	35	0.34	15,100	160,552	31 March 2012	1 June 2012
31 October 2012	30	0.29	12,945	137,638	30 September 2012	30 November 2012
30 May 2013	35	0.34	15,102	160,578	31 March 2013	3 June 2013
31 October 2013	30	0.29	12,947	125,798	30 September 2013	29 November 2013
21 May 2014	45	0.44	19,444	188,926	31 March 2014	29 May 2014

Dividends payable are included in the line item of 'Other current liabilities' in the consolidated statement of financial position.

(4) Non-controlling interests

	Amount (Millions of Yen)
Balance at 1 April 2012	(149)
Profit for the year, attributable to non-controlling interests	143
Translation differences for foreign operations (other comprehensive income)	1
Dividends	(134)
Decrease due to liquidation of subsidiaries	(47)
Balance at 31 March 2013	(187)
Profit for the year, attributable to non-controlling interests	1,750
Translation differences for foreign operations (other comprehensive income)	123
Dividends	(6)
Increase due to acquisition of subsidiaries	4,441
Balance at 31 March 2014	6,121

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2013	(1,813)
Profit for the year, attributable to non-controlling interests	17,001
Translation differences for foreign operations (other comprehensive income)	1,196
Dividends	(55)
Increase due to acquisition of subsidiaries	43,147
Balance at 31 March 2014	59,476

Note:

Refer to Note.32 ''Business combinations" (6) Goodwill arising from the acquisitions, for the details of increase in shares due to the acquisitions of subsidiaries.

23.Financial instruments

(1) Capital risk management

The Group manages its capital for its continuous growth and to maximise the corporate value of the Group.

The net debt and equity of the Group is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Interest-bearing debt	62,729	63,279	614,841
Less: Cash and cash equivalents	248,896	331,094	3,217,000
Net debt	(186,167)	(267,814)	(2,602,160)
Equity	470,547	542,648	5,272,519

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2013 and 2014, the Group maintained cash and cash equivalents balances in excess of interest-bearing debt balances. The Group is not subject to any externally imposed capital regulation as at 31 March 2014.

Details of interest-bearing debt, cash and cash equivalents and equity are described in Note 16 “Interest-bearing debt”, Note 15 “Cash and cash equivalents”, and Note 22 “Share capital and other equity items”, respectively.

(2) Significant accounting policies

Accounting policies and criteria for recognition of financial assets, financial liabilities and equity instruments, basis of measurement and recognition of income and expenses are described in Note 3 “Significant accounting policies”.

(3) Categories of financial instruments

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Financial assets			
FVTPL financial assets (derivative instruments) (ii)	3,555	1,295	12,585
Loans and receivables			
Trade and other receivables	88,824	95,529	928,187
Other financial assets (ii)	11,524	15,437	149,992
Available-for-sale financial assets (ii)	3,281	2,821	27,412
Cash and cash equivalents	248,896	331,094	3,217,000
Financial liabilities			
FVTPL financial liabilities (derivative instruments) (iii)	349	—	—
Financial liabilities measured at amortised cost			
Trade and other payables	40,415	40,291	391,476
Interest-bearing debt	62,729	63,279	614,841
Other financial liabilities (iii)	185	152	1,474

Note:

(i) The items above are not included in discontinued operations and disposal group held for sale. The Group does not have held-to-maturity investments and derivative instruments designated as hedging instruments. Likewise, the Group does not have financial assets or financial liabilities using the fair value option.

(ii) FVTPL financial assets (derivative instruments), other financial assets and available-for-sale financial assets are included in 'Long-term financial assets' or 'Other short-term financial assets' in the consolidated statement of financial position.

(iii) FVTPL financial liabilities (derivative instruments) and other financial liabilities are included in 'Other long-term/short-term financial liabilities' in the consolidated statement of financial position.

(iv) Financial assets or liabilities to be offset as at 31 March 2013 and 2014 are immaterial.

(4) Financial risk management

In its operations, the Group is exposed to various financial risks. The Group undertakes risk management steps to minimise the effects of these financial risks. In the effort to manage these risks, the Group's risk management approach is to eliminate the sources of these risks or to minimise the risks that are not avoidable.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. In certain cases, the Group obtains additional borrowings from financial institutions to react to temporary cash shortages or uses forward foreign exchange contracts to sustain cash flows. The above financial risks are managed by the financial department of the Group.

(5) Market risk management

The Group is exposed to risks arising from changes in the economic environment and financial markets. The factors of the risk relating to financial markets are fluctuation risk of foreign currency, interest rate, and fair value of equity instruments.

① Foreign currency risk

1) Foreign currency risk management

As the Group's businesses have expanded globally, foreign exchange fluctuations in particular Thai Baht, Euro and U.S. dollar, have a significant impact on the Group's financial results. If the Japanese yen appreciates against these currencies, both sales and profit stated in Japanese yen might decrease even though sales and profit stated in local currencies have increased.

The Group intends to marry major currencies the Group uses (i.e., Euro, U.S. dollar and Yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, the Company, having multiple SBU and conducting finance and dividend, and its holding companies within the Group, receiving dividends from their subsidiaries and distributing it to the Company and/or other group companies, sometimes falls into disparity of foreign currency debt-credit balances in receivables, liabilities and/or bank deposits. This might cause significant gains or losses on foreign exchange differences when the Yen appreciates or depreciates against the U.S. dollars or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

2) Foreign currency sensitivity analysis

The chart below shows the impact on the profit and equity in a case of a 1% appreciation of Yen against the Thai Baht, Euro and U.S. dollar with the assumption that other currencies are constant.

	For the year ended 31 March 2013	For the year ended 31 March 2014
Average exchange rate		
(Yen per each currency)		
Thai Baht	2.72	3.18
Euro	107.39	135.12
U.S. dollar	83.32	100.49
Impact on profit for the year		
(Millions of Yen)		
Thai Baht	(349)	(140)
Euro	(14)	(15)
U.S. dollar	(162)	(160)
Impact on equity		
(Millions of Yen)		
Thai Baht	(403)	(194)
Euro	(321)	(441)
U.S. dollar	(291)	(274)

	For the year ended 31 March 2014
Impact on profit for the year	
(Thousands of U.S.Dollars (Note 2))	
Thai Baht	(1,364)
Euro	(150)
U.S. dollar	(1,558)
Impact on equity	
(Thousands of U.S.Dollars (Note 2))	
Thai Baht	(1,881)
Euro	(4,283)
U.S. dollar	(2,660)

Note:
Numbers in brackets mean the amount of negative impact on profit and equity resulting from a 1% appreciation of Yen. The amounts above represent the impact on the consolidated financial statements of the Group resulting from foreign currency conversion, not the impact on Group’s cash flows or operations themselves.

Likewise, the charts below show the impact in case of a 1% appreciation of functional currencies of the Company and its holding company within the Group on their receivables/liabilities and bank deposits denominated in foreign currency on the assumption that other currencies are constant. The information about its holding companies with immaterial risk is not included in the below chart.

2)-1. Parent company (the Company)

(Millions of Yen)

	Euro		U.S. dollar	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
Trade and other receivables	(26)	(23)	(188)	(75)
Trade and other payables	0	1	56	34
Long-term financial assets	(0)	–	–	–
Short-term financial assets	–	7	(282)	–
Cash and cash equivalents	(8)	(17)	(559)	(661)
Total	(35)	(31)	(973)	(702)

(Thousands of U.S. Dollars (Note 2))

	Euro	U.S. dollar
	31 March 2014	31 March 2014
Trade and other receivables	(220)	(730)
Trade and other payables	8	335
Long-term financial assets	–	–
Short-term financial assets	72	–
Cash and cash equivalents	(163)	(6,426)
Total	(303)	(6,821)

Note:
Numbers in brackets mean the amount of negative impact on profit and equity resulting from a 1% appreciation of Yen. The 1% depreciation of Yen has a positive impact in the same amount.
Intercompany receivables/payables are included in the calculation of the impact since they cause foreign exchange gain or loss in the process of translation.
Short-term financial assets include the fair value of forward contracts in long or short positions in currency derivative instruments.

2)-2. Holding company (Europe)

(Millions of Yen)

	Yen		U.S. dollar	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
Trade and other receivables	–	–	(3)	–
Trade and other payables	2	0	2	0
Long-term financial assets	(0)	–	–	(0)
Short-term financial assets	–	–	–	(27)
Cash and cash equivalents	(48)	(110)	(71)	(559)
Total	(46)	(110)	(72)	(585)

(Thousands of U.S. Dollars (Note 2))

	Yen	U.S. dollar
	31 March 2014	31 March 2014
Trade and other receivables	―	―
Trade and other payables	0	4
Long-term financial assets	―	(2)
Short-term financial assets	―	(259)
Cash and cash equivalents	(1,068)	(5,431)
Total	(1,067)	(5,687)

Note:
Numbers in brackets mean the amount of negative impact on profit and equity resulting from a 1% appreciation of Euro. The 1% depreciation of Euro has a positive impact in the same amount.
Intercompany receivables/payables are included in the calculation of the impact since they cause foreign exchange gain or loss in the process of translation.
Long-term and short-term financial assets include the fair value of forward contracts in long or short positions in currency derivative instruments.

3) Currency derivatives

The Group's policy prohibits the use of derivative instruments such as forward foreign exchange contracts, except for certain circumstances in which the use of such derivatives is determined to be beneficial. In such case, the Group can enter into contracts upon obtaining formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its group headquarters approval process.

In order to economically hedge foreign currency exposures on intercompany receivables, payables and dividends, forward foreign exchange contracts are occasionally entered into. In these cases, the same approval policy as stated above is adhered to.

The following are the details of the forward foreign exchange contracts at the end of each reporting period:

(Millions of Yen)

For the year ended 31 March 2013	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value
Forward foreign exchange contracts				
Over one year				
US$Sell (€Buy)	0.77 (€/US$)	$185.2	17,157	(149)
Within one year				
US$Sell (€Buy)	0.77 (€/US$)	$139.2	12,897	(200)
US$Buy (Yen Sell)	82.08 (Yen/US$)	$300.0	24,625	3,555

(Millions of Yen) (Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2014	Average exchange rate	Foreign currency (mil)	Notional value	Fair value	Notional amount	Fair value
Forward foreign exchange contracts						
Over one year						
US$Sell (€Buy)	0.75 (€/US$)	$70.9	7,567	383	73,528	3,717
Within one year						
US$Sell (€Buy)	0.76 (€/US$)	$260.6	22,137	912	215,087	8,861
€Buy (Yen Sell)	141.44 (Yen/€)	€5.2	735	1	7,140	7

Note:
The fair values of forward foreign exchange contracts are determined based on the forward exchange rate at the market at the end of each reporting period.

② Interest rate risk management
The majority of the interest-bearing debt is bonds with fixed interest rates. The Group's cash and cash equivalents exceed the interest-bearing debt, and currently the impact of interest expense on the Group's profit/loss is immaterial. Therefore, the Group considers that the interest rate risk is immaterial and has not performed a sensitivity analysis such as Basis Point Value.

③ Price risks management in equity instruments
The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held from a viewpoint of business strategy, not for short term trading purpose. The Group does not sell these investments frequently and the Group periodically reviews the fair value of these instruments as well as the financial condition of investees.

The sensitivity analysis has been based on the exposure to the price of equity instruments (listed shares) at the end of the reporting period. If equity prices increase or decrease by 5%, accumulated other comprehensive income (pre-tax) would change by 129 million yen and 105 million yen (1,020 thousand U.S. dollars) as at 31 March 2013 and 2014, respectively, as a result of changes in fair value of the equity instruments.

(6) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group manages its credit risk by setting credit limits which are approved by the authorised personnel of each SBU.

Main customers for the Information technology business are globalised companies, which have relatively large scale and stable financial conditions. On the other hand, credit losses were incurred on a sporadic basis in the Life Care business since those products were sold to relatively small and diversified customers, such as end consumers, retailers, and medical institutions. Accordingly, no significant credit losses were incurred in the past. A division in the Life Care business of selling goods to medical institutions and operating wholesale business in certain countries has some past-due receivables due to the financial conditions of those medical institutions or customers. Credit limits have been set for those customers to minimise the loss from a failure to collect the receivables.

Trade receivables consist of large number of customers across diverse industries and geographical areas. The Group has neither significant credit risk exposure for a specific customer or customer group categorised by similarity, nor concentration of credit risk over 5% of total financial assets as at 31 March 2014.

① Financial assets and other credit exposures

Except for the items below, the carrying amounts after impairment presented in the consolidated financial statements are the maximum exposure for the Group's credit risk without considering the appraised value of the related collateral.

	Maximum credit risk		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Guarantee liabilities	527	290	2,821

The Group does not hold any collateral or other credit enhancements to cover the risks disclosed above.
Details of guarantee liabilities are described in Note 33 "Contingent liabilities".

② **Impaired or past-due financial assets**

The following table provides the ageing details of the financial assets not yet due and the financial assets past-due but not impaired at the end of the reporting period:

(Millions of Yen)

Balance at 31 March 2013	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	90,816	80,189	4,764	1,678	926	596	2,662
Allowance for doubtful accounts	(1,992)	(628)	(11)	(31)	(66)	(78)	(1,178)
Trade and other receivables (net)	88,824	79,561	4,753	1,647	861	518	1,484
Other financial assets (gross)	12,514	11,642	7	—	—	—	864
Allowance for doubtful accounts	(990)	(235)	—	—	—	—	(755)
Other financial assets (net)	11,524	11,407	7	—	—	—	109

(Millions of Yen)

Balance at 31 March 2014	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	97,922	84,773	6,556	2,128	838	798	2,829
Allowance for doubtful accounts	(2,393)	(525)	(10)	(73)	(142)	(87)	(1,555)
Trade and other receivables (net)	95,529	84,249	6,546	2,055	696	711	1,273
Other financial assets (gross)	16,500	15,580	12	—	—	—	907
Allowance for doubtful accounts	(1,063)	(254)	—	—	—	—	(809)
Other financial assets (net)	15,437	15,327	12	—	—	—	98

(Thousands of U.S. Dollars (Note 2))

Balance at 31 March 2014	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	951,441	823,681	63,698	20,680	8,144	7,754	27,483
Allowance for doubtful accounts	(23,255)	(5,099)	(99)	(712)	(1,382)	(849)	(15,114)
Trade and other receivables (net)	928,187	818,582	63,599	19,969	6,762	6,906	12,370
Other financial assets (gross)	160,319	151,381	120	—	—	—	8,817
Allowance for doubtful accounts	(10,327)	(2,463)	—	—	—	—	(7,863)
Other financial assets (net)	149,992	148,918	120	—	—	—	954

The Group does not hold any collateral or other credit enhancements on the above financial assets.

In case of impairment on financial assets, the Group does not directly write off such assets by reducing the carrying amount, instead records an allowance for doubtful accounts. Movement in the allowance for doubtful accounts is as follows:

(Millions of Yen)

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 1 April 2012	1,873	789	2,662
Provision for the year	260	202	461
Reduction resulting from settlement for the year	(159)	(10)	(170)
Reduction for the year (reversal)	(183)	(26)	(209)
Business combinations	38	－	38
Other (foreign exchange translation gain or losses, etc.)	163	36	199
Balance at 31 March 2013	1,992	990	2,982
Provision for the year	322	348	670
Reduction resulting from settlement for the year	(28)	(285)	(313)
Reduction for the year (reversal)	(148)	(44)	(192)
Business combinations	54	6	60
Other (foreign exchange translation gain or losses, etc.)	201	47	249
Balance at 31 March 2014	2,393	1,063	3,456

(Thousands of U.S. Dollars (Note 2))

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 31 March 2013	19,355	9,618	28,973
Provision for the year	3,129	3,384	6,513
Reduction resulting from settlement for the year	(271)	(2,767)	(3,038)
Reduction for the year (reversal)	(1,441)	(427)	(1,868)
Business combinations	526	59	585
Other (foreign exchange translation gains or losses)	1,957	459	2,416
Balance at 31 March 2014	23,255	10,327	33,582

The Group continuously monitors the financial status of customers which appear to represent a credit risk in collecting receivables, including restructured receivables. Based on this monitoring, the Group sets the allowance for doubtful accounts considering the collectability of the receivables.

Because the Group operations are global, the credit risk is widely diversified among customers and the Group does not depend on specific customers. Therefore, the possibility of a chain-reaction of bankruptcies at a certain customer is considered to be remote and the Group does not set additional general allowance for doubtful accounts resulting from the concentration of this credit risk.

③ Transfer of financial assets

The Group transferred some of its notes receivable to financial institutions before maturity on a discounted basis. The Group is required to repurchase these notes in the event of a default. Accordingly, the Group continues to recognise the full carrying amount of the notes receivable until maturity and the cash proceeds received on the sale of the notes receivable is accounted for as a secured borrowing.

There were no notes receivable transferred and discounted that were outstanding as at 31 March 2013 and 2014.

(7) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the CFO of the Group who is appointed by the Board of Directors. Based on the instructions from the CFO, the financial headquarters of the Group mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual cash flows and forecasted cash flows. Temporary cash shortages due to dividends or bonus payments are funded through the issuance of commercial paper, etc.

The following table details the contractual maturity of its financial liabilities, including derivative financial instruments but excluding guarantee liabilities:

(Millions of Yen)

Balance at 31 March 2013	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative liabilities								
Trade and other payables	40,415	40,415	40,415	－	－	－	－	－
Long-term bank loans (excluding current portion)	12	12	－	4	4	4	－	－
Current portion of long-term bank loans	1,477	1,477	1,477	－	－	－	－	－
Short-term bank loans	6	6	6	－	－	－	－	－
Bonds (excluding current portion)	60,126	60,203	－	25,126	21	21	35,021	14
Current portion of bonds	234	234	234	－	－	－	－	－
Long-term finance lease obligations	699	699	－	230	184	150	99	37
Short-term finance lease obligations	175	175	175	－	－	－	－	－
Other financial liabilities	185	185	185	－	－	－	－	－
Derivative liabilities								
Currency derivative instruments	349	349	200	12	48	23	66	－
Total	103,677	103,754	42,691	25,371	256	198	35,186	51

(Millions of Yen)

Balance at 31 March 2014	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative liabilities								
Trade and other payables	40,291	40,291	40,291	－	－	－	－	－
Long-term bank loans (excluding current portion)	261	261	－	161	81	10	7	2
Current portion of long-term bank loans	82	82	82	－	－	－	－	－
Short-term bank loans	2,007	2,007	2,007	－	－	－	－	－
Bonds (excluding current portion)	35,032	35,077	－	21	21	35,021	14	－
Current portion of bonds	25,119	25,126	25,126	－	－	－	－	－
Long-term finance lease obligations	536	536	－	206	165	104	40	21
Short-term finance lease obligations	242	242	242	－	－	－	－	－
Other financial liabilities	152	152	152	－	－	－	－	－
Total	103,722	103,773	67,899	389	267	35,135	60	22

(Thousands of U.S. Dollars(Note 2))

Balance at 31 March 2014	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative liabilities								
Trade and other payables	391,476	391,476	391,476	—	—	—	—	—
Long-term bank loans (excluding current portion)	2,532	2,532	—	1,567	792	94	65	15
Current portion of long-term bank loans	796	796	796	—	—	—	—	—
Short-term bank loans	19,504	19,504	19,504	—	—	—	—	—
Bonds (excluding current portion)	340,384	340,813	—	204	204	340,274	131	—
Current portion of bonds	244,065	244,131	244,131	—	—	—	—	—
Long-term finance lease obligations	5,210	5,210	—	2,005	1,601	1,015	389	200
Short-term finance lease obligations	2,349	2,349	2,349	—	—	—	—	—
Other financial liabilities	1,474	1,474	1,474	—	—	—	—	—
Total	1,007,791	1,008,286	659,730	3,776	2,597	341,383	584	215

Note:

Guarantee liabilities have been excluded from the above table as the likelihood of execution has been determined as low. Assets and liabilities recognised as a result of undertaking derivative instruments transactions are presented on a net basis.

Temporary cash shortages due to dividends or bonus payments are funded through the following ways.
The following are the details of financing method and status:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Bank overdraft			
Used	—	—	—
Unused	65,000	65,000	631,558
Total	65,000	65,000	631,558
Commercial paper			
Used	—	—	—
Unused	50,000	50,000	485,814
Total	50,000	50,000	485,814

(8) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that have been measured at fair value subsequent to initial recognition.
The fair values are categorised into Levels 1 to 3.

Level 1: Fair value derived from quoted prices in active markets for identical assets or liabilities.
Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
· Forward exchange contracts are measured at fair value on forward exchange rate at the closing date
· Preferred shares with convertible right are measured at fair value based on the fair value of common stock
Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).
· Unlisted shares are measured by recognising Group's share of the net asset of issuing companies at stated periods. Any excess of the cost of the investment over the Group's share of net assets are deemed as fair value.

① Financial instruments that are measured at fair value

(Millions of Yen)

As at 31 March 2013	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	−	3,555	−	3,555
Available-for-sale financial assets	2,237	352	693	3,281
Total	2,237	3,906	693	6,836
FVTPL financial liabilities (derivative instruments)	−	349	−	349
Total	−	349	−	349

(Millions of Yen)

As at 31 March 2014	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	−	1,295	−	1,295
Available-for-sale financial assets	2,102	−	720	2,821
Total	2,102	1,295	720	4,116
FVTPL financial liabilities (derivative instruments)	−	−	−	−
Total	−	−	−	−

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2014	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	−	12,585	−	12,585
Available-for-sale financial assets	20,420	−	6,992	27,412
Total	20,420	12,585	6,992	39,996
FVTPL financial liabilities (derivative instruments)	−	−	−	−
Total	−	−	−	−

Note:
No transfers occurred between Levels 1, 2 and 3 during the years ended 31 March 2013 and 2014, excluding that:
the preferred shares were transferred from Level 2 to Level 1 due to the conversion to common stocks during the year ended 31 March 2014.

② **Reconciliation of financial assets categorised at Level 3 from beginning balance to ending balance**

	Fair value measurement as at the end of the reporting period		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
Available-for-sale financial assets	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Opening balance	680	693	6,731
Total gains or losses recognised:	(237)	27	261
- in profit or loss (i)	(292)	(16)	(153)
- in other comprehensive income (ii)	55	43	413
Purchase	—	0	0
Others	250	0	0
Closing balance	693	720	6,992

Note:

(i) In the total gains or losses for the years ended 31 March 2013 and 2014 included in profit or loss, (292) million yen and (16) million yen ((153) thousand U.S. dollars), respectively, relate to available-for-sale financial assets at the end of the reporting period. Related loss of these assets is included in the line item of ‘Finance costs’ in the consolidated statement of comprehensive income. Refer to Note 26 “Finance income and costs”.

(ii) In the total gains or losses for the years ended 31 March 2013 and 2014 included in other comprehensive income, 55 million yen and 43 million yen (413 thousand U.S. dollars), respectively, relate to the shares not traded in the market. Related loss and profit is included in the line item of ‘Net gain/ (loss) on revaluation of available-for-sale financial assets’ in Note 27 “Other comprehensive income”.

(9) Fair value of financial assets and liabilities that are measured at fair value on a non-recurring basis

① Carrying amounts and fair value

	(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars (Note 2))	
	As at 31 March 2013		As at 31 March 2014		As at 31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans and receivables						
Lease deposits	4,373	4,350	4,413	4,372	42,883	42,483
Total	4,373	4,350	4,413	4,372	42,883	42,483
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	12	12	261	272	2,532	2,640
Current portion of long-term bank loans	1,477	1,476	82	85	796	822
Bonds (excluding current portion)	60,126	63,210	35,032	37,030	340,384	359,793
Current portion of bonds	234	237	25,119	25,302	244,065	245,843
Long-term finance lease obligations	699	766	536	631	5,210	6,127
Short-term finance lease obligations	175	207	242	255	2,349	2,482
Total	62,723	65,908	61,272	63,574	595,337	617,707

② Fair value hierarchy

Level 1: Fair value derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

· Fair value of loans and receivables is measured by the present value of future cash flows of each loan categorised according to a certain range of term, and discounted by the risk-free rate, etc.

· Fair value of bonds issued by the Company is measured by discounting the total of principal and interest using an interest rate that reflects each bond's credit risk.

· Fair value of Interest-bearing debt other than bonds are measured by the present value of future cash flows of each debt categorised according to a certain range of term, and discounted by the interest rate that reflects the remaining period to the maturity and credit risk.

Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Millions of Yen)

As at 31 March 2013	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Lease deposits	−	4,350	−	4,350
Total	−	4,350	−	4,350
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	−	12	−	12
Current portion of long-term bank loans	−	1,476	−	1,476
Bonds (excluding current portion)	−	63,210	−	63,210
Current portion of bonds	−	237	−	237
Long-term finance lease obligations	−	766	−	766
Short-term finance lease obligations	−	207	−	207
Total	−	65,908	−	65,908

(Millions of Yen)

As at 31 March 2014	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Lease deposits	－	4,372	－	4,372
Total	－	4,372	－	4,372
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	－	272	－	272
Current portion of long-term bank loans	－	85	－	85
Bonds (excluding current portion)	－	37,030	－	37,030
Current portion of bonds	－	25,302	－	25,302
Long-term finance lease obligations	－	631	－	631
Short-term finance lease obligations	－	255	－	255
Total	－	63,574	－	63,574

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2014	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Lease deposits	－	42,483	－	42,483
Total	－	42,483	－	42,483
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	－	2,640	－	2,640
Current portion of long-term bank loans	－	822	－	822
Bonds (excluding current portion)	－	359,793	－	359,793
Current portion of bonds	－	245,843	－	245,843
Long-term finance lease obligations	－	6,127	－	6,127
Short-term finance lease obligations	－	2,482	－	2,482
Total	－	617,707	－	617,707

24.Share-based payments

(1) Detail of share-based payments

The Company has a stock option plan. The purpose of the plan is to increase the value of the Group and to improve the financial result of the Group by motivating the members such as directors, officers, employees of the Group, as well as to retain valuable employees.

After the details and eligible members are approved at the meeting of board of directors, options are granted to individuals on the condition that they render services over the vesting period, that is, subsequent to the grant date, if a member terminates his or her employment prior to the vesting date, the options will expire. The exercise period of the options is the period determined in each option contract. The options not exercised within this exercise period will expire. The option contract includes a clause that limits the maximum number of stock options a member can exercise each year during the exercisable periods.

Stock options granted to members are accounted for as share-based payments transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payments transactions were 299 million yen and 242 million yen (2,348 thousand U.S. dollars) for the years ended 31 March 2013 and 2014, respectively.

Details of the stock options that are outstanding for the years ended 31 March 2013 and 2014 are as follows:

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
5	445,000	1 Jan 2006	30 Sep 2015	4,150	2,917
6	585,600	7 Nov 2006	30 Sep 2016	4,750	3,961
7	77,600	14 Nov 2007	30 Sep 2017	4,230	3,357
8	1,036,000	28 Nov 2008	30 Sep 2018	1,556	952
10	1,247,600	8 Dec 2009	30 Sep 2019	2,215	2,784
11	1,225,600	7 Dec 2010	30 Sep 2020	1,947	1,861
12	680,800	17 Jan 2012	30 Sep 2021	1,616	1,427
13	560,800	16 Jan 2013	30 Sep 2022	1,648	1,707
14	758,800	15 Jan 2014	30 Sep 2023	2,846	3,141

Note:

The fair value of the stock options at grant date does not include the fair value of stock options to which IFRS 2 “Share-based Payments” does not apply, as mentioned in (4) below.

(2) Determination of stock option value

Weighted average fair value of the stock option granted during the years ended 31 March 2013 and 2014 was 1,707 yen and 3,141 yen, respectively.

In determining the expense of the stock options, the options were priced using the Black-Scholes model. The following table details the assumptions used in the Black-Scholes model for the options granted in the years ended 31 March 2013 and 2014.

Expected volatility was determined based on recent historical daily share price volatility from the grant date to forecasted remaining period.

	No.13	No.14
Share price at grant date (Yen)	1,771	2,994
Exercise price (Yen)	1,648	2,846
Expected volatility	36.34%	33.71%
Expected remaining option life (years)	6.0	6.0
Dividends yield	3.67%	2.17%
Risk free rate	0.28%	0.28%

(3) The number and weighted average exercise prices of stock options

Weighted average exercise price of the outstanding options was 2,323 yen and 2,522 yen as at the years ended 31 March 2013 and 2014, respectively. Weighted average remaining contractual life was 6.7 years and 6.2 years as at 31 March 2013 and 2014, respectively.

	For the year ended 31 March 2013		For the year ended 31 March 2014	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at the beginning of the period	4,497,500	2,402	4,602,800	2,323
Granted	560,800	1,648	758,800	2,846
Forfeited (i)	(383,900)	2,404	(510,100)	2,100
Exercised	(71,600)	1,557	(600,400)	1,762
Outstanding at the end of the period	4,602,800	2,323	4,251,100	2,522
Exercisable at the end of the period	2,824,100	2,654	2,691,500	2,673

Note:

(i) Stock options forfeited were due to employee retirements.

Stock options exercised during the year ended 31 March 2014 were as follows:

No.	Number of shares exercised	Exercise period	Weighted average of share price at exercise date (Yen)
8	260,000	May 2013 to March 2014	2,584
10	101,200	December 2013 to March 2014	2,955
11	127,200	June 2013 to March 2014	2,876
12	88,400	July 2013 to March 2014	2,613
13	23,600	October 2013 to March 2014	2,576
Total	600,400		

Stock options exercised during the year ended 31 March 2013 were as follows:

No.	Number of shares exercised	Exercise period	Weighted average of share price at exercise date (Yen)
8	70,800	April 2012 to September 2012	1,750
12	800	March 2013	1,822
Total	71,600		

(4) Stock options to which IFRS 2 is not applied

The following are details of the stock options granted after 7 November 2002 and vested before 1 April 2008, opening balance of the first time adoption of IFRSs, resulting in IFRS 2 not being applied:

No.	Number	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
5	445,000	1 Jan 2006	30 Sep 2015	4,150	2,518
6	195,200	7 Nov 2006	30 Sep 2016	4,750	1,113

Weighted average exercise price of the outstanding options was 4,333 yen and 4,326 yen as at 31 March 2013 and 2014, respectively. Weighted average remaining contractual life was 2.8 years and 1.8 years as at 31 March 2013 and 2014, respectively.

	For the year ended 31 March 2013		For the year ended 31 March 2014	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at the beginning of the period	514,900	4,338	476,400	4,333
Forfeited (i)	(38,500)	4,407	(19,500)	4,504
Exercised	—	—	—	—
Outstanding at the end of the period	476,400	4,333	456,900	4,326
Exercisable at the end of the period	476,400	4,333	456,900	4,326

Note:

(i) Stock options forfeited were due to employee retirements.

There were no stock options exercised for these plans during the years ended 31 March 2013 and 2014.

25.Revenue and expenses (excluding finance income and costs)

(1) Sales from continuing operations

The following is an analysis of the Group's sales from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Sales of goods and products	372,220	426,727	4,146,196
Service revenue	274	848	8,241
Total sales	372,494	427,575	4,154,438

(2) Other income from continuing operations

The following is an analysis of the Group's other income from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Commission	391	437	4,242
Rent	65	83	803
Government grants	174	509	4,950
Gain on sale of plant, property and equipment	2,134	771	7,489
Insurance proceeds (i)	32,327	813	7,898
Gains related to the step acquisition of shares of an associate (ii)	2,238	—	—
Others	2,560	2,841	27,602
Total other income	39,888	5,453	52,984

Note:

(i) Of the "Insurance proceeds" of 32,187 million yen for the year ended 31 March 2013 is related to the damaged fixed assets and business interruptions caused by the flood in Thailand in October 2011.

(ii) "Gains related to the step acquisition of shares of an associate" for the year ended 31 March 2013 are related to the additional acquisition of shares of OPTOTAL HOYA LIMITADA.

(3) Research and development expenses recognised as incurred

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Employee benefits expenses	6,513	7,427	72,166
Depreciation and amortisation	1,680	1,632	15,859
Commission expenses	1,700	1,424	13,831
Other expenses	5,811	8,647	84,016
Total research and development expenses recognised as incurred	15,703	19,130	185,872

Note:

The above items are included in the corresponding line items in the consolidated statement of comprehensive income.

(4) Employee benefits expense

The following is an analysis of the Group's employee benefits expense from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Salary, bonuses and others	85,094	93,842	911,791
Retirement benefit (Note 19)			
Defined benefit (Note 19)	768	361	3,505
Defined contribution (Note 19)	1,451	1,908	18,537
Retirement benefit total	2,219	2,269	22,042
Share-based payments (stock option) (Note 24)	299	242	2,348
Severance payments (Note 19)	2,465	1,790	17,392
Others	4,091	4,618	44,865
Total employee benefits expense	94,168	102,759	998,437

(5) Foreign exchange gains or losses

Foreign exchange gains or losses include gains resulting from changes in fair value of currency derivatives.

(6) Other expenses

The following is an analysis of the Group's other expenses from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Packaging/shipping/transportation	6,873	8,083	78,541
Travel	4,893	5,360	52,078
Rent	5,235	6,275	60,969
Utilities	9,820	11,860	115,233
Repair and maintenance	8,235	9,413	91,455
Loss on sales of property, plant and equipment	160	113	1,093
Loss on disposals of property, plant and equipment	649	419	4,069
Loss on disposals of intangible assets	86	31	300
Others	44,129	45,196	439,141
Total other expenses	80,080	86,749	842,879

26.Finance income and costs

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Finance income			
Interest income			
Cash and cash equivalents, loans and receivables	906	1,137	11,050
Dividend income			
Available-for-sale financial assets	59	56	544
Gain on sale			
Available-for-sale financial assets	−	656	6,371
Total finance income	965	1,849	17,965
Finance costs			
Interest costs			
Interest-bearing debt	1,511	1,220	11,857
Retirement benefits liabilities	57	49	476
Provisions	17	14	140
Other liabilities	11	11	105
Impairment losses			
Available-for-sales financial assets (i)	547	15	142
Total finance costs	2,143	1,309	12,720

Note:

(i) Impairment losses were recognised on listed shares and the shares of private companies categorised as available-for-sale financial assets due to significant or prolonged decline in the fair values against the carrying amount.

27.Other comprehensive income

For the years ended 31 March 2013 and 2014, items that may be reclassified subsequently to profit or loss comprises the following:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Items that may be reclassified subsequently to profit or loss :			
① Net gain/(loss) on revaluation of available-for-sale financial assets (i)			
Gains (losses) arising during the year	112	443	4,308
Reclassification adjustments to profit or loss for the year	501	(629)	(6,107)
Total	613	(185)	(1,799)
② Exchange differences on translation of foreign operations (ii)			
Gains (losses) arising during the year	41,940	34,187	332,166
Reclassification adjustments to profit or loss for the year	235	302	2,930
Total	42,175	34,488	335,096
Other comprehensive income/(loss) before tax	42,788	34,303	333,297
Income tax relating to components of other comprehensive income	(203)	(89)	(860)
Total other comprehensive income/(loss) (net of tax)	42,585	34,214	332,437

Note:

(i) ‘Net gain/ (loss) on revaluation of available-for-sale financial assets’ represents unrealised gain or loss on available-for-sale financial assets at the end of the reporting period.

(ii) ‘Exchange differences on translation of foreign operations’ consist of differences on foreign currency conversion for financial statements of foreign operations.

Deferred and current taxes on each item of other comprehensive income for the years ended 31 March 2013 and 2014 is as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2013			For the year ended 31 March 2014			For the year ended 31 March 2014		
	Total	Tax	Net of tax	Total	Tax	Net of tax	Total	Tax	Net of tax
Other comprehensive income attributable to owners of the Company									
① Net gain/(loss) on revaluation of available-for-sale financial assets	613	(210)	403	(185)	72	(114)	(1,799)	696	(1,104)
② Exchange differences on translation of foreign operations	42,174	7	42,182	34,365	(160)	34,205	333,900	(1,556)	332,345
③ Remeasurements of the net defined benefit liability (asset)	(98)	19	(80)	81	(15)	66	787	(143)	644
Sub total	42,689	(184)	42,505	34,261	(103)	34,158	332,888	(1,003)	331,885
Other comprehensive income attributable to Non-controlling interests									
② Exchange differences on translation of foreign operations	1	―	1	123	―	123	1,196	―	1,196
Sub total	1	―	1	123	―	123	1,196	―	1,196
Total other comprehensive income	42,690	(184)	42,506	34,384	(103)	34,281	334,084	(1,003)	333,081

28.Earnings per share

(1) Basic earnings per share and diluted earnings per share

	(Yen) For the year ended 31 March 2013	(Yen) For the year ended 31 March 2014	(U.S. Dollars (Note 2)) For the year ended 31 March 2014
Basic earnings per share			
From continuing operations	167.47	135.26	1.31
From discontinued operations	—	—	—
Total basic earnings per share	167.47	135.26	1.31
Diluted earnings per share			
From continuing operations	167.44	135.04	1.31
From discontinued operations	—	—	—
Total diluted earnings per share	167.44	135.04	1.31

(2) The basis of calculation of basic earnings per share and diluted earnings per share

① Basic earnings per share

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen) For the year ended 31 March 2013	(Millions of Yen) For the year ended 31 March 2014	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2014
Profit attributable to owners of the Company from continuing operations	72,260	58,390	567,334
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	72,260	58,390	567,334

(b) Weighted average number of ordinary shares used in the calculation of basic earnings per share

(Shares in thousands)

	For the year ended 31 March 2013	For the year ended 31 March 2014
Weighted-average number of ordinary shares	431,476	431,678

② **Diluted earnings per share**

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Profit attributable to owners of the Company from continuing operation after dilution	72,260	58,390	567,334
Profit attributable to owners of the Company from discontinued operation after dilution	—	—	—
Profit used in the calculation of diluted earnings per share	72,260	58,390	567,334

(b) Weighted average number of ordinary shares used in the calculation of diluted earnings per share

(Shares in thousands)

	For the year ended 31 March 2013	For the year ended 31 March 2014
Weighted-average number of ordinary shares	431,476	431,678
Shares deemed to be issued for no consideration in respect of:		
Stock options	83	701
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	431,559	432,379

29.Non-cash transactions

Non-cash transactions for the years ended 31 March 2013 and 2014 consisted of acquiring property, plant and equipment through new finance lease arrangements in the amount of 14 million yen and 186 million yen (1,803 thousand U.S. dollars), respectively.

30.Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2013 and 2014 is as follows:

Reportable Segment	Location	Number of wholly owned subsidiaries	
		As at 31 March 2013	As at 31 March 2014
Information Technology	U.S.A.	2	2
	SINGAPORE	2	2
	THAILAND	2	2
	PHILIPPINES	3	3
	VIETNAM	3	4
	MALAYSIA	1	1
	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	8	8
	JAPAN	1	1
Life Care	U.S.A.	5	5
	ARGENTINA	1	1
	UNITED KINGDOM	2	2
	ITALY	1	1
	INDIA	3	3
	INDONESIA	1	1
	AUSTRALIA	1	1
	NETHERLANDS	4	4
	CANADA	2	2
	SINGAPORE	3	3
	SWEDEN	1	1
	SPAIN	1	1
	THAILAND	2	2
	CZECH REPUBLIC	1	1
	DENMARK	1	1
	GERMANY	4	4
	HUNGARY	2	2
	PHILIPPINES	2	2
	FINLAND	1	1
	BRAZIL	2	2
	FRANCE	4	3
	BULGARIA	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	POLAND	1	1
	MALAYSIA	3	3

Reportable Segment	Location	Number of wholly owned subsidiaries	
		As at 31 March 2013	As at 31 March 2014
Life Care	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	5	7
	SOUTH AFRICA	1	1
	JAPAN	4	5
Other	U.S.A.	2	2
	NETHERLANDS	1	1
	SINGAPORE	1	1
	SOUTH KOREA	1	1
	JAPAN	1	1

Reportable Segment	Location	Number of non-wholly owned subsidiaries	
		As at 31 March 2013	As at 31 March 2014
Information Technology	PHILIPPINES	1	1
	CHINA	3	3
Life Care	IRELAND	—	1
	U.S.A.	—	1
	UNITED KINGDOM	—	1
	ITALY	1	1
	NETHERLANDS	—	4
	SPAIN	1	1
	GERMANY	—	3
	FRANCE	—	1
	VIETNAM	—	1
	BELGIUM	—	1
	CHINA	2	3
	JAPAN	—	3

(2) Details of the non-wholly owned subsidiaries that have material non-controlling interests

Details of the non-wholly owned subsidiaries that have material non-controlling interests are as follows:

Name of subsidiaries	Location	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
				(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		As at 31 March 2013	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
SHENZHEN KTM GLASS SUBSTRATE CO., LTD	CHINA	49.0%	－	(13)	1,514	14,710	(1,402)	－	－
WASSENBURG &Co. B.V. and eight other companies	NETHERLANDS and other countries	－	49.0%	－	60	585	－	2,942	28,590
SEIKO OPTICAL PRODUCTS CO., LTD and seven other companies	JAPAN and other countries	－	50.0%	－	－	－	－	1,608	15,622
Individually immaterial subsidiaries with non-controlling interests							1,215	1,571	15,264
Total							(187)	6,121	59,476

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	(Millions of Yen) As at / for the year ended 31 March 2013	(Millions of Yen) As at / for the year ended 31 March 2014	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2014
SHENZHEN KTM GLASS SUBSTRATE CO., LTD			
Non-current assets	－	－	－
Current assets	5	－	－
Non-current liabilities	－	－	－
Current liabilities	2,865	－	－
Equity attributable to owner of the Company	1,459	－	－
Non-controlling interests	1,402	－	－
Revenue	0	3,124	30,349
Expenses	(27)	(34)	(329)
Profit(loss) for the year	(27)	3,090	30,020
Dividends paid to non-controlling interests	－	－	－
Net cash flow from operating activities	(7)	(5)	(47)
Net cash flow from investing activities	－	－	－
Net cash flow from financing activities	－	－	－
Net cash flow	(7)	(5)	(47)

	(Millions of Yen) As at / for the year ended 31 March 2013	(Millions of Yen) As at / for the year ended 31 March 2014	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2014
WASSENBURG &Co. B.V. and eight other companies			
Non-current assets	－	5,074	49,301
Current assets	－	3,621	35,179
Non-current liabilities	－	(1,177)	(11,432)
Current liabilities	－	(1,513)	(14,701)
Equity attributable to owner of the Company	－	3,063	29,757
Non-controlling interests	－	2,942	28,590
Revenue	－	2,258	21,936
Expenses	－	(2,401)	(23,332)
Profit(loss) for the year	－	(144)	(1,395)
Dividends paid to non-controlling interests	－	－	－
Net cash flow from operating activities	－	398	3,870
Net cash flow from investing activities	－	(30)	(292)
Net cash flow from financing activities	－	(71)	(686)
Net cash flow	－	298	2,892

	(Millions of Yen) As at / for the year ended 31 March 2013	(Millions of Yen) As at / for the year ended 31 March 2014	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2014
SEIKO OPTICAL PRODUCTS CO., LTD and seven other companies			
Non-current assets	－	2,813	27,332
Current assets	－	9,659	93,851
Non-current liabilities	－	(108)	(1,048)
Current liabilities	－	(9,066)	(88,086)
Equity attributable to owner of the Company	－	1,649	16,025
Non-controlling interests	－	1,649	16,025
Revenue	－	－	－
Expenses	－	－	－
Profit(loss) for the year	－	－	－
Dividends paid to non-controlling interests	－	－	－
Net cash flow from operating activities	－	－	－
Net cash flow from investing activities	－	－	－
Net cash flow from financing activities	－	－	－
Net cash flow	－	－	－

(3) Details of the material subsidiaries

Details of the Company's material subsidiaries are as follows:

Name of subsidiaries	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2013	As at 31 March 2014
HOYA GLASS DISK (THAILAND) LTD.	Information Technology	Electronics related products	THAILAND	100.0%	100.0%
HOYA GLASS DISK PHILIPPINES, INC.	Information Technology	Electronics related products	PHILIPPINES	100.0%	100.0%
HOYA GLASS DISK VIETNAM LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA GLASS DISK VIETNAM Ⅱ LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA MICROELECTRONICS TAIWAN CO., LTD.	Information Technology	Electronics related products	TAIWAN	100.0%	100.0%
HOYA ELECTRONICS KOREA CO., LTD.	Information Technology	Electronics related products	SOUTH KOREA	100.0%	100.0%
HOYA ELECTRONICS MALAYSIA SDN.BHD.	Information Technology	Electronics related products	MALAYSIA	100.0%	100.0%
HOYA ELECTRONICS SINGAPORE PTE. LTD.	Information Technology	Electronics related products	SINGAPORE	100.0%	100.0%
HOYA CORPORATION USA	Information Technology	Electronics related products	U.S.A.	100.0%	100.0%
EAST CHEER INVESTMENT LIMITED	Information Technology	Electronics related products	CHINA	100.0%	100.0%
SHENZHEN KTM GLASS SUBSTRATE CO., LTD.	Information Technology	Electronics related products	CHINA	51.0%	―
HOYA OPTICS (THAILAND) LTD.	Information Technology	Imaging related products	THAILAND	100.0%	100.0%
HOYA OPTO-ELECTRONICS QINGDAO LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL (ASIA) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
PENTAX CEBU PHILIPPINES CORPORATION	Information Technology	Imaging related products	PHILIPPINES	100.0%	100.0%

Name of subsidiaries	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2013	As at 31 March 2014
HOYA LENS MANUFACTURING MALAYSIA SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%
HOYA LENS THAILAND LTD.	Life Care	Health Care related products	THAILAND	100.0%	100.0%
HOYA LENS GUANGZHOU LTD.	Life Care	Health Care related products	CHINA	95.0%	95.0%
HOYA LENS AUSTRALIA PTY.LTD.	Life Care	Health Care related products	AUSTRALIA	100.0%	100.0%
HOYA LENS INDIA PRIVATE LIMITED	Life Care	Health Care related products	INDIA	100.0%	100.0%
HOYA LENS VIETNAM LTD.	Life Care	Health Care related products	VIETNAM	100.0%	100.0%
HOYA LENS DEUTSCHLAND GMBH	Life Care	Health Care related products	GERMANY	100.0%	100.0%
HOYA LENS U.K. LTD.	Life Care	Health Care related products	UNITED KINGDOM	100.0%	100.0%
HOYA LENS ITALIA S.P.A.	Life Care	Health Care related products	ITALY	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	100.0%	100.0%
HOYA LENS FRANCE S.A.S.	Life Care	Health Care related products	FRANCE	100.0%	100.0%
HOYA LENS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%
HOYA HOLDINGS N.V.	Life Care and Corporate	Health Care related products and EU headquarters	NETHERLANDS	100.0%	100.0%
SEIKO OPTICAL PRODUCTS CO., LTD.	Life Care	Health Care related products	Japan	—	50.0%
PENTAX CANADA, INC.	Life Care	Medical related products	CANADA	100.0%	100.0%
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	100.0%	100.0%
PENTAX ITALIA S.R.L	Life Care	Medical related products	ITALY	60.0%	60.0%
PENTAX U.K. LTD.	Life Care	Medical related products	UNITED KINGDOM	100.0%	100.0%
MICROLINE SURGICAL, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
HOYA HOLDINGS ASIA PACIFIC PTE. LTD.	Corporate	Asia headquarters	SINGAPORE	100.0%	100.0%
HOYA HOLDINGS (ASIA) B.V.	Corporate	Holding company	NETHERLANDS	100.0%	100.0%
HOYA HOLDINGS, INC.	Corporate	U.S. headquarters	U.S.A.	100.0%	100.0%

31.Related party disclosures

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Details of the balances and transactions between the Company and other related parties are disclosed as follows:

(1) Transactions with related parties, and receivables and payables balances

The Group had the transactions with related parties as follows:

As at/ for the year ended 31 March 2013:

	Name of affiliates	Nature of related party transactions	Transaction amount (Millions of Yen)	Outstanding balance (Millions of Yen)
Affiliates	AvanStrate Inc.	Purchase of material	27	－

As at/ for the year ended 31 March 2014:

	Name of affiliates	Nature of related party transactions	Transaction amount (Millions of Yen)	Transaction amount (Thousands of U.S. Dollars (Note 2))
Subsidiaries	SEIKO OPTICAL PRODUCTS CO., LTD	Sales of products	6,150	59,754
	SEIKO OPTICAL EUROPE GMBH	Sales of products	373	3,624
	SEIKO OPTICAL PRODUCTS OF AMERICA, INC.	Sales of products	556	5,402

The Company acquired 9,000 stocks, 30 percent of the outstanding shares, of SEIKO OPTICAL PRODUCTS CO., LTD. (“SOP”) on 1 June 2013. As a result, SOP became an affiliate of the Group. On 31 March 2014, the Company acquired additional shares of 6,000, 20 percent of the outstanding shares. Consequently, as a result of obtaining control, SOP became a subsidiary of the Group. SEIKO OPTICAL EUROPE GMBH and SEIKO OPTICAL PRODUCTS OF AMERICA, INC. are the wholly owned subsidiaries of SOP.

As the transaction amounts with SOP in the year ended 31 March 2014 are included in the consolidated financial statements, the transaction amounts are disclosed as the transaction with related parties. The outstanding balances are not disclosed, as the receivables and payables have been eliminated in consolidation.

(2) Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the year is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2014
Short-term benefits	345	486	4,723
Share-based payments	22	66	644
Total remuneration of key management personnel	367	552	5,366

The remuneration of directors and key management personnel is determined by the remuneration committee based on the business environment of the Company, the remuneration of other companies and the performance.

32.Business combinations

The Group acquired some companies through business combination during the year ended 31 March 2014 as follows:

(1) Overview of acquired companies

Name of acquirees	Primary business	Reportable segments	Acquisition date	Percentage of voting equity interests acquired	Total consideration transferred (Million Yen)	Total consideration transferred (Thousands of U.S. Dollars (Note 2))	Acquisition method
RICH EPOCH INVESTMENT LTD.	Manufacturing and sales of ophthalmic lenses	Life Care (Health Care related products)	2 Apr 2013	100%	2,313	22,476	Acquisition of shares
VISION OPTICS (SHANGHAI) CO., LTD.	Manufacturing and sales of ophthalmic lenses	Life Care (Health Care related products)	2 Apr 2013	100% (i)	―	―	Acquisition of shares (indirect)
WASSENBURG & CO. B. V.	Manufacturing and sales of automated endoscope reprocessing	Life Care (Medical related products)	1 Nov 2013	51%	3,765	36,586	Acquisition of shares
WASSENBURG ENGINEERING B. V. and seven other companies	Manufacturing and sales of automated endoscope reprocessing	Life Care (Medical related products)	1 Nov 2013	(51%) (ii)	―	―	Acquisition of shares (indirect)
SEIKO OPTICAL PRODUCTS CO., LTD.	Sales of ophthalmic lenses related products	Life Care (Health Care related products)	31 Mar 2014	50%	2,399	23,309	Acquisition of shares
BEST VISION CO., LTD. and six other companies	Sales of ophthalmic lenses related products	Life Care (Health Care related products)	31 Mar 2014	(50%) (iii)	―	―	Acquisition of shares (indirect)

Note:

(i) VISION OPTICS (SHANGHAI) CO., LTD. is the wholly owned subsidiary of RICH EPOCH INVESTMENT LTD. (indirect acquisition).

(ii) WASSENBURG ENGINEERING B. V. and seven other companies are the wholly owned subsidiaries of WASSENBURG & CO. B.V. (indirect acquisition).

(iii) BEST VISION CO., LTD and six other companies are the wholly owned subsidiaries of SEIKO OPTICAL PRODUCTS CO., LTD. (indirect acquisition).

(2) Primary reasons for business combinations

① RICH EPOCH INVESTMENT LTD. and VISION OPTICS (SHANGHAI) CO., LTD. (“REI”)
The Group seeks to expand its sales in the middle segment in China and Asian markets which are expected to grow.

② WASSENBURG & CO. B. V. and eight other companies (“WASSENBURG”)
The Group aims to offer not only endoscopes but also wide range of outstanding products including automated endoscope reprocessing. Furthermore, it seeks to enlarge its sales in developing markets, such as Asia Pacific, Eastern Europe, Middle East, and Africa, by offering various products.

③ SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies (“SOP”)
The Group acquired the shares of SEIKO OPTICAL PRODUCTS CO., LTD., a subsidiary of SEIKO HOLDINGS CORPORATION (“SEIKO”), for the global strategic alliance with SEIKO, seeking the global promotion of ophthalmic lenses related products.

(3) Consideration for the acquisitions

(Millions of Yen)

	REI	WASSENBURG	SOP	Total
Cash and cash equivalents	2,313	3,765	2,399	8,478

(Thousands of U.S. Dollars (Note 2))

	REI	WASSENBURG	SOP	Total
Cash and cash equivalents	22,476	36,586	23,309	82,370

(4) Expenses related to acquisition
Expenses related to acquisition in the amount of 95 million yen (928 thousand U.S. dollars) are included in “Commission expense” in the consolidated statement of comprehensive income.

(5) The amount of assets acquired and liabilities assumed at the acquisition dates are as follows:

(Millions of Yen)

	REI	WASSENBURG	SOP	Total
Non-current assets				
Property, plant and equipment-net	200	234	579	1,014
Intangible assets (Note)	539	4,908	1,927	7,373
Deferred tax assets	—	—	450	450
Non-current assets other than above	—	13	131	144
Sub-total	739	5,155	3,087	8,981
Current assets				
Inventory	307	1,191	3,141	4,639
Trade and other receivables (Before deducting allowance for doubtful accounts)	283	947	5,296	6,525
Allowance for doubtful accounts	—	—	(54)	(54)
Cash and cash equivalents	257	937	894	2,087
Current assets other than above	0	69	31	101
Sub-total	847	3,144	9,308	13,299
Total assets	1,586	8,299	12,395	22,280
Non-current liabilities (Note)	(135)	(1,292)	(108)	(1,534)
Current liabilities	(278)	(1,225)	(9,072)	(10,575)
Total liabilities	(412)	(2,517)	(9,180)	(12,109)
Fair value of identifiable acquired net assets	1,174	5,782	3,216	10,171

(Thousands of U.S. Dollars (Note 2))

	REI	WASSENBURG	SOP	Total
Non-current assets				
Property, plant and equipment-net	1,945	2,278	5,625	9,848
Intangible assets (Note)	5,237	47,683	18,721	71,641
Deferred tax assets	—	—	4,373	4,373
Non-current assets other than above	—	123	1,277	1,401
Sub-total	7,182	50,084	29,997	87,263
Current assets				
Inventory	2,981	11,572	30,522	45,075
Trade and other receivables (Before deducting allowance for doubtful accounts)	2,746	9,203	51,454	63,403
Allowance for doubtful accounts	—	—	(526)	(526)
Cash and cash equivalents	2,497	9,101	8,683	20,280
Current assets other than above	5	674	305	984
Sub-total	8,228	30,549	90,437	129,215
Total assets	15,410	80,633	120,434	216,478
Non-current liabilities (Note)	(1,309)	(12,552)	(1,048)	(14,909)
Current liabilities	(2,698)	(11,904)	(88,144)	(102,745)
Total liabilities	(4,007)	(24,456)	(89,191)	(117,654)
Fair value of identifiable acquired net assets	11,404	56,178	31,243	98,824

Note:
Intangible assets mainly consist of "Customer related assets".
Deferred tax liabilities are mainly recognised on temporary differences arising in recognition of identifiable intangible assets.

The Group reported the provisional amounts of certain intangible assets for the period ended 31 December 2013, since the measurement process was not completed. It was completed as at 31 March 2014.

(6) Goodwill arising from the acquisitions

(Millions of Yen)

	REI	WASSENBURG	SOP	Total
Consideration for acquisitions	2,313	3,765	2,399	8,478
Add: Non-controlling interests (Note)	−	2,833	1,608	4,441
Less: Fair value of identifiable acquired net assets	(1,174)	(5,782)	(3,216)	(10,171)
Goodwill arising in acquisitions	1,139	817	791	2,747

(Thousands of U.S. Dollars (Note 2))

	REI	WASSENBURG	SOP	Total
Consideration for acquisitions	22,476	36,586	23,309	82,370
Add: Non-controlling interests (Note)	−	27,527	15,622	43,149
Less: Fair value of identifiable acquired net assets	(11,404)	(56,178)	(31,243)	(98,824)
Goodwill arising in acquisitions	11,072	7,935	7,688	26,695

Note:
Non-controlling interests of acquiree are measured on the proportionate share of the net of identifiable assets and assumed liabilities.
Goodwill recognised consists of “control premium”, “expected synergy” and “human resources”.
Goodwill arising from these acquisitions is not tax-deductible.

(7) Net cash outflows for the acquisitions of subsidiaries

(Millions of Yen)

	REI	WASSENBURG.	SOP	Total
Consideration for the acquisitions paid in cash	2,313	3,765	2,399	8,478
Less: Cash and cash equivalents owned by subsidiaries acquired	(257)	(937)	(894)	(2,087)
Net cash outflows for the acquisitions of subsidiaries	2,056	2,829	1,505	6,390

(Thousands of U.S. Dollars (Note 2))

	REI	WASSENBURG	SOP	Total
Consideration for the acquisitions paid in cash	22,476	36,586	23,309	82,370
Less: Cash and cash equivalents owned by subsidiaries acquired	(2,497)	(9,101)	(8,683)	(20,280)
Net cash outflows for the acquisitions of subsidiaries	19,979	27,485	14,626	62,091

(8) Impact on the Group’s financial results of the Business combinations

If these business combinations were made on 1 April 2013, sales and profit from continuing operations of the Group would have been 447,410 million yen (4,347,163 thousand U.S. dollars) and 60,548 million yen (588,302 thousand U.S. dollars), respectively. These pro forma information represents information for reference, such as comparison with the future reporting period.

In determining the pro forma revenue and profit of these business combination, management has calculated depreciation of property, plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements of the acquirees.

Sales and profit for the year included in the consolidated statement of comprehensive income are 3,228 million yen (31,367 thousand U.S. dollars) and 95 million yen (925 thousand U.S. dollars), respectively.

33.Contingent liabilities

Guarantee liabilities

The Group provides guarantees to financial institutions on borrowings of business partners as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Business partners	527	290	2,821
Total	527	290	2,821

34.Commitments for expenditure

Payment commitments after the reporting date are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014
Commitments for the acquisition of property, plant and equipment and intangible assets	4,915	5,781	56,174

35.Subsequent events

Resolution on cash dividends

On 21 May 2014, a resolution was made by the Company's Board of Directors for the payment of a cash dividend to shareholders of record on 31 March 2014 of 19,444 million yen (188,926 thousand U.S. dollars) (45 yen per common share).

Repurchase of treasury stock

The Board of Directors made a resolution to purchase the Company’s treasury stock on 7 May 2014 pursuant to the first paragraph of Article 459 of the Companies Act.

1. Reason for purchase of treasury stock
   To manage capital policy flexibly in response to a changing business environment, and improve shareholders’ value per share.
2. Outline of Repurchase

(1) Class of shares: Common stock issued by Hoya Corporation

(2) Total number of shares: Up to 10 million shares (2.31% of total shares outstanding, excluding treasury stock)

(3) Total purchase cost: Up to 30 billion yen (291,489 thousand U.S. dollars)

(4) Period for purchase: 8 May 2014 to 7 November 2014

(5) Method of purchase: Purchase at the Tokyo Stock Exchange based on a discretionary investment contract

36.Approval of financial statements

The consolidated financial statements for the year ended 31 March 2014 were approved by the Company’s Board of Directors and authorised for issue on 21 May 2014.