



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

For the year ended 31 March 2010

**HOYA Corporation**

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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 2010, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 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 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte Touche Tohmatsu LLC*

21 December 2010

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2010**

(Millions of Yen)

	Notes	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b><u>ASSETS</u></b>				
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment—net	6, 37	154,272	130,498	122,203
Goodwill	7,8	17,175	2,693	5,484
Other intangible assets	7	36,626	19,228	17,782
Investments in associates	9	17,279	9,092	9,214
Long-term financial assets	11,23	10,263	9,115	18,809
Other non-current assets	12	4,482	3,587	2,962
Deferred tax assets	10	57,622	47,188	44,684
Total non-current assets		297,719	221,401	221,138
<b>CURRENT ASSETS:</b>				
Inventories	13	81,133	71,108	61,214
Trade and other receivables	14,23	121,810	81,685	94,298
Other short-term financial assets	11,23	1,363	6,899	5,586
Income tax receivables		7,729	2,363	2,326
Other current assets	12	6,062	7,711	7,465
Cash and cash equivalents	15,23	181,336	207,928	167,938
Sub total		399,433	377,694	338,827
Assets held for sale	24	234	1,126	325
Total current assets		399,667	378,820	339,152
Total assets		697,386	600,221	560,290

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2010-Continued**

(Millions of Yen)

	Notes	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b><u>EQUITY AND LIABILITIES</u></b>				
<b><u>EQUITY</u></b>				
Share capital	22(1)	6,264	6,264	6,264
Capital reserves	22(1)	15,899	15,899	15,899
Treasury shares	22(2)	(7,984)	(7,985)	(11,010)
Other capital reserves	22(2),25	(3,768)	(3,303)	(3,014)
Retained earnings	22(3),38	381,697	382,941	396,019
Accumulated other comprehensive income/(loss)		(834)	(52,606)	(46,603)
Equity attributable to owners of the Company		391,274	341,210	357,555
Minority interests	22(4)	2,903	1,774	1,194
Total equity		394,177	342,984	358,749
<b><u>LIABILITIES</u></b>				
<b>NON-CURRENT LIABILITIES:</b>				
Interest-bearing long-term debt	16,17,23	115,157	111,554	102,995
Other long-term financial liabilities	11,23	73	284	7
Retirement benefits obligation	19	10,383	8,489	8,186
Other provisions	20	1,891	1,943	1,718
Other non-current liabilities	12	838	789	1,703
Deferred tax liabilities	10	109	56	10
Total non-current liabilities		128,451	123,115	114,619
<b>CURRENT LIABILITIES:</b>				
Interest-bearing short-term debt	16,17,23	23,891	48,888	4,290
Trade and other payables	21,23	81,011	46,082	47,279
Other short-term financial liabilities	11,23	10	150	385
Income tax payables		30,851	7,273	4,469
Other provisions	20	991	794	904
Other current liabilities	12	38,004	30,935	29,595
Total current liabilities		174,758	134,122	86,922
Total liabilities		303,209	257,237	201,541
Total equity and liabilities		697,386	600,221	560,290

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 March 2010**

(Millions of Yen)

	Notes	For the year ended 31 March 2009	For the year ended 31 March 2010
<b>Continuing operations</b>			
<b>Revenue:</b>			
Sales	26	453,795	413,726
Finance income	27	13,570	920
Share of profit of associates	9	999	466
Other income	6,26	11,145	5,720
<b>Total Revenue</b>		<b>479,509</b>	<b>420,832</b>
<b>Expenses:</b>			
Changes in inventories of goods, products and work in progress		6,396	11,191
Raw materials and consumables used		108,223	93,801
Employee benefits expense	19,26	107,258	92,922
Depreciation and amortisation	6,7	46,796	33,954
Subcontracting cost		12,828	7,046
Advertising and promotion expense		12,775	10,648
Commission expense		26,402	21,991
Impairment losses	8	30,767	834
Finance costs	27	4,793	2,896
Other expenses	6,7,18,26	73,382	93,992
<b>Total Expense</b>		<b>429,620</b>	<b>369,275</b>
Profit before tax		49,889	51,557
Income tax expense	10	19,931	10,040
<b>Profit for the year from continuing operations</b>		<b>29,958</b>	<b>41,517</b>
<b>Discontinued Operations</b>			
<b>Profit/(loss) for the year from discontinued operations</b>	28	(879)	—
<b>Profit for the year</b>		<b>29,079</b>	<b>41,517</b>
<b>Other comprehensive income:</b>	29		
Exchange differences on translating foreign operations		(50,593)	5,866
Net gain on revaluation of available-for-sale financial assets		744	495
Share of other comprehensive income of associates		(1,989)	(281)
Income tax relating to components of other comprehensive income	10	(176)	(64)
<b>Total other comprehensive income/(loss)</b>		<b>(52,014)</b>	<b>6,016</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(22,935)</b>	<b>47,533</b>
<b>Profit attributable to:</b>			
Owners of the Company		29,380	41,213
Minority interests		(301)	304
<b>Total</b>		<b>29,079</b>	<b>41,517</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		(22,392)	47,216
Minority interests		(543)	317
<b>Total</b>		<b>(22,935)</b>	<b>47,533</b>

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
For the year ended 31 March 2010-Continued

(Yen)

	Notes	For the year ended 31 March 2009	For the year ended 31 March 2010
<b>Basic earnings/(loss) per share</b>	30		
Continuing operations		69.90	95.24
Discontinued operations		(2.03)	—
<b>Basic earnings per share</b>		67.87	95.24
<b>Diluted earnings/(loss) per share</b>	30		
Continuing operations		69.89	95.15
Discontinued operations		(2.03)	—
<b>Diluted earnings per share</b>		67.86	95.15

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2010**

(Millions of Yen)

	Notes	Share capital 22(1)	Capital reserves 22(1)	Treasury shares 22(2)	Other capital reserves 22(2)	Retained earnings 22(3)
<b>Balance at 1 April 2008</b>		6,264	15,899	(7,984)	(3,768)	381,697
<b>Total comprehensive Income/(loss) for the year</b>						29,380
Profit/(loss) for the year	29					
Other comprehensive income/(loss)						29,380
<b>Total comprehensive income/(loss) for the year</b>						29,380
<b>Transactions with owners</b>						
<b>Contributions by and distributions to owners</b>						
Acquisition of treasury shares				(6)		
Disposal of treasury shares				5	(2)	
Dividends, Yen 65 per share	22(3),38					(28,136)
Change in minority interests						
Share-based payments (Stock option)	25				467	
<b>Total contributions by and distributions to owners</b>				(1)	465	(28,136)
<b>Total transactions with owners</b>				(1)	465	(28,136)
<b>Balance at 31 March 2009</b>		6,264	15,899	(7,985)	(3,303)	382,941
<b>Total comprehensive Income/(loss) for the year</b>						41,213
Profit for the year	29					
Other comprehensive income						41,213
<b>Total comprehensive income/(loss) for the year</b>						41,213
<b>Transactions with owners</b>						
<b>Contributions by and distributions to owners</b>						
Acquisition of treasury shares				(3,275)		
Disposal of treasury shares				250	(140)	
Dividends, Yen 65 per share	22(3),38					(28,135)
Change in minority interests						
Share-based payments (Stock option)	25				429	
<b>Total contributions by and distributions to owners</b>				(3,025)	289	(28,135)
<b>Total transactions with owners</b>				(3,025)	289	(28,135)
<b>Balance at 31 March 2010</b>		6,264	15,899	(11,010)	(3,014)	396,019



**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2010-Continued**

(Millions of Yen)

	Notes	Net gain/(loss) on revaluation of available- for-sale financial assets	Exchange differences on translation of foreign operations	Share of other comprehensive income of associates	Accumulated other comprehensive income	Attributable to owners of the Company	Minority interests 22(4)	Total equity
<b>Balance at 1 April 2008</b>		(834)	—	0	(834)	391,274	2,903	394,177
<b>Total comprehensive Income/(loss) for the year</b>						29,380	(301)	29,079
Profit/(loss) for the year								
Other comprehensive income/(loss)	29	531	(50,314)	(1,989)	(51,772)	(51,772)	(242)	(52,014)
<b>Total comprehensive income/(loss) for the year</b>		531	(50,314)	(1,989)	(51,772)	(22,392)	(543)	(22,935)
<b>Transactions with owners</b>								
<b>Contributions by and distributions to owners</b>								
Acquisition of treasury shares						(6)		(6)
Disposal of treasury shares						3		3
Dividends, Yen 65 per share	22(3),38					(28,136)	(307)	(28,443)
Change in minority interests							(279)	(279)
Share-based payments (Stock option)	25					467		467
<b>Total contributions by and distributions to owners</b>						(27,672)	(586)	(28,258)
<b>Total transactions with owners</b>						(27,672)	(586)	(28,258)
<b>Balance at 31 March 2009</b>		(303)	(50,314)	(1,989)	(52,606)	341,210	1,774	342,984
<b>Total comprehensive Income/(loss) for the year</b>						41,213	304	41,517
Profit for the year								
Other comprehensive income/(loss)	29	451	5,833	(281)	6,003	6,003	13	6,016
<b>Total comprehensive income/(loss) for the year</b>		451	5,833	(281)	6,003	47,216	317	47,533
<b>Transactions with owners</b>								
<b>Contributions by and distributions to owners</b>								
Acquisition of treasury shares						(3,275)		(3,275)
Disposal of treasury shares						110		110
Dividends, Yen 65 per share	22(3),38					(28,135)	(159)	(28,294)
Change in minority interests							(738)	(738)
Share-based payments (Stock option)	25					429		429
<b>Total contributions by and distributions to owners</b>						(30,871)	(897)	(31,768)
<b>Total transactions with owners</b>						(30,871)	(897)	(31,768)
<b>Balance at 31 March 2010</b>		148	(44,481)	(2,270)	(46,603)	357,555	1,194	358,749

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Cash Flows (including discontinued operations)**  
**For the year ended 31 March 2010**

(Millions of Yen)

	Notes	For the year ended 31 March 2009	For the year ended 31 March 2010
Cash flows from operating activities			
Profit before tax		49,889	51,557
Loss before tax from discontinued operations		(879)	—
Depreciation and amortisation		46,797	33,954
Impairment losses		30,834	834
Finance income		(13,570)	(920)
Finance costs		4,793	2,896
Share of profits of associates		(999)	(466)
(Gain)/loss on sales of property, plant and equipment		26	307
Loss on disposal of property, plant and equipment		478	1,057
(Gain)/loss on business transfer		(892)	—
Others		(1,663)	6,703
Cash generated from operations (before movements in working capital)		114,814	95,922
Movements in working capital			
Decrease/(increase) in inventories		4,700	10,093
Decrease/(increase) in trade and other receivables		33,316	(12,737)
Increase/(decrease) in trade and other payables		(32,418)	1,126
Increase/(decrease) in retirement benefits obligation and other provisions		(2,040)	(455)
Sub total		118,372	93,949
Interests received		3,413	846
Dividends received		63	55
Interests paid		(1,897)	(2,037)
Income taxes paid		(34,990)	(10,727)
Income taxes refunded		7,387	1,648
Net cash generated from operating activities		92,348	83,734

**HOYA Corporation and its subsidiaries**  
**Consolidated Statement of Cash Flows (including discontinued operations)**  
**For the year ended 31 March 2010-Continued**

(Millions of Yen)

	Notes	For the year ended 31 March 2009	For the year ended 31 March 2010
Cash flows from investing activities			
Withdrawals of time deposit		590	4,652
Deposits for time deposit		(7,108)	(3,157)
Proceeds from sales of property, plant and equipment		1,170	2,050
Payments for acquisition of property, plant and equipment		(34,174)	(26,651)
Proceeds from disposal of investment securities		17,876	43
Payments for purchase of investment securities		(748)	—
Net cash outflow on acquisition of subsidiary	34	(1,154)	(3,423)
Payments to minority shareholders on merger	34	(9,398)	(85)
Proceeds from business transfer	26	1,320	—
Other proceeds		1,095	739
Other payments		(3,798)	(14,891)
Net cash used in investing activities		(34,329)	(40,723)
Cash flows from financing activities			
Dividends paid to owners of the Company		(28,115)	(28,236)
Dividends paid to minority interests		(307)	(159)
Increase (decrease) in short-term debt		(5,690)	(1,563)
Increase (decrease) in commercial paper		35,786	(41,978)
Proceeds from long-term borrowings		135	225
Repayments of long-term borrowings		(8,979)	(9,145)
Proceeds from disposal of treasury shares		3	0
Payments for purchase of treasury shares		(6)	(3,275)
Payments for purchase of treasury shares by subsidiaries		—	(709)
Proceeds from exercise of stock options		—	110
Net cash used in financing activities		(7,173)	(84,730)
Net increase/(decrease) in cash and cash equivalents		50,846	(41,719)
Cash and cash equivalents at the beginning of the year		181,336	207,928
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(24,254)	1,729
Cash and cash equivalents at the end of the year	15	207,928	167,938

Note:

Cash flows from discontinued operations are stated in Note 28 “Discontinued operations” and non-cash transactions are stated in Note 31 “Non-cash transactions”.

## **HOYA Corporation and its subsidiaries**

### **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 Group first adopted IFRSs for the fiscal year ended 31 March 2010, with a date of transition to IFRSs on 1 April 2008. The Group issued consolidated financial statements for the year ended 31 March 2010 in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”). The Company’s accounting policies complied with each IFRSs effective at 31 March 2010, except for provisions under IFRSs for which early adoption was not made by the Company and for allowed exemptions as noted below.

IFRS1 “First-time Adoption of International Financial Reporting Standards” requires a first-time adopter to include at least three consolidated statements of financial position, two consolidated statements of comprehensive income, two consolidated statements of cash flows and two consolidated statements of changes in equity and related notes in its first consolidated financial statements.

Additionally, under IFRS1, the Group is required to disclose following reconciliations;

- the reconciliation of total equity amount in the consolidated balance sheet under Japanese GAAP to total equity amount in the consolidated statement of financial position under IFRSs as at 1 April 2008 and 31 March 2010.
- the reconciliation of profit for the year in the consolidated statement of income under Japanese GAAP to profit attributable to owners of the Company in the consolidated statement of comprehensive income under IFRSs for the year ended 31 March 2010.

Likewise, the Company disclosed the reconciliation as at 31 March 2009 and for the year then ended as well.

The Group disclosed such reconciliation in Note 40 “Explanation of transition to IFRSs”.

Also, IFRS 1 provides exemptions for first-time adopters and the Group has elected exemptions for share-based payments transactions, business combinations, borrowing costs and cumulative translation differences.

Consequently, the Group did not apply IFRSs effective 31 March 2010 for the following items;

IFRS 2 “Share-based Payment” for equity instruments that were vested on and before 31 March 2008.

IFRS 3 “Business Combinations” for past business combinations that occurred on and before 31 March 2008.

The Group applied IAS 23 “Borrowing Costs” relating to qualifying assets for transactions that occurred on and after 1 April 2009. Cumulative translation differences for all foreign operations were adjusted to be zero as at 1 April 2008.

The accompanying consolidated financial statements are stated in Japanese Yen and rounded to the nearest million yen.

The Company and its domestic subsidiaries maintain their books and prepare their financial statements in accordance with 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) Early adoption of new and revised IFRSs

The Group has prepared the accompanying consolidated financial statements in accordance with IFRSs that were effective as at 31 March 2010. Early adoption of new or revised IFRSs was not made except for the annual improvement to IFRS 8 “Operating Segments”.

Effective for the year beginning on or after 1 January 2009, IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result of the annual improvement to IFRSs in April 2009, segment assets and liabilities need to be reported only when those assets and liabilities are periodically reported to the chief operating decision maker. This amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted. The Group early adopted this amended IFRS8 for the year ended 31 March 2010.

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

At the date of authorisation of the consolidated financial statements, other than IFRSs adopted by the Group earlier than their effective dates, the main standards and interpretations that were in issue but not yet effective for mandatory adoption are as follows;

IFRSs		Effective for annual periods beginning on or after	To be adopted by the Group from the year ending	Subject of amendment
IAS 1	Presentation of Financial Statements	1 January 2010	March 2011	- Clarification on current/non-current classification of convertible instruments
		1 January 2011	March 2012	- Clarification on the presentation of each component of equity in the statement of changes in equity
IAS 7	Statement of Cash Flows	1 January 2010	March 2011	- Clarification on the classification of expenditures on unrecognised assets
IAS 17	Leases	1 January 2010	March 2011	- Revision on the classification of leases of land and buildings
IAS 24	Related Party Disclosures	1 January 2011	March 2012	- Partial exemption of disclosure for government-related entities - Revision of the definition of related party
IAS 27	Consolidated and Separate Financial Statements	1 July 2009	March 2011	- Revision to step acquisition that previously-held equity interest in the acquiree must be remeasured at acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. - Revision to non-controlling interests that total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance
		1 July 2010	March 2012	- Clarification on the transition requirements for amendments to IAS 21, IAS 28 and IAS 31 arising as a result of revised IAS 27 (2008)
IAS 32	Financial Instruments: Presentation	1 February 2010	March 2011	- Amendment of the classification of rights issues
IAS 34	Interim Financial Reporting	1 January 2011	March 2012	- Amendments to emphasise its disclosure principles and to add further guidance, including additional examples, to illustrate how to apply these principles
IAS 36	Impairment of Assets	1 January 2010	March 2011	- Amendment about units of accounting for goodwill impairment testing using segments before aggregation under IFRS 8
IAS 39	Financial Instruments: Recognition and Measurement	1 July 2009	March 2011	- Clarification of eligibility of hedged item
		1 January 2010	March 2011	- Prohibition of the consideration of time value of money for option-type derivatives in determining the hedging relationship. - Treatment for loan prepayment penalties as closely related embedded derivatives

IFRSs		Effective for annual periods beginning on or after	To be adopted by the Group from the year ending	Subject of amendment
				<ul style="list-style-type: none"> <li>- Scope exemption for business combination contracts</li> <li>- Amendment for cash flow hedge accounting</li> </ul>
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 July 2009	March 2011	- Restructured version of IFRS 1
		1 January 2010	March 2011	<ul style="list-style-type: none"> <li>- Exemption for entities using the full cost method from retrospective application of IFRSs for oil and gas assets</li> <li>- Exemption for entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4</li> </ul>
		1 July 2010	March 2012	- Relief from providing the additional disclosures introduced in March 2009 by amendments to IFRS 7
		1 January 2011	March 2012	<ul style="list-style-type: none"> <li>- Clarification for a first-time adopter that changes its accounting policies or its use of IFRS 1 exemptions after a publishing a set of IAS 34 financial information should explain those changes and include the effects of such changes in its opening reconciliations within the first annual IFRSs reporting</li> <li>- Clarification that a revaluation that occurs during the period covered by the first IFRSs financial statements can be used as a deemed cost</li> <li>- Clarification for the criteria of use of the deemed cost for rate-regulated activity</li> </ul>
IFRS 2	Share-based Payment	1 July 2009	March 2011	- Revision of IFRS 2 in accordance with the revision of IFRS 3 in 2008 on the definition of business combinations
		1 January 2010	March 2011	- Clarification for the accounting for group cash-settled share-based payments transactions
IFRS 3	Business Combinations	1 July 2009	March 2011	<ul style="list-style-type: none"> <li>- Amendment that on the date when control is obtained or lost, the entity's share to the acquiree should be remeasured at fair value, and changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions</li> <li>- Amendment to acquisition costs that the costs are expensed as incurred</li> </ul>
		1 July 2010	March 2012	<ul style="list-style-type: none"> <li>- Revision to measurement of non-controlling interests</li> <li>- Revision to un-replaced and voluntarily replaced share-based payments transactions</li> <li>- Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS 3 (2008)</li> </ul>
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009	March 2011	- Amendment that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary
		1 January 2010	March 2011	<ul style="list-style-type: none"> <li>- Amendment to the treatment when a committed sales plan involves loss of control of a subsidiary</li> <li>- Clarification for disclosures for non-current assets (or disposed group) classified as held for sale or discontinued operations</li> </ul>

IFRSs		Effective for annual periods beginning on or after	To be adopted by the Group from the year ending	Subject of amendment
IFRS 7	Financial Instruments: Disclosures	1 January 2011	March 2012	- Revision to disclosures of the nature and extent of risks associated with financial instruments
		1 July 2011	March 2013	- Amendment on enhancing disclosures for transferred financial assets
IFRS 9	Financial Instruments	1 January 2013	March 2014	- Replacement of IAS 39 for classification of financial assets measured either at amortised cost or fair value - Amendment to IAS 39 that for investments in equity instruments designated as at fair value through other comprehensive income, the only dividends on the investments to be recognised in profit or loss - Amendment that the changes in fair value, due to changes in the own credit risk, of financial liabilities designated at FVTPL should be recognised directly in other comprehensive income
IFRIC 9	Reassessment of Embedded Derivatives	1 July 2009	March 2011	- Amendment for the scope of IFRIC 9 for business combinations
IFRIC 13	Customer Loyalty Programmes	1 January 2011	March 2012	- Clarification that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011	March 2012	- Amendment that an early payment of contribution to cover minimum funding requirements should be deemed as economic benefits
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 July 2009	March 2011	- Amendment to the restriction on the entity that can hold hedging instruments
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	March 2011	- Clarification that an entity should measure the dividend payable at the fair value of the non-cash assets to be distributed - Clarification that an entity should remeasure the dividend liability at each reporting date with changes recognised directly in equity - Clarification that an entity should recognise the difference between the carrying amount of the assets distributed and the carrying amount of dividend payable in profit or loss, and should disclose it separately
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	March 2012	- Guidance on “debt-equity swap”.

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 but these standards and interpretations should have no significant impact on the future consolidated financial statements of the Group, except for IFRS 3 “Business Combinations” and IFRS 9 “Financial Instruments”.

### **3. Significant accounting policies**

#### **(1) Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and available-for-sale financial assets measured at fair value in principle. 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. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year which resulted in a change of control are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, 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.

Minority interests in subsidiaries are identified separately from the Group's equity therein. Minority interests consist of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority interests in excess of the minority interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority interests has a binding obligation and is able to make an additional investment to cover the losses.

##### **② Investments in associates**

An associate is an entity over which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, and assets and liabilities of 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 as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual 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.

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) Business combination**

Business combinations are accounted for on the basis of IFRS 3 (2004) "Business Combination", and acquisitions of subsidiaries and businesses are accounted for using the purchase method. Any costs directly attributable to the business combination are included in the cost of the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value, if it is probable and the measurement is reliable. If the initial accounting for a business combination is incomplete by the end of the period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination are provisional, the Group accounts for the combination using those provisional values. The provisional amounts are adjusted within 12 months after the acquisition date.



Goodwill arising from a business combination is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Minority interests in subsidiaries are identified separately from the Group's equity therein, based on the proportion of minority interest toward identifiable net assets of the subsidiary. Past goodwill arising from business combinations before the IFRSs transition date is measured at their carrying amount after performing an impairment test in accordance with the previous generally accepted accounting principles (Japanese GAAP).

#### **(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 (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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period. The exchange gain or loss is included in "other expenses" in the consolidated statement of comprehensive income.

##### **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 operation in other comprehensive income and accumulated in equity, 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 accumulated 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 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.

Building and structures	10-50 years
Machinery and carriers	3-12 years
Tools, equipment and fixtures	3-15 years

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

## **(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.

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 a short-term or long-term finance lease obligation. 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 excluding goodwill**

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

### **① Intangible assets acquired separately and intangible assets acquired in a business combination**

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost), when their fair value is reasonably measured.

### **② Internally-generated intangible assets - research and development expenses**

Expenditure on research activities is recognised as an expense in the period in which it is 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 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 book value is expensed.

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

### **③ Amortisation of intangible assets**

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

Patents	8 years
Technology	10 years
Brand Names	3-10 years
Customer List	5 years
Software	5 years

## **(8) Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any minority interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the net fair value of the identifiable assets, liabilities and contingent liabilities.

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 purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units identified based on the operating country and segment. 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 is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill 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 excluding 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 is any indication 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 (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 to 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 firm future transactions. The Group also uses interest rate swaps to manage the exposure to interest rate risk arising from variable rate of interest-bearing debt. Hedge accounting does not apply to these derivative transactions.

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 financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

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 purpose of the financial assets and is determined at the time of initial recognition.

## ② Financial assets 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 other than a financial asset held for trading may be designated as an FVTPL upon initial recognition if:

- (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency (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 an FVTPL.

Financial assets 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 dividend, interest or fair value gain or loss from evaluation on the financial assets and is included in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 23. "Financial instruments".

As at 1 April 2008, 31 March 2009 and 31 March 2010, the Group did not have financial assets designated as FVTPL except for derivative financial assets.

## 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 revenue recognised on an effective yield basis. As at 1 April 2008, 31 March 2009 and 31 March 2010, 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 (the calculation reflects effective interest method includes premium or discount between the counterparty) 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. Principally interest income is recognised by applying the effective interest rate.

## ⑤ Available-for-sale financial assets

Financial assets except 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.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value. 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 and accumulated in accumulated other comprehensive income (net gain or (loss) on revaluation of available-for-sale financial assets), with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss, that were previously accumulated in accumulated other comprehensive income (net gain on revaluation of available-for-sale financial assets), 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 security 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; or
- (b) default or delinquency in interest or principal payments; or
- (c) a probability that the borrower will enter 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 what the amortised cost would have been had the impairment not been recognised.

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

## **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 also recognises a collateralised borrowing for the proceeds received.

## **(12) Inventories**

Inventories are valued 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 present location and condition, are assigned to inventories by mainly 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 comprise of cash on hand and bank deposits including term deposits. The term deposits with original maturities of three months or less are deemed as cash equivalents since they are readily convertible to cash without restriction.

#### **(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 continued 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 minority 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 (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 (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 25 "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 and other capital reserve 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 reserve.

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 as FVTPL or other financial liabilities.

##### **③ Financial liabilities 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 an 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 1 April 2008, 31 March 2009 and 31 March 2010, the Group did not have financial liabilities measured as FVTPL except for derivative transactions.

#### **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 liabilities**

Financial guarantee contract liabilities 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.

Actuarial gains and losses as at the end of the prior year are amortised over the expected average remaining working lives (mainly 10 years) of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested. The Group's defined benefit plans are mostly closed pension funds and benefits are already vested. Accordingly past service costs for those funds are immediately recognised in profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses, and as reduced by the fair value of plan assets.

Contributions to defined contribution plans are recognised as an expense when these are paid.

#### **(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 (future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

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

The types of provisions are as follows;

### ① Asset retirement obligation reserve

The Group recognises provisions for an asset retirement obligation reserve 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. Provision is provided based on past experience of actual cost and considers each property individually. The discount rate is mainly 2.25% and depends on the useful life and the country. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

### ② Warranties provision

The provision is estimated and recognised based on past experience of the occurrence of defective goods such as camera and glasses 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 if the fair value is reliably measurable. 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, fair value of the points earned 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 attaching 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 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) Taxation**

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 the following temporary differences;

- Temporary differences of goodwill
- Temporary differences resulted from initial recognition of transactions that do not affect accounting income and taxable income (exclude business combination) of assets/liabilities
- 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.

## 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 (6). "Leases")
- 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
- Assumptions used to calculate retirement benefits obligation (Note 19. "Retirement benefit plans")
- Asset retirement obligations arising from legal obligations and constructive obligations (Note 20. "Other provisions")
- Fair value of stock options (Note 25. "Share-based payments")
- Possibility of outflow of resources embodying economic benefits on contingent liabilities (Note 36. "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. Especially, the global economic recession has a significant influence on the Group's future profitability.

- 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 Group belongs to and operates in
- Fluctuation of currency exchange rates
- The trend of environmental and governmental regulation

Future profitability of the Group will have an effect on 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) Adoption of Standard and amendments to IFRS 8 “Operating Segments”

The Group has early adopted the 2009 annual improvements to IFRS 8 from 1 April 2008.

### (2) 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 the 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 healthcare 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.

The 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)/Glass media, etc.
	Imaging related products	Optical lenses, Optical glasses, Digital cameras, Interchangeable lenses, Digital camera modules, Optical devices, Laser equipments, etc.
Life Care	Health Care related products	Eyeglass lenses, Contact lenses, etc.
	Medical related products	Endoscopes, Intraocular lenses, Artificial bone, Medical accessories, etc.
Other		Design of information systems, other services.

### (3) 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 March 2009	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	242,340	207,407	3,853	453,600	195	453,795
Inter-segment	206	60	4,067	4,333	(4,333)	—
<b>Total</b>	242,546	207,467	7,920	457,933	(4,138)	453,795
Interest income	914	1,015	27	1,956	2,062	4,018
Interest expense	(586)	(667)	(15)	(1,268)	(1,209)	(2,477)
Depreciation and amortisation	(33,363)	(12,365)	(258)	(45,986)	(810)	(46,796)
Share of profit (loss) of associates	—	(235)	(63)	(298)	1,297	999
Impairment losses	(16,531)	(13,843)	—	(30,374)	(393)	(30,767)
Others	(187,772)	(156,447)	(6,287)	(350,506)	21,623	(328,883)
<b>Segment profit before tax</b>	5,208	24,925	1,324	31,457	18,432	49,889
<b>Other disclosure</b>						
Capital expenditure	23,463	10,270	219	33,952	887	34,839

Note:

(i) Adjustments to revenue from external customers of 195 million yen represent revenue by R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of 18,432 million yen consist of elimination of inter-segment transaction of (39,874) million yen, and profit or loss in the Company's headquarters, R&D department and overseas holding companies of 58,306 million yen.

(iii) Transfer prices between operating segments are on an arm's length basis.

(Millions of Yen)

For the year ended March 2010	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	212,259	199,175	2,290	413,724	2	413,726
Inter-segment	122	23	3,879	4,024	(4,024)	—
<b>Total</b>	212,381	199,198	6,169	417,748	(4,022)	413,726
Interest income	343	223	9	575	257	832
Interest expense	(524)	(448)	(48)	(1,020)	(1,312)	(2,332)
Depreciation and amortisation	(22,192)	(10,765)	(101)	(33,058)	(896)	(33,954)
Share of profit(loss) of associates	—	98	(7)	91	375	466
Impairment losses	(133)	(127)	—	(260)	(574)	(834)
Others	(156,325)	(155,481)	(5,986)	(317,792)	(8,555)	(326,347)
<b>Segment profit before tax</b>	33,550	32,698	36	66,284	(14,727)	51,557
<b>Other disclosure</b>						
Capital expenditure	17,815	9,367	110	27,292	1,728	29,020

Note:

(i) Adjustments to revenue from external customers of 2 million yen represent revenue by R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of (14,727) million yen consist of elimination of inter-segment transaction of (21,123) million yen, and profit or loss of the Company's headquarters, R&D department and overseas holding companies of 6,396 million yen.

(iii) Transfer prices between operating segments are on an arm's length basis.

#### (4) 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 2009 and 2010;

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Information Technology		
Electronics related products	127,371	110,407
Imaging related products	114,969	101,852
<b>Information Technology Total</b>	<b>242,340</b>	<b>212,259</b>
Life Care		
Health Care related products	150,919	147,581
Medical related products	56,488	51,594
<b>Life Care Total</b>	<b>207,407</b>	<b>199,175</b>
<b>Other</b>	<b>3,853</b>	<b>2,290</b>
<b>Corporate (R&amp;D)</b>	<b>195</b>	<b>2</b>
<b>Total revenue from external customers</b>	<b>453,795</b>	<b>413,726</b>

#### (5) Information about geographical areas

Revenue from external customers

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Japan	170,027	152,492
U.S.A.	49,383	43,927
Others	234,385	217,307
<b>Total</b>	<b>453,795</b>	<b>413,726</b>

Note:

Geographical areas are based on the location of the customers.

Non-current assets

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Japan	107,564	70,317	65,070
Thailand	24,530	20,805	19,684
Others	78,710	64,355	62,427
<b>Total</b>	<b>210,804</b>	<b>155,477</b>	<b>147,181</b>

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 is insignificant; therefore the amount is included in Others.

Non-current assets in U.S.A. are insignificant; therefore the balance is included in Others.

#### (6) 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)

<u>Cost</u>	Building and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2008	79,428	259,680	43,939	16,828	10,257	410,132
Additions	1,545	6,844	4,210	32	20,619	33,250
Acquisitions through business combinations	1,062	1,231	10	—	—	2,303
Disposals	(743)	(11,947)	(4,185)	(80)	(139)	(17,094)
Transfer from construction in progress	3,663	10,631	1,214	—	(15,508)	—
Transfer to assets held for sale	(960)	—	—	(1,158)	—	(2,118)
Effect of foreign currency exchange differences	(4,947)	(16,079)	(2,645)	(475)	(532)	(24,678)
Others	1,693	(3,336)	2,082	—	(1,334)	(895)
Balance at 31 March 2009	80,741	247,024	44,625	15,147	13,363	400,900
Additions	2,645	4,994	2,779	1,547	13,675	25,640
Acquisitions through business combinations	—	6	15	—	—	21
Disposals	(1,923)	(9,536)	(2,916)	(519)	(385)	(15,279)
Transfer from construction in progress	1,001	11,514	967	—	(13,482)	—
Transfer to assets held for sale	(1,416)	—	—	—	—	(1,416)
Effect of foreign currency exchange differences	(7)	(131)	(23)	80	(239)	(320)
Others	836	(3,117)	(190)	—	(612)	(3,083)
Balance at 31 March 2010	81,877	250,754	45,257	16,255	12,320	406,463

<u>Accumulated depreciation and impairment losses</u>	Building and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2008	(37,316)	(192,912)	(25,632)	—	—	(255,860)
Depreciation expense	(4,462)	(30,462)	(5,806)	—	—	(40,730)
Impairment losses	(2,250)	(802)	(618)	(304)	(283)	(4,257)
Disposals	543	10,373	2,987	—	—	13,903
Transfer to assets held for sales	416	—	—	—	—	416
Effect of foreign currency exchange differences	2,150	11,055	2,022	—	—	15,227
Others	(871)	2,768	(998)	—	—	899
Balance at 31 March 2009	(41,790)	(199,980)	(28,045)	(304)	(283)	(270,402)
Depreciation expense	(3,911)	(22,283)	(4,256)	—	—	(30,450)
Impairment losses	—	(194)	(9)	—	—	(203)
Disposals	1,196	9,186	2,617	—	283	13,282
Transfer to assets held for sales	1,034	—	—	—	—	1,034
Effect of foreign currency exchange differences	(34)	206	(15)	—	—	157
Others	72	1,728	522	—	—	2,322
Balance at 31 March 2010	(43,433)	(211,337)	(29,186)	(304)	—	(284,260)

<u>Carrying amount</u>	Building and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2008	42,112	66,768	18,307	16,828	10,257	154,272
Balance at 31 March 2009	38,951	47,044	16,580	14,843	13,080	130,498
Balance at 31 March 2010	38,444	39,417	16,071	15,951	12,320	122,203

Gain on sales of property, plant and equipment for the years ended 31 March 2009 and 2010 were 460 million yen and 415 million yen, respectively. Loss on sales of property, plant and equipment for the years ended 31 March 2009 and 2010 were 486 million yen and 722 million yen, respectively. Loss on disposal of property, plant and equipment for the years ended 31 March 2009 and 2010 were 478 million yen and 1,057 million yen, respectively.

Refer to Note 26. “Revenue and expenses (excluding finance income and costs)” for further details. Gain and loss on sales of assets held for sale were included in the above ‘gain on sales of property, plant and equipment’ and ‘loss on sales of property, plant and equipment’.

Details of impairment losses are set out in Note 8 “Impairment losses”. Property, plant and equipment under construction are included in construction in progress in the table above. No property, plant and equipment has been pledged as collateral to secure debt. There is no restriction on legal title of these assets.

Refer to Note 37. “Commitments for expenditure” for further details.

There are no borrowing costs capitalised and included in the cost of acquisition of property, plant and equipment.

The following are the carrying amounts of property, plant and equipment under finance leases as at 1 April 2008, and 31 March 2009 and 2010, which are included in each corresponding amount in the table above. Impairment losses are recognised on a part of leased assets;

	Building and structures	Machinery and carriers	Tools, equipment and fixtures	(Millions of Yen) Total
Balance at 1 April 2008	332	1,198	713	2,243
Balance at 31 March 2009	526	475	615	1,616
Balance at 31 March 2010	304	269	372	945

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

## 7. Intangible assets

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

(Millions of Yen)

Cost	Goodwill	Software	Technology	Patents	Others (iii)	Total
Balance at 1 April 2008	17,175	11,367	16,767	11,983	5,359	62,651
Additions	—	2,062	—	—	163	2,225
Acquisitions through business combinations	717	—	—	—	—	717
Disposals	—	(530)	—	—	(18)	(548)
Effect of foreign currency exchange differences	(352)	(972)	—	—	(233)	(1,557)
Other adjustments (ii)	(2,181)	—	—	—	—	(2,181)
Balance at 31 March 2009	15,359	11,927	16,767	11,983	5,271	61,307
Additions	—	1,579	—	—	2,053	3,632
Acquisitions through business combinations	3,011	—	—	168	645	3,824
Disposals	—	(164)	—	—	(2,085)	(2,249)
Effect of foreign currency exchange differences	(220)	(625)	—	(205)	(461)	(1,511)
Balance at 31 March 2010	18,150	12,717	16,767	11,946	5,423	65,003

Accumulated amortisation and impairment losses	Goodwill	Software	Technology	Patents	Others	Total
Balance at 1 April 2008	—	(6,373)	(1,243)	—	(1,234)	(8,850)
Amortisation expense	—	(1,393)	(2,488)	(1,599)	(586)	(6,066)
Impairment losses (iv)	(12,666)	(1,247)	(8,878)	(2,225)	(229)	(25,245)
Disposals	—	267	—	—	—	267
Effect of foreign currency exchange differences	—	365	—	—	143	508
Balance at 31 March 2009	(12,666)	(8,381)	(12,609)	(3,824)	(1,906)	(39,386)
Amortisation expense	—	(1,241)	(489)	(1,349)	(425)	(3,504)
Disposals	—	152	—	—	46	198
Effect of foreign currency exchange differences	—	592	—	115	248	955
Balance at 31 March 2010	(12,666)	(8,878)	(13,098)	(5,058)	(2,037)	(41,737)

Carrying amount	Goodwill	Software	Technology	Patents	Others	Total
Balance at 1 April 2008	17,175	4,994	15,524	11,983	4,125	53,801
Balance at 31 March 2009	2,693	3,546	4,158	8,159	3,365	21,921
Balance at 31 March 2010	5,484	3,839	3,669	6,888	3,386	23,266

Note:

- (i) 'Software', 'Technology', 'Patents' and 'Others' are summarised as 'Other intangible assets' in the consolidated statement of financial position.
- (ii) 'Other adjustments' are subsequent adjustments to the fair value from the acquisition date.
- (iii) 'Others' includes capitalised development costs in the amount of 69 million yen and 35 million yen as at 1 April 2008 and 31 March 2009, respectively.
- (iv) Refer to Note 8 "Impairment losses" for details of Impairment losses.

Loss on disposal of intangible assets was 1,874 million yen for the year ended 31 March 2010. No loss on disposal of intangible assets was recognised for the year ended 31 March 2009.

Amortisation expense has been included in the line item 'depreciation and amortisation' in the consolidated statement of comprehensive income in the amount of 6,066 million yen and 3,504 million yen for the years ended 31 March 2009 and 2010, respectively.

No intangible assets have been pledged as collateral to secure the debt. There is no restriction on legal title of these assets.

The Company owns Technology and Patents in order to produce medical related products. The carrying amount of Technology is 3,669 million yen as at 31 March 2010 (as at 31 March 2009: 4,158 million yen, as at 1 April 2008: 8,235 million yen). The carrying amount of Patents is 5,968 million yen as at 31 March 2010 (as at 31 March 2009: 7,053 million yen, as at 1 April 2008: 8,128 million yen). The remaining useful lives of Technology are 7 years as at 31 March 2010 (as at 31 March 2009: 8 years, as at 1 April 2008: 9 years). The remaining useful lives of Patents are 5 years as at 31 March 2010 (as at 31 March 2009: 6 years, as at 1 April 2008: 7 years).



## 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 2009	For the year ended 31 March 2010
Building and structures (i)	2,737	57
Machinery and carriers	802	194
Tools, equipment and fixtures	618	9
Land (i)	393	—
Construction in progress	283	—
<b>Subtotal losses on property, plant and equipment</b>	<b>4,833</b>	<b>260</b>
Goodwill	12,666	—
Software	1,247	—
Technology	8,878	—
Patents	2,225	—
Others	229	—
<b>Subtotal losses on intangible assets</b>	<b>25,245</b>	<b>—</b>
Other non-current assets(Long-term prepaid expenses)	756	574
<b>Total impairment losses</b>	<b>30,834</b>	<b>834</b>
<b>Continuing operations</b>	<b>30,767</b>	<b>834</b>
<b>Discontinued operations</b>	<b>67</b>	<b>—</b>

Note:

(i) Refer to Note 24 "Assets held for sale". Impairment losses of assets held for sale are included in building and structures, and land in the table above.

### (1) Cash-generating units

The Group identifies each business unit as 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 the necessity of impairment.

### (2) Impairment losses on assets in business units

For the year ended 31 March 2009, because of the rapid economic deterioration owing to the economic crisis started in the U.S.A. and appreciation of the Japanese Yen, the Group identified indications of decline in profitability on its Imaging related products (Digital cameras, Digital camera modules, Optical devices) and Medical related products (Endoscopes, Intraocular lenses, Artificial bone). In consideration of future profitability, the Group recognised impairment losses as follows.

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 which had been approved by the Group's management, and a discount rate of 10% per annum which is the Group's pre-tax weighted average capital cost (WACC).

(Millions of Yen)

	Impairment losses
<b>Information Technology</b>	
Imaging related products (Digital cameras, Digital Camera modules, and Optical devices)	
Building and structures	1,014
Machinery and carriers	242
Tools, equipment and fixtures	582
Construction in progress	283
Goodwill	2,332
Software	1,247
Technology	5,669
Patents	2,225
Other intangible assets	16
Other non-current assets	736
<b>Information Technology Total</b>	<b>14,346</b>
<b>Life Care</b>	
Medical related products (Endoscopes, Intraocular lenses, Artificial bone)	
Goodwill	10,334
Technology	3,209
Other intangible assets	213
<b>Life Care Total</b>	<b>13,756</b>

The assets impaired for the year ended 31 March 2010 were not included in any cash-generating units.

### (3) Impairment losses on assets to be sold or disposed, and idle assets

The carrying amount of assets to be sold or disposed of, and idle assets resulting from business restructuring, which were not expected to be used in the future, was written down to the estimated 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 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 2009;

(Millions of Yen)

	Impairment losses
<b>Information Technology</b>	
Building and structures (i)	1,660
Machinery and carriers	493
Tools, equipment and fixtures	32
<b>Information Technology Total</b>	<b>2,185</b>
<b>Life Care</b>	
Building and structures (i)	62
Machinery and carriers	22
Tools, equipment and fixtures	3
<b>Life Care Total</b>	<b>87</b>
<b>Adjustments (Headquarters)</b>	
Land (i)	393
<b>Adjustments (Headquarters) Total</b>	<b>393</b>
<b>Total</b>	<b>2,665</b>

Note:

(i) Refer to Note 24 "Assets held for sale". Impairment losses of assets held for sale are included in building and structures, and land in the table above.

The following are impairment losses recognised for the year ended 31 March 2010;

(Millions of Yen)

	Impairment losses
<b>Information Technology</b>	
Machinery and carriers	124
Tools, equipment and fixtures	9
<b>Information Technology Total</b>	133
<b>Life Care</b>	
Building and structures (ii)	57
Machinery and carriers	70
Tools, equipment and fixtures	—
<b>Life Care Total</b>	127
<b>Adjustments (Headquarters)</b>	
Other non-current assets	574
<b>Adjustments (Headquarters) Total</b>	574
<b>Total</b>	834

Note:

(ii) Refer to Note 24 “Assets held for sale”. Impairment losses of assets held for sales are included in Building and structures in the table above.

#### (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 for the following five fiscal years which had been approved by the Group’s management, and a discount rate of 10% per annum which is the Group’s pre-tax weighted average capital cost (WACC).

Before recognising impairment losses, the carrying amount of goodwill was allocated to the cash generated units as follows;

(Millions of Yen)

	As at 1 April 2008				
	Information Technology	Life Care		Adjustments	
	Imaging related products	Health Care related products	Medical related products	R&D	Total
	Digital cameras, Digital camera modules, Optical devices, Laser equipments, etc.	Eyeglass lenses	Endoscopes, Artificial bone		
Japan	2,733	—	12,114	—	14,847
Americas	116	1,293	—	37	1,446
Europe	—	370	0	—	370
Asia	—	512	—	—	512
<b>Total</b>	<b>2,849</b>	<b>2,175</b>	<b>12,114</b>	<b>37</b>	<b>17,175</b>

(Millions of Yen)

	As at 31 March 2009				
	Information Technology	Life Care		Adjustments	
	Imaging related products	Health Care related products	Medical related products	R&D	Total
	Digital cameras, Digital camera modules, Optical devices, Laser equipments, etc.	Eyeglass lenses	Endoscopes, Artificial bone		
Japan	2,332	—	10,334	—	12,666
Americas	114	1,267	—	37	1,418
Europe	—	856	—	—	856
Asia	—	419	—	—	419
<b>Total</b>	<b>2,446</b>	<b>2,542</b>	<b>10,334</b>	<b>37</b>	<b>15,359</b>

Note:

For the year ended 31 March 2009, the carrying amounts of goodwill of 2,332 million yen on Imaging related products (Digital cameras, Digital camera modules, Optical devices) and of 10,334 million yen on Medical related products (Endoscopes, Artificial bone) were fully written down to zero.

(Millions of Yen)

	As at 31 March 2010				
	Information Technology	Life Care		Adjustments	
	Imaging related products	Health Care related products	Medical related products	R&D	Total
	Laser equipments, etc.	Eyeglass lenses	Medical accessories		
Japan	—	—	—	—	—
Americas	108	1,200	2,852	35	4,195
Europe	—	824	—	—	824
Asia	—	465	—	—	465
Total	108	2,489	2,852	35	5,484

**(5) Impairment losses in discontinued operations**

During the year ended 31 March 2009, the Group's management decided to withdraw from Crystal Division in 'Other' segment due to steep decline in the market of personal and business gifts affected by the global economic crisis. Accordingly, the carrying amount of assets associated with the Crystal Division was measured in terms of its value in use, which is considered to be zero and impairment losses were recognised as follows;

(Millions of Yen)

	Impairment losses
Building and structures	1
Machinery and carriers	45
Tools, equipment and fixtures	1
Other non-current assets	20
<b>Other Division Total</b>	<b>67</b>

## 9. Investments in associates

Details of the Group's main associates are as follows;

Name of associate	Principal activity	Place of incorporation and operation	Segment	Ownership interest (%)		
				As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
AVAN STRATE INC. (i)	Production and sale of glass substrate for TFT liquid crystal	JAPAN	Corporate	50.0	47.2	47.2
OPTOTAL HOYA S.A	Production and sale of eyeglass lenses	BRAZIL	Life care	—	25.0	25.0
PRIME OPTICS, CO., LTD	Other	JAPAN	Other	50.0	50.0	50.0
ADVANCED IMAGING PROCESSES PTY, LTD. (ii)	Other	AUSTRALIA	Other	50.0	—	—
TI PENTAX HOLDING CO., LTD (iii)	Other	CHINA	Other	49.0	49.0	—

Note:

(i) During the year ended 31 March 2009, AVAN STRATE INC. changed its corporate name from its former name 'NH TECHNOGLASS CORPORATION.' As at 1 April 2008, the Group had 50% of voting share of NH TECHNOGLASS CORPORATION, however on 6 June 2008, the Company sold a portion of the original share of NH TECHNOGLASS CORPORATION to CH HOLDINGS, LTD., and then on 1 September 2008, NH TECHNOGLASS CORPORATION merged with CH HOLDINGS, LTD. As a result of these reorganisations, the Group has 47.2% of voting share of the merged entity which was named AVAN STRATE INC.

(ii) The Group sold all of the voting shares of ADVANCED IMAGING PROCESSES PTY, LTD. on 30 October 2008

(iii) On 30 November 2009, the Group sold all of the voting shares of TI PENTAX HOLDING CO., LTD.

Summarised financial information in respect of the Group's associates is set out below.

(Millions of Yen)

	As at 1 April 2008	As at / for the year ended 31 March 2009	As at / for the year ended 31 March 2010
Total assets	82,018	156,574	169,670
Total liabilities	(44,971)	(119,268)	(131,662)
Net assets	37,047	37,306	38,008
Group's share of net assets of associates	17,279	9,092	9,214
Total revenue	—	47,708	49,379
Total expense	—	48,320	48,438
Total profit/(loss) for the period	—	(612)	941
Group's share of profit/(loss) of associates	—	999	466

Note:

There are no quoted stock prices available for associates. For the year ended 31 March 2009, negative goodwill relating to an investment in associate under equity method was recognised as profit.

## 10. Income taxes

### (1) Deferred taxes

Detail of the deferred tax assets and liabilities are as follows;

(Millions of Yen)

	As at 1 April 2008	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions of subsidiaries	As at 31 March 2009
Temporary differences					
Enterprise tax payable	1,596	(1,312)	—	—	284
Written down inventories	4,283	623	—	—	4,906
Allowance for doubtful accounts	424	291	—	—	715
Other provision	629	40	—	—	669
Accrued expenses	5,284	(1,877)	—	—	3,407
Unrealised profit on inventories	2,851	(1,087)	—	—	1,764
Depreciation expense	2,386	(915)	—	—	1,471
Tax goodwill	20,062	(6,351)	—	—	13,711
Impairment losses	439	3,277	—	—	3,716
Exchange differences on translating foreign operations	—	—	37	—	37
Others	2,994	1,925	—	—	4,919
Sub total	40,948	(5,386)	37	—	35,599
Undistributed retained earnings of subsidiaries	(2,600)	118	—	—	(2,482)
Depreciation expense	(319)	97	—	—	(222)
Net gain/(loss) on revaluation of available-for-sale financial assets	203	—	(213)	—	(10)
Others	(2,507)	(334)	—	—	(2,841)
Sub total	(5,223)	(119)	(213)	—	(5,555)
Tax losses carry forward and tax credits					
Tax losses carry forward	21,637	(4,697)	—	—	16,940
Tax credits	151	(3)	—	—	148
Sub total	21,788	(4,700)	—	—	17,088
Total	57,513	(10,205)	(176)	—	47,132

Note:

The difference between the amount of “Recognised in profit or loss” and deferred tax expenses recognised in the consolidated statement of comprehensive income is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2009	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions of subsidiaries	As at 31 March 2010
Temporary differences					
Enterprise tax payable	284	(197)	—	—	87
Written down Inventories	4,906	(2,793)	—	—	2,113
Allowance for doubtful accounts	715	(392)	—	—	323
Other provision	669	(77)	—	—	592
Accrued expenses	3,407	538	—	—	3,945
Unrealised profit on inventories	1,764	119	—	—	1,883
Depreciation expense	1,471	170	—	—	1,641
Tax goodwill	13,711	(4,534)	—	—	9,177
Impairment losses	3,716	(1,857)	—	—	1,859
Exchange differences on translating foreign operations	37	—	(20)	—	17
Others	4,919	1,251	—	—	6,170
Sub total	35,599	(7,772)	(20)	—	27,807
Undistributed retained earnings of subsidiaries	(2,482)	1,952	—	—	(530)
Depreciation expense	(222)	(64)	—	—	(286)
Net gain/(loss) on revaluation of available-for-sale financial assets	(10)	—	(44)	—	(54)
Others	(2,841)	(183)	—	—	(3,024)
Sub total	(5,555)	1,705	(44)	—	(3,894)
Tax losses carry forward and tax credits					
Tax losses carry forward	16,940	3,038	—	777	20,755
Tax credits	148	(142)	—	—	6
Sub total	17,088	2,896	—	777	20,761
Total	47,132	(3,171)	(64)	777	44,674

Note:

The difference between the amount of “Recognised in profit or loss” and deferred tax expenses recognised in the consolidated statement of comprehensive income is due to foreign exchange fluctuations.

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

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Tax losses carry forward	5,825	11,078	12,241
Deductible temporary differences	3,643	1,253	1,201
Total	9,468	12,331	13,442

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

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Year 1	—	—	1,663
Year 2	—	—	459
Year 3	—	89	1,497
Year 4	—	1,031	485
Year 5 or later	5,825	9,958	8,137
Total	5,825	11,078	12,241

The aggregate amount of temporary differences associated with undistributed retained earnings of the subsidiaries for which deferred tax liabilities have not been recognised at 1 April 2008, 31 March 2009 and 2010 were 287,312 million yen, 147,012 million yen and 171,302 million yen, 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.

For the years ended 31 March 2008 and 2010, the Company incurred tax losses. The Company recognised deferred tax assets on the tax losses as at 1 April 2008, 31 March 2009 and 31 March 2010 of 21,355million yen, 16,250 million yen and 18,315 million yen, respectively.

The tax losses incurred for the year ended 31 March 2008 were assumed in a business combination. The tax losses incurred for the year ended 31 March 2010 were caused by a realisation of a large amount of deductible temporary differences which resulted from the business combination and others.

Both of these tax losses were incurred from the same business combination which was a temporary factor.

The Company concluded that the entire amount of the deferred tax assets relating to the business combination are recoverable using the estimated future taxable income based on the financial budgets for the following five fiscal years which had been approved by the Group's management.

## (2) Income taxes

In Japan, the normal effective statutory tax rate is approximately 40.5% for the years ended 31 March 2009 and 2010.

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)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Current tax expenses	10,185	7,380
Deferred tax expenses	9,746	2,660
Income tax expenses	19,931	10,040

Adjustments to normal effective statutory tax rate to actual effective tax rate are as follows; The actual tax rate represents the ratio of profit before tax and income tax expenses, including discontinued operations.

	For the year ended 31 March 2009	For the year ended 31 March 2010
Effective statutory tax rate	40.5%	40.5%
Impairment losses on goodwill	17.2%	—
Expenses not deductible for tax purposes	4.1%	3.7%
Impact of re-evaluated deferred tax assets	6.1%	—
Undistributed retained earnings at overseas subsidiaries	5.2%	0.1%
Effect of unrecognised deferred tax assets	1.4%	0.0%
Impact of different tax rates applied to overseas subsidiaries	(29.5%)	(23.7%)
Impact of different tax rates for elimination of unrealised profits on inventory	(1.2%)	0.3%
Others	(3.1%)	(1.4%)
Actual tax rate	40.7%	19.5%

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)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Other financial assets</b>			
FVTPL (Derivatives)	938	76	—
Available-for-sale financial assets	4,924	3,550	3,366
Loans and receivables			
Loans and receivables	6,089	12,936	21,657
Allowance for doubtful accounts	(325)	(548)	(628)
Loans and receivables –net	5,764	12,388	21,029
Total	11,626	16,014	24,395
Non-current assets total (long-term financial assets)	10,263	9,115	18,809
Current assets total (Other short-term financial assets)	1,363	6,899	5,586

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Other financial liabilities</b>			
FVTPL (Derivatives)	83	434	392
Total	83	434	392
Non-current liabilities total (Other long-term financial liabilities)	73	284	7
Current liabilities total (Other short-term financial liabilities)	10	150	385

## 12. Other assets and liabilities

Details of other assets and liabilities are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Non-current: Other assets</b>			
Long-term prepaid expenses	4,246	3,352	2,801
Others	236	235	161
Total	4,482	3,587	2,962
<b>Current: Other assets</b>			
Prepaid expenses	2,022	1,985	2,038
Refundable consumption taxes	2,437	2,766	2,362
Others	1,603	2,960	3,065
Total	6,062	7,711	7,465

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Non-current: Other Liabilities</b>			
Deposit received and other	838	789	1,703
Total	838	789	1,703
<b>Current: Other liabilities</b>			
Accrued salary/Accrued bonus/Accrued vacation pay	12,686	10,263	10,397
Other accrued expenses	18,606	13,828	11,795
Advanced received/Deferred revenue (i)	3,445	3,604	3,368
Others	3,267	3,240	4,035
Total	38,004	30,935	29,595

Note:

(i) Details of advance received and deferred revenue are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Advance received/Deferred revenue			
Customer loyalty programmes	1,953	2,011	1,730
Government grants	531	182	126
Others	961	1,411	1,512
Total	3,445	3,604	3,368

### 13. Inventories

Details of inventories are as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Goods and products	49,961	35,557	26,825
Work in progress	6,184	11,108	8,323
Raw materials	10,700	11,864	13,006
Supplies	14,288	12,579	13,060
Total	81,133	71,108	61,214
Inventories expected to be sold after more than 12 months	461	648	682

No inventories were pledged as collateral to secure debt.

The cost of inventories recognised as an expense during the year ended 31 March 2009 was 262,008 million yen including 317 million yen from discontinued operations. The cost of inventories recognised as an expense during the year ended 31 March 2010 was 231,817 million yen.

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

	(Millions of Yen)	
	For the year ended 31 March 2009	For the year ended 31 March 2010
Amount of write-down	5,603	1,087
Amount of reversal of write-down	—	(1)

The reversal is mainly due to an upturn of market situation.

### 14. Trade and other receivables

Details of trade and other receivables are as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Accounts receivable	110,144	73,804	84,037
Notes receivable	11,659	8,803	9,375
Other receivables	2,397	1,761	2,712
Allowance for doubtful accounts	(2,390)	(2,683)	(1,826)
Total	121,810	81,685	94,298

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.

### 15. Cash and cash equivalents

Details of cash and cash equivalents are as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Cash and cash equivalents</b>			
Cash and deposit	181,467	214,541	173,308
less time deposit over 3 months	(131)	(6,613)	(5,370)
(Total) Cash and cash equivalents at consolidated statement of financial position	181,336	207,928	167,938
Cash and cash equivalents at consolidated statement of cash flows	181,336	207,928	167,938

## 16. Interest-bearing debt

Details of interest-bearing debt are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Long-term bank loans (Excepts for loans maturing within a year)	13,268	9,689	1,830
Long-term bank loans with maturity within a year	8,749	4,402	3,277
Short-term bank loans	8,551	2,326	762
Corporate bonds	99,700	99,745	99,792
Commercial Paper	6,192	41,978	—
Long-term finance lease obligations	2,189	2,120	1,373
Short-term finance lease obligations	399	182	251
Interest-bearing debt Total	139,048	160,442	107,285
Non-current liabilities total	115,157	111,554	102,995
Current liabilities total	23,891	48,888	4,290

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

As at 1 April 2008 and 31 March 2009, the long-term debt from the business combination included debts that were subject to compliance with certain measurable covenants. Such covenants included the condition under which the Company shall maintain the total net assets in the non-consolidated statement of financial position at year end and mid-year end at no less than 75% of the net assets at the same time a year ago. For the year ended 31 March 2009, the Company recognised impairment losses on property, plant equipments; and, as a result, the net asset declined below 75% of the net assets one year ago. Due to the violation of this covenant, the Company paid off the amount of the debt of 7,235 million yen.

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

## 17. Finance lease obligations

Details of finance lease obligations are as follows;

(Millions of Yen)

	Minimum lease payments			Present Value of Minimum Lease Payments		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Amounts payable under finance leases:						
No later than 1 year	418	203	262	399	182	251
Later than 1 year but not later than 5 years	2,253	1,900	1,211	2,183	1,833	1,147
Later than 5 years	6	302	245	6	287	226
Total	2,677	2,405	1,718	2,588	2,302	1,624
Less—future finance charges	(89)	(103)	(94)			
Present value of lease obligations	2,588	2,302	1,624	2,588	2,302	1,624
Less—amount due for settlement within 12 months				399	182	251
Amount due for settlement after 12 months				2,189	2,120	1,373

The Group has not basically entered into a new finance lease contract since 1 April 2008. The Group enters into a lease contract only when it concludes that it has a number of advantages of having a lease arrangement in respect to cost reduction or the risk avoidance associated with product obsolescence. The majority of the current finance lease obligations consist of lease contracts which commenced before 1 April 2008. The average remaining lease term is approximately 3 to 4 years as at 31 March 2010.

Some lease contracts include renewal option 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 instrument".

## 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)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Minimum lease payments	6,660	6,199
Contingent rent	182	189
Total	6,842	6,388

The amounts above are included in the line item "other expenses" in the consolidated statement of comprehensive income. Contingent rent related to rent contracts for stores at shopping malls are based on the stores' sales amounts.

As at 1 April 2008, 31 March 2009 and 2010, the maturity period of the outstanding commitments under non-cancellable operating leases are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
No later than 1 year	915	1,320	1,026
Later than 1 year but not later than 5 years	1,180	2,059	1,576
Later than 5 years	466	220	347
Total	2,561	3,599	2,949

Operating lease payments represent rentals payable by the Group for the land used for an office, building and machinery. Averages operating lease terms for those assets are 16 years, 4 years and 5 years, respectively.

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

## 19. Retirement benefit plans

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. For the accounting policies adopted by the Group for retirement benefit plans, refer to Note 3 “Significant accounting policies (19) Retirement benefit costs”.

The Company and its domestic subsidiaries mainly have defined contribution plans. However, the plans taken over from PENTAX CORPORATION as a result of the merger are closed defined benefit plans and represent a significant portion of the Group’s retirement benefit obligations. 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 Group does not have retirement benefit plans other than pension plans and retirement allowances.

### (1) Defined benefit plans

Pension plans carried forward from the merger with PENTAX CORPORATION included the following three plans as at 1 April 2008 (As at 31 March 2010, only plans ① and ② are effective);

Details of each of the plans are as follows;

	①Retirement allowances	②Defined benefit plans (HOYA pension plan)	③Tax Qualified Pension Plans(TQPP)
Pension benefits	Based on accumulated points earned taking into account qualification and employment period. One time retirement payment.	Based on accumulated points earned during the duration of membership.	Based on qualifications points and employment period points earned.
Option for pension plans	—	Selection available for a member with 20 years or more participation. For others, a one-time retirement payment or transfer to another plan.	Selection available if employed over 20 years and retirement due to mandatory retirement. For others, one time retirement payment.
Survivors pension benefits	—	None (One-time payment to survivor)	Upon death of a member, if member employed for over 20 years or a pensioner, then, survivors benefit is paid.
Promised rate of return	—	2.5% per annum	5.5% per annum
Benefit payment frequency	—	6 times annually	4 times annually

With the enforcement of the Defined Benefit Corporate Pension Law of Japan in 2002, it is necessary to either terminate the TQPP by March 2012 or to transfer plan members to a different pension plan. PENTAX CORPORATION’s TQPP has continued to be effective subsequent to the merger in March 2008. On 1 October 2009, PENTAX division’s TQPP was transferred to the defined benefit plans (HOYA pension plan) and as a result of orders from tax authorities to terminate PENTAX division’s TQPP was terminated approximately a year after the merger.

The amounts included in the consolidated statement of financial position arising from the Group’s obligation in respect of its defined benefit plans are as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Obligations under defined benefit plans (Funded)	14,332	14,370	12,635
Fair value of plan assets	(8,848)	(6,741)	(6,164)
Total	5,484	7,629	6,471
Obligations under defined benefit plans (Unfunded)	6,740	5,317	4,078
Net actuarial gains (losses) not recognised	(1,865)	(4,478)	(2,384)
Net liability arising from defined benefit plan obligation	10,359	8,468	8,165
Balance in the consolidated statement of financial position			
Liability	10,383	8,489	8,186
Asset (Other non-current assets)	(24)	(21)	(21)

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows;

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Current service cost	975	1,063
Interest cost	367	239
Expected return on plan assets	(171)	(90)
Actuarial gains (losses)	158	464
Past service cost	—	(63)
Losses on curtailment of the plan	—	159
Total	1,329	1,772
Actual return (losses) on plan assets	(1,105)	916

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Opening defined benefit plans obligation	21,072	19,687
Current service cost	975	1,063
Interest cost	367	239
Actuarial (gains) losses	1,495	(253)
Past service cost	—	(63)
Losses (gains) on curtailment/settlement	—	(393)
Benefits paid	(4,222)	(3,567)
Closing defined benefit plans obligations	19,687	16,713

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Opening fair value of plan assets	8,848	6,741
Expected return on plan assets	171	90
Actuarial gains (losses)	(1,276)	825
Contributions from employer	709	371
Benefits paid	(1,711)	(1,863)
Closing fair value of plan assets	6,741	6,164

The Group expects to make a contribution of 460 million yen to the defined benefit plans for the year ending 31 March 2011.

The major categories of plan assets are as follows;

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Domestic equity instruments	33%	20%	27%
Overseas equity instruments	32%	20%	25%
Domestic debt instruments	10%	30%	14%
Overseas debt instruments	10%	10%	20%
General accounts at life insurance company (guaranteed return)	10%	20%	14%
Hedge funds	5%	—	—
Total	100%	100%	100%

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

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Discount rate	2.0%	1.3%	1.5%
Expected rate of return on plan assets	3.5%	2.0%	1.3%
Expected rate of salary increase	7.3%	7.3%	7.4%

The overall long-term expected rate of return is determined based on the current and the future portfolio of the plan assets as well as the expected return and risk based on historical return trends of various long-term investments.

Adjustments for fund status in the past were as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Present value of defined benefit plans obligations	21,072	19,687	16,713
Fair value of plan assets	(8,848)	(6,741)	(6,164)
Fund deficit	12,224	12,946	10,549
Adjustments on plan liabilities	163	1,495	(253)
Adjustments on plan assets	(2,028)	(1,276)	825

## **(2) Defined contribution plans**

The total expense recognised was 1,581 million yen and 1,448 million yen for the year ended 31 March 2009 and 2010, respectively.

## **(3) Severance payments**

Under certain circumstances (such as retirement before the normal retirement date), additional payments are made upon retirement. The total expense recognised was 6,743 million yen (including severance payments of 234 million yen for discontinued operations) and 1,932 million yen for the year ended 31 March 2009 and 2010.



## 20. Other Provisions

Details of other provisions are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Asset retirement obligation reserve	1,891	1,943	1,742
Warranties provision	991	794	880
Total	2,882	2,737	2,622
Non-current liabilities	1,891	1,943	1,718
Current liabilities	991	794	904

An analysis of the change in provisions is as follows;

(Millions of Yen)

	Asset retirement obligation reserve	Warranty provision	Total
Balance at 1 April 2009	1,943	794	2,737
Provision for the year	104	880	984
Interest cost associated with passage of time	43	—	43
Reduction resulting from settlement for the year	(348)	(794)	(1,142)
Balance at 31 March 2010	1,742	880	2,622

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

## 21. Trade and other payable

Details of trade and other payable are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Accounts payable	39,001	24,888	30,408
Notes payable, trade	15,580	4,218	1,955
Processing cost payable	954	452	766
Other payable	24,675	16,518	14,129
Notes payable for capital investment	801	6	21
Total	81,011	46,082	47,279

Trade notes payable are due 120 days on average. During the year ended 31 March 2009, the payment method at PENTAX division merged by the Company on 31 March 2008 was changed from notes payable to factoring.

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 to the Group entities, thus upon consolidation these trade accounts payable are eliminated. The Group maintains the global fund pool at Japan, Europe and the U.S.A. to make payments within the due date.

## 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)
Balance at 1 April 2008	1,250,519,400	435,017,020	432,858,729	6,264	15,899
Decrease (i)	—	—	(1,769)	—	—
Balance at 31 March 2009	1,250,519,400	435,017,020	432,856,960	6,264	15,899
Decrease (i)	—	—	(1,457,204)	—	—
Balance at 31 March 2010	1,250,519,400	435,017,020	431,399,756	6,264	15,899

Note:

(i) Decrease in number of outstanding shares is due to increase in treasury shares.

### (2) Treasury shares and other capital reserves

#### ① Treasury shares

	Numbers of shares	Amount (Millions of Yen)
<b>Balance at 1 April 2008</b>	2,158,291	7,984
Repurchase of odd-lot shares	3,141	6
Disposal of odd-lot shares to shareholders with odd-lot shares	(972)	(4)
Decrease on exercise of stock option	(400)	(1)
<b>Balance at 31 March 2009</b>	2,160,060	7,985
Repurchase from opposing shareholders (i)	1,525,000	3,271
Repurchase of odd-lot shares	1,884	4
Disposal of odd-lot shares to shareholders with odd-lot shares	(80)	(0)
Decrease on exercise of stock option	(69,600)	(250)
<b>Balance at 31 March 2010</b>	3,617,264	11,010

Note:

(i) This repurchase is based on the claim from opposing shareholders in accordance with the 1<sup>st</sup> clause of article 797<sup>th</sup> of the Companies Act in Japan.

#### ② Other capital reserves

	Gain(loss) on resale of Treasury shares (millions of Yen)	Stock option (millions of Yen)	Total (Millions of Yen)
<b>Balance at 1 April 2008</b>	(4,740)	972	(3,768)
Disposal of Treasury shares	(2)	—	(2)
Share-based payments	—	467	467
<b>Balance at 31 March 2009</b>	(4,742)	1,439	(3,303)
Disposal of Treasury shares	(121)	(19)	(140)
Share-based payments	—	429	429
<b>Balance at 31 March 2010</b>	(4,863)	1,849	(3,014)

Refer to Note 25 “Share-based payments” for details of Stock option.

**(3) Retained earnings and dividends**

	Amount (Millions of Yen)
<b>Balance at 1 April 2008</b>	381,697
Profit for the year (Attributable to owners of the Company)	29,380
Dividends	(28,136)
<b>Balance at 31 March 2009</b>	382,941
Profit for the year (Attributable to owners of the Company)	41,213
Dividends	(28,135)
<b>Balance at 31 March 2010</b>	396,019

Details of dividends are as follows;

Payment date	Dividends per share (Yen)	Total Dividends (Millions of Yen)
2 June 2008	35	15,150
25 November 2008	30	12,986
1 June 2009	35	15,150
25 November 2009	30	12,985
2 June 2010	35	15,099
30 November 2010	30	12,942

Dividends payable are included in the line item of “Other current liabilities” in the consolidated statement of financial Position.

**(4) Minority interests**

	Amount (Millions of Yen)
<b>Balance at 1 April 2008</b>	2,903
Profit for the year (Attributable to minority interests)	(301)
Translation differences for foreign operations (other comprehensive income)	(242)
Dividends	(307)
Increase arising on the newly acquired consolidated subsidiary	48
Decrease arising on liquidation of consolidated subsidiary	(57)
Others	(270)
<b>Balance at 31 March 2009</b>	1,774
Profit for the year (Attributable to minority interests)	304
Translation differences for foreign operations (other comprehensive income)	13
Dividends	(159)
Increase arising on newly acquired subsidiary	147
Decrease arising on additional acquisition of shares by the Company	(864)
Others	(21)
<b>Balance at 31 March 2010</b>	1,194

## 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 capital structure of the Group is as follows;

	(Millions of Yen)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Interest-bearing debt	139,048	160,442	107,285
Less: Cash and cash equivalents	181,336	207,928	167,938
Net debt	(42,288)	(47,486)	(60,653)
Equity	394,177	342,984	358,749

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2009 and 2010, 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 2010.

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)		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Financial assets</b>			
FVTPL financial assets (derivative instruments)	938	76	—
Loans and receivables			
Trade and other receivables	121,810	81,685	94,298
Other financial assets	5,764	12,388	21,029
Available-for-sale financial assets	4,924	3,550	3,366
Cash and cash equivalents	181,336	207,928	167,938
<b>Financial liabilities</b>			
FVTPL financial liabilities (derivative instruments)	83	434	392
Financial liabilities measured at amortised cost			
Trade and other payables	81,011	46,082	47,279
Interest-bearing debt	139,048	160,442	107,285

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

The financial assets designated as FVTPL (Derivative instruments), other financial assets and available-for-sale financial assets are included in “Long-term financial assets” or “Other short-term financial assets” on the consolidated statement of financial position.

The financial liabilities designated as FVTPL (Derivative instruments) are included in “Other long-term/short-term financial liabilities” on the consolidated statement of financial position.

#### (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 an effort to manage these risks, the Group's risk management approach is to eliminate the source 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. There are certain cases in which 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 are expanded globally, foreign exchange fluctuations in particular Thai Baht, Euro and US 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 (Euro, US dollars 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 strategic business units (SBU) and conducting finance and dividend, and holding companies receiving dividends from their subsidiaries and distributing it to the Company and/or other group companies, sometimes fall 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 US dollars or Euro, or when Euro appreciates or depreciates against US 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 US dollar on the assumption that other currencies are held constant.

	For the Year ended 31 March 2009	For the Year ended 31 March 2010
Average of exchange rate (Yen per each currency)		
Thai Baht	2.94	2.75
Euro	143.28	130.68
US Dollars	100.66	92.61
Profit for the year (Millions of Yen)		
Thai Baht	(125)	(123)
Euro	(363)	(366)
US Dollars	(142)	(93)
Equity (Millions of Yen)		
Thai Baht	(142)	(120)
Euro	(607)	(574)
US Dollars	(176)	(150)

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 a holding company in the Group on their receivables/liabilities and bank deposits denominated in foreign currency on the assumption that other currencies are held constant.

## 2)-1. Parent company (the Company)

(Millions of Yen)

	Euro			US Dollars		
	1 April 2008	31 March 2009	31 March 2010	1 April 2008	31 March 2009	31 March 2010
Trade and other receivables	(16)	(132)	(69)	(130)	(154)	(192)
Trade and other payables	0	2	0	74	42	96
Long-term financial assets	—	—	—	(24)	(31)	(24)
Interest-bearing long-term debt	387	318	—	153	149	—
Cash and cash equivalents	0	(5)	(1)	(154)	(149)	(207)
Total	371	183	(70)	(81)	(143)	(327)

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.

## 2)-2. Holding company

(Millions of Yen)

	Yen			US Dollars		
	1 April 2008	31 March 2009	31 March 2010	1 April 2008	31 March 2009	31 March 2010
Trade and other receivables	—	(1)	—	(2)	(2)	—
Trade and other payables	1	0	1	18	32	17
Long-term financial assets	(8)	(8)	—	(150)	(156)	(1)
Cash and cash equivalents	(0)	(1)	(7)	(81)	(2)	(75)
Total	(7)	(10)	(6)	(215)	(128)	(59)

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.

### 3) Currency derivatives

The Group's policy generally does not permit the use of derivative instruments such as forward foreign exchange contracts. However, in certain circumstances in which the use of such derivatives is determined to be beneficial, the Group can enter into contracts upon obtaining a formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its global 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 and currency options at the end of each reporting period;

(Millions of Yen)												
	Average exchange rate			Foreign currency ( mil)			Notional value			Fair value		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
<b>Forward foreign exchange contracts</b>												
<i>Over one year</i>												
€Buy (US\$ Sell)	1.51 (US\$/€)	1.48 (US\$/€)	—	€7.4	€16.7	—	1,166	2,426	—	50	(241)	—
<i>Within one year</i>												
US\$ Sell (S\$ Buy)	1.47 (S\$/US\$)	—	—	US\$16.7	—	—	1,777	—	—	114	—	—
US\$ Buy (C\$ Sell)	1.03 (C\$/US\$)	1.09 (C\$/US\$)	—	US\$1.0	US\$2.0	—	100	196	—	5	34	—
US\$ Sell (Y Buy)	108.31 (Y/US\$)	—	—	US\$54.0	—	—	5,848	—	—	474	—	—
€Sell (Y Buy)	158.44 (Y/€)	—	—	€64.0	—	—	10,140	—	—	111	—	—
€Buy (S\$ Sell)	2.02 (S\$/€)	—	—	€12.1	—	—	1,777	—	—	104	—	—
€Buy (US\$ Sell)	1.51 (US\$/€)	1.34 (US\$/€)	1.42 (US\$/€)	€14.4	€75.7	€50.4	2,275	9,958	6,676	65	(108)	(372)
<b>Currency options</b>												
<i>Within one year</i>												
US\$ Buy (C\$ Sell)	0.98 (C\$/S\$)	—	—	US\$3.2	—	—	321	—	—	15	—	—

Note:

As at 1 April 2008, forward foreign exchange contracts and currency options for managing cash flows from operating activities acquired through business combination were outstanding. As at 31 March 2010, all the instruments have matured and none of these were outstanding.

The fair values of forward foreign exchange contracts at the end of each reporting period are determined based on the forward exchange rate at market. Fair values of currency options are based on the value obtained from financial institutions.

### ② Interest rate risk management

The Group has long-term floating interest rate borrowings assumed as a result of a business combination. The Group also assumed the related interest rate swap contracts to economically hedge the interest rates on these borrowings. The majority of the interest-bearing debt is bonds with fixed interest rates. The Group's cash and cash equivalents exceeds the interest-bearing debt, and currently the impact of interest expense on the Group's profit/loss is much less than operating revenue. Therefore, the Group considers the interest rate risk not to be significant and has not performed a sensitivity analysis.

Under the interest rate swap contracts, the Group pays fixed interest and receives floating interest based on the notional principal amounts. Considering the payment of interest on floating interest-bearing debt, receipt of floating interest of interest rate swap contracts and payment of fixed interest rate, the long-term debt was considered to be provided at a fixed interest rate which minimises the risk of interest rate fluctuations. The only interest rate swaps the Group holds are the ones assumed through the business combination.

The fair values of the interest rate swaps at the end of the reporting period were determined by discounting future net cash flows using market interest rates at the end of each reporting period.

The following table details the notional principal amounts of interest rate swaps, remaining terms of the contracts and the average interest rate at the end of each reporting period;

	Average contracted fixed rate of interest rate swaps			Notional principal amount (Millions of Yen)			Fair value (Millions of Yen)		
	1 April 2008	31 March 2009	31 March 2010	1 April 2008	31 March 2009	31 March 2010	1 April 2008	31 March 2009	31 March 2010
Less than 1 year	1.88%	—	2.04%	2,900	—	2,198	(10)	—	(13)
1 to 2 year	—	2.23%	2.96%	—	3,717	375	—	(30)	(7)
2 to 5 years	1.78%	2.96%	—	8,111	625	—	(73)	(13)	—
Over 5 years	—	—	—	—	—	—	—	—	—

The interest rate swaps are settled on a semi-annual basis. The floating rate on the interest rate swaps is based on TIBOR. The Group settles the net of the fixed and the floating interest rate. Hedge accounting has not been adopted for the interest rate swaps.

### ③ Price risks management in equity instruments

The Group is exposed to equity price risks arising from equity instruments (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 102 million yen and 111 million yen as at 31 March 2009 and 2010, respectively, as a result of changes in fair value of the equity instruments (listed shares).

### (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 Strategic Business Unit (“SBU”).

Credit losses incurred in the past were very rare for the Information technology business that sells mainly made-to-order items. Likewise, significant credit losses were not incurred in the past by the Life care business since it sells goods and manufactured products to end consumers and medical institutions. 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 2010.

### ① Financial assets and other credit exposures

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

	(Millions of Yen)		
	Maximum credit risk		
	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Guarantee liabilities	2,072	1,722	1,632

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 36 “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)

	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Balance at 1 April 2008							
Trade and other receivables (Gross)	124,200	113,723	4,922	1,840	788	746	2,181
Allowance for doubtful accounts	(2,390)	(349)	(113)	(62)	(84)	(216)	(1,566)
Trade and other receivables (Net)	121,810	113,374	4,809	1,778	704	530	615
Other financial assets (Gross)	6,089	5,760	—	—	0	1	328
Allowance for doubtful accounts	(325)	—	—	—	0	(1)	(324)
Other financial assets (Net)	5,764	5,760	—	—	—	—	4
Balance at 31 March 2009							
Trade and other receivables (Gross)	84,368	75,995	2,616	1,372	1,291	538	2,556
Allowance for doubtful accounts	(2,683)	(517)	(41)	(29)	(54)	(100)	(1,942)
Trade and other receivables (Net)	81,685	75,478	2,575	1,343	1,237	438	614
Other financial assets (Gross)	12,936	12,315	—	—	2	2	617
Allowance for doubtful accounts	(548)	0	—	—	(2)	(2)	(544)
Other financial assets (Net)	12,388	12,315	—	—	0	0	73
Balance at 31 March 2010							
Trade and other receivables (Gross)	96,124	87,462	3,995	1,520	597	507	2,043
Allowance for doubtful accounts	(1,826)	(420)	(83)	(70)	(91)	(115)	(1,047)
Trade and other receivables (Net)	94,298	87,042	3,912	1,450	506	392	996
Other financial assets (Gross)	21,657	21,116	—	—	—	2	539
Allowance for doubtful accounts	(628)	(164)	—	—	—	(2)	(462)
Other financial assets (Net)	21,029	20,952	—	—	—	—	77

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

The amount of 87,462 million yen for trade and other receivables (Gross) disclosed above at “within due date” at 31 March 2010 includes the amount of 1,306 million yen for notes receivable which were restructured with customers to support their reconstruction process.

In case of impairment on financial assets, the Group does not directly write off such assets by reducing the carrying amount, but 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 2008	2,390	325	2,715
Provision for the year	1,377	268	1,645
Reduction resulting from settlement for the year	(288)	(24)	(312)
Reduction for the year (reverse)	(501)	(19)	(520)
Other (Interest cost of discount calculating and foreign exchange translation gain or losses)	(295)	(2)	(297)
Balance at 31 March 2009	2,683	548	3,231
Provision for the year	675	510	1,185
Reduction resulting from settlement for the year	(215)	(59)	(274)
Reduction for the year (reverse)	(1,257)	(371)	(1,628)
Other (Interest cost of discount calculating and foreign exchange translation gain or losses)	(60)	(0)	(60)
Balance at 31 March 2010	1,826	628	2,454

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 immaterial and the Group does not set additional general allowance for doubtful accounts resulting from the consideration 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.

Notes receivable transferred that were outstanding at the end of the reporting period are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Notes receivable transferred	1,551	181	428

## (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.

The following table details the contractual maturity of its financial liabilities (including derivative financial instruments) but excluding guarantee liabilities;

(Millions of Yen)								
1 April 2008	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
<b>Non derivative liabilities</b>								
Trade and other payables	81,011	81,011	81,011	—	—	—	—	—
Long-term bank loans (excluding current portion)	13,268	13,268	—	4,607	4,037	4,146	5	473
Current portion of long-term bank loans	8,749	8,749	8,749	—	—	—	—	—
Short-term bank loans	8,551	8,551	8,551	—	—	—	—	—
Bonds	99,700	100,000	—	—	—	—	40,000	60,000
Commercial papers	6,192	6,200	6,200	—	—	—	—	—
Long-term finance lease obligations	2,189	2,189	—	1,394	653	85	51	6
Short-term finance lease obligations	399	399	399	—	—	—	—	—
<b>Derivative liabilities</b>								
Currency derivative instruments	(938)	(938)	(888)	(50)	—	—	—	—
Interest rate swaps	83	83	10	—	50	23	—	—
<b>Total</b>	<b>219,204</b>	<b>219,512</b>	<b>104,032</b>	<b>5,951</b>	<b>4,740</b>	<b>4,254</b>	<b>40,056</b>	<b>60,479</b>

Note:

Guarantee liabilities have been excluded from the above table as the likelihood of execution has been determined to be low. Assets and liabilities recognised as a result of undertaking derivative instrument transactions are presented on a net basis. Net receivables positions are presented in brackets.

(Millions of Yen)								
31 March 2009	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
<b>Non derivative liabilities</b>								
Trade and other payables	46,082	46,082	46,082	—	—	—	—	—
Long-term bank loans (excluding current portion)	9,689	9,689	—	4,214	4,358	166	160	791
Current portion of long-term bank loans	4,402	4,402	4,402	—	—	—	—	—
Short-term bank loans	2,326	2,326	2,326	—	—	—	—	—
Bonds	99,745	100,000	—	—	—	40,000	—	60,000
Commercial papers	41,978	42,000	42,000	—	—	—	—	—
Long-term finance lease obligations	2,120	2,120	—	944	456	294	139	287
Short-term finance lease obligations	182	182	182	—	—	—	—	—
<b>Derivative liabilities</b>								
Currency derivative instruments	315	315	74	241	—	—	—	—
Interest rate swaps	43	43	—	30	13	—	—	—
<b>Total</b>	<b>206,882</b>	<b>207,159</b>	<b>95,066</b>	<b>5,429</b>	<b>4,827</b>	<b>40,460</b>	<b>299</b>	<b>61,078</b>

Note:

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

(Millions of Yen)

31 March 2010	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
<b>Non derivative liabilities</b>								
Trade and other payables	47,279	47,279	47,279	—	—	—	—	—
Long-term bank loans (excluding current portion)	1,830	1,830	—	458	157	152	150	913
Current portion of long-term bank loans	3,277	3,277	3,277	—	—	—	—	—
Short-term bank loans	762	762	762	—	—	—	—	—
Bonds	99,792	100,000	—	—	40,000	—	25,000	35,000
Long-term finance lease obligations	1,373	1,373	—	667	260	137	83	226
Short-term finance lease obligations	251	251	251	—	—	—	—	—
<b>Derivative liabilities</b>								
Currency derivative instruments	372	372	372	—	—	—	—	—
Interest rate swaps	20	20	13	7	—	—	—	—
<b>Total</b>	<b>154,956</b>	<b>155,164</b>	<b>51,954</b>	<b>1,132</b>	<b>40,417</b>	<b>289</b>	<b>25,233</b>	<b>36,139</b>

Note:

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

Temporary cash shortages due to dividends or bonus payments are funded through the issuance of commercial paper. The following are the details of financing method and financing status;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Bank overdraft			
Used	—	—	—
Unused	24,000	46,000	46,000
<b>Total</b>	<b>24,000</b>	<b>46,000</b>	<b>46,000</b>
Commercial paper limit			
Used	6,200	42,000	—
Unused	43,800	8,000	50,000
<b>Total</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

## (8) Fair value of financial instruments

(Millions of Yen)

	As at 1 April 2008		As at 31 March 2009		As at 31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>						
FVTPL financial assets (derivative instruments)	938	938	76	76	—	—
Loans and receivables						
Other financial assets	5,764	5,069	12,388	11,839	21,029	20,416
Available-for-sale financial assets	4,924	4,924	3,550	3,550	3,366	3,366
Total	11,626	10,931	16,014	15,465	24,395	23,782
<b>Liabilities</b>						
FVTPL financial liabilities (derivative instruments)	83	83	434	434	392	392
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	13,268	13,749	9,689	9,946	1,830	1,824
Current portion of long-term bank loans	8,749	8,827	4,402	4,410	3,277	3,386
Bonds	99,700	103,485	99,745	106,952	99,792	103,752
Long-term finance lease obligations	2,189	2,217	2,120	2,126	1,373	1,424
Short-term finance lease obligations	399	406	182	201	251	257
Total	124,388	128,767	116,572	124,069	106,915	111,035

Note:

Of FVTPL financial assets and financial liabilities (derivatives), the fair values of forward foreign exchange contracts at the end of each reporting period were determined based on the forward exchange rate at market. Fair values of currency option are based on the value obtained from financial institutions.

The fair values of interest rate swaps were determined by discounting future net cash flows using a quoted market interest rate at the end of the reporting period taking into account the duration to maturity.

The fair values of loan receivables and other assets were determined by discounting future net cash flows using rates taking into account the estimated timing of payments and credit risk.

The fair values of listed shares included in available-for-sale financial assets were determined based on market prices at the end of each reporting period. The fair values of shares of private companies included in available-for-sale financial assets were calculated by using a reasonable method.

The fair values of long-term bank loans, bonds and finance lease obligations were determined by discounting future cash flows using rates taking into account the estimated timing of payments and credit risk.

## (9) Fair value measurements recognised in the consolidated statement of financial position

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 measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2; fair value measurements are those 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).
- Level 3; fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments valued at fair value are as follows;

(Millions of Yen)

<b>As at 1 April 2008</b>	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	—	938	—	938
Available-for-sale financial assets	3,616	500	808	4,924
Total	3,616	1,438	808	5,862
FVTPL financial liabilities (derivative instruments)	—	83	—	83
Total	—	83	—	83

(Millions of Yen)

<b>As at 31 March 2009</b>	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	—	76	—	76
Available-for-sale financial assets	2,049	500	1,001	3,550
Total	2,049	576	1,001	3,626
FVTPL financial liabilities (derivative instruments)	—	434	—	434
Total	—	434	—	434

Note:

There were no transfers between Level 1, 2 and 3 during the year ended 31 March 2009.

(Millions of Yen)

<b>As at 31 March 2010</b>	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2,212	500	654	3,366
Total	2,212	500	654	3,366
FVTPL financial liabilities (derivative instruments)	—	392	—	392
Total	—	392	—	392

Note:

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2010.

Reconciliation of financial assets categorised at Level 3 from opening balance to closing balance.

(Millions of Yen)

	Fair value measurement as at the end of reporting period	
For the year ended 31 March 2009	Available-for-sale financial assets	Total
Opening balance	808	808
Total gains or losses:	(59)	(59)
- in profit or loss (i)	(50)	(50)
- in other comprehensive income ( ii )	(9)	(9)
Purchases	137	137
Others	115	115
Closing balance	1,001	1,001

Note:

(i) Of the total gains or losses for the period ended 31 March 2009 included in profit or loss, 50 million yen relates to available-for-sale financial assets at the end of the reporting period. Related profit or loss of these assets is included in the line item of 'finance costs' in the consolidated statement of comprehensive income. Refer to Note 27 "Finance income and costs".

(ii) Of the total gains or losses for the period included in other comprehensive income, 9 million yen relates to the shares not traded in market. Related profit or loss is included in the line item of 'Net gain/(loss) on revaluation of available-for-sale financial assets' in Note 29 "Other comprehensive income".

(Millions of Yen)

For the year ended 31 March 2010	Fair value measurement as at the end of reporting period	
	Available-for-sale financial assets	Total
Opening balance	1,001	1,001
Total gains or losses:	(148)	(148)
- in profit or loss (i)	(127)	(127)
- in other comprehensive income ( ii )	(21)	(21)
Sales	(176)	(176)
Others	(23)	(23)
Closing balance	654	654

Note:

(i) Of the total gains or losses for the period ended 31 March 2010 included in profit or loss, 127 million yen relates to available-for-sale financial assets at the end of the reporting period. Related profit or loss of these assets is included in the line item of 'finance costs' in the consolidated statement of comprehensive income. Refer to Note 27. "Finance income and costs".

(ii) Of the total gains or losses for the period included in other comprehensive income, 21 million yen relates to the shares not traded in market. Related profit or loss is included in the line item of 'Net gain/(loss) on revaluation of available-for-sale financial assets' in Note 29 "Other comprehensive income".

## 24. Assets held for sale

Details for carrying amounts of assets held for sales are as follows;

(Millions of Yen)

	As at 1 April 2008 (i)			As at 31 March 2009 (ii)			As at 31 March 2010 (iii)		
	Land	Building and structures	Total	Land	Building and structures	Total	Land	Building and structures	Total
Information Technology	—	—	—	478	57	535	—	—	—
Life Care	—	—	—	306	—	306	—	325	325
Adjustments (Headquarters)	234	—	234	285	—	285	—	—	—
Total	234	—	234	1,069	57	1,126	—	325	325

Note:

(i) Adjustments (Headquarters) as at 1 April 2008

The Board of Directors of the Company decided to sell unused land. The land was sold during the year ended 31 March 2009. Impairment losses on the land recognised through the year ended 31 March 2008 were 368 million yen.

(ii) Adjustments (Headquarters) for the year ended 31 March 2009

The Board of Directors of the Company decided to sell a company dormitory and a company residence, acquired through a merger, and these assets were sold during the year ended 31 March 2010. Impairment losses on the related assets were recognised for the year ended 31 March 2009 in the amount of 89 million yen.

(ii) Information Technology and Life Care for the year ended 31 March 2009

The Company decided to sell the closed business offices in Japan, and the offices were sold during the year ended 31 March 2010. Impairment losses on related assets were recognised for the year ended 31 March 2009 in the amount of 487 million yen for building and structures.

(iii) Life Care for the year ended 31 March 2010

During the year ended 31 March 2010 there was some progress of negotiation on the sale of the manufacturing plant located at Mulheim in Germany that was closed in the previous year. These assets with carrying value of 382 million yen were reclassified to assets held for sale and impairment losses were recognised in the amount of 57 million yen.



## 25. Share-based payments

### (1) Detail of share-based payments

The Group 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, and as well as to retain valuable employees.

After overall approval at the shareholders meeting, options are granted to individuals that are proposed and approved at the Group's Board of Directors' meeting. The options are granted at no cost. The exercise period of the options is the period determined in the options contract and options not exercised within this exercise period will expire. Subsequent to the grant date, if a member terminates his or her employment prior to the vesting date, the options will expire. The option contract includes a clause that limits the maximum number of stock options a member can exercise each year during the exercise periods.

Stock options granted to members are accounted for as share-based payments transactions. Expenses recorded to other comprehensive income from undertaking share-based payments transactions was 467 million yen and 429 million yen for the year ended 31 March 2009 and 2010, respectively.

Details of the stock options are as follows;

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
4	158,900	13 Dec 2004	30 Sep 2009	2,713	705
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
9	60,000	24 Feb 2009	30 Sep 2018	1,704	1,521
10	1,247,600	8 Dec 2009	30 Sep 2019	2,215	2,784

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" is not applied mentioned in (4) below.

### (2) Determination of stock option value

Weighted average of fair value of the stock option granted during the year ended 31 March 2009 and 2010 were 983 yen and 2,784 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;

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

	No. 4	No.5	No.6	No.7	No.8	No.9	No.10
Share price at grant date (Yen)	2,675	4,240	4,450	3,790	1,372	1,690	2,425
Exercise price (Yen)	2,713	4,150	4,750	4,230	1,556	1,704	2,215
Expected volatility	34.97%	37.02%	34.42%	30.66%	35.87%	36.64%	36.67%
Expected remaining option life (years)	3.5	6.0	6.1	6.1	6.1	5.8	6.1
Dividends yield	1.38%	1.42%	1.35%	1.72%	4.74%	3.85%	2.68%
Risk free rate	0.30%	1.02%	1.40%	1.13%	0.98%	0.79%	0.67%

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

Weighted average exercise price of the outstanding options was 3,005 and 2,701 yen as at the year ended 31 March 2009 and 2010, respectively. Weighted average remaining contractual life was 7.8 years and 8.2 years as at 31 March 2009 and 2010 respectively

	For the year ended 31 March 2009		For the year ended 31 March 2010	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at the beginning of the period	1,267,100	4,252	2,363,100	3,005
Granted	1,096,000	1,564	1,247,600	2,215
Forfeited (i)	—	—	(153,200)	3,924
Exercised	—	—	(69,600)	1,587
Expired	—	—	(158,900)	2,713
Outstanding at the end of the period	2,363,100	3,005	3,229,000	2,701
Exercisable at the end of the period	596,000	3,966	1,010,800	3,745

Note:

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

Stock options exercised during the year ended 31 March 2010 were as follows (31 March 2009: zero);

	Number of shares exercised	Exercise date	Share price at exercise date (Yen)
No.8	2,000	13 Oct 2009	2,080
No.8	2,000	10 Dec 2009	2,375
No.8	3,200	12 Jan 2010	2,579
No.9	14,800	12 Jan 2010	2,579
No.8	36,000	10 Feb 2010	2,258
No.8	11,600	10 Mar 2010	2,322
Total	69,600		

**(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 the date of transition to IFRSs, 1 April 2008, resulting in IFRS 2 not being applied;

No	Number	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
3	702,000	12 Dec 2003	30 Sep 2008	2,438	2,459
4	476,700	13 Dec 2004	30 Sep 2009	2,713	1,729
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 3,766 yen and 4,340 yen as at 31 March 2009 and 2010, respectively. Weighted average remaining contractual life was 4.6 years and 5.8 years as at 31 March 2009 and 2010, respectively.

	For the year ended 31 March 2009		For the year ended 31 March 2010	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at the beginning of the period	1,451,700	3,338	984,100	3,766
Forfeited (i)	—	—	(86,000)	4,290
Exercised	(400)	2,438	—	—
Expired	(467,200)	2,438	(344,700)	2,713
Outstanding at the end of the period	984,100	3,766	553,400	4,340
Exercisable at the end of the period	984,100	3,766	553,400	4,340

Note:

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

There was no stock option exercised during the year ended 31 March 2010. Stock options exercised during the year ended 31 March 2009 were as follows;

No	Number of shares exercised	Exercise date	Share price at exercise date (Yen)
3	400	12 May 2008	2,880

## 26. 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)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Sales of goods and products	450,321	412,568
Service revenue	3,474	1,158
Total sales	453,795	413,726

### (2) Other income from continuing operations

The following is an analysis of the Group's other revenue from continuing operations;

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Commission	4,357	1,439
Rent	94	90
Government grants	464	755
Gain on disposal of business (i)	892	—
Gain on sales of property, plant and equipment	460	415
Others	4,878	3,021
Total other income	11,145	5,720

Note:

(i) For gain on disposal of business, the transferred Printer business was not categorised as a discontinued operations as it was not material.

### (3) Research and development expenses recognised as incurred

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Employee benefits expenses	5,371	7,002
Commission expenses	1,927	1,557
Depreciation and amortisation	2,719	2,903
Other expenses	7,294	6,021
Total research and development expenses recognised as incurred	17,311	17,483

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)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Salary, bonus and others	92,962	83,499
Retirement benefit (Note 19)		
Defined benefit (Note 19)	1,329	1,772
Defined contribution (Note 19)	1,581	1,448
Retirement benefit total	2,910	3,220
Share-based payments (Stock option) (Note 25)	467	429
Severance payments (Note 19)	6,509	1,932
Others	4,410	3,842
Total employee benefits expense	107,258	92,922

**(5) Other expenses**

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Packaging/shipping/transportation	9,570	8,783
Travel	5,431	4,704
Rent	4,784	4,778
Utilities	10,299	8,779
Supplies	7,110	6,081
Repair and maintenance	9,596	7,875
Foreign exchange loss (gain) (i)	(6,564)	5,593
Loss on sales of property, plant and equipment	486	722
Loss on disposals of property, plant and equipment	478	1,057
Others	32,192	45,620
Total other expenses	73,382	93,992

Note:

(i) Foreign exchange loss (gain) above included gains or losses resulting from fluctuations in currency derivatives (1,253 million yen and 57 million yen of losses for the years ended 31 March 2009 and 2010, respectively.).

## 27. Finance income and costs

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
<b>Finance income</b>		
Interest income		
Cash and cash equivalents, loans and receivables	4,018	831
Available-for-sale financial assets	—	1
Dividend income		
Available-for-sale financial assets	63	55
Gain on sales		
Investments in associates ( ii ) (Note 9)	9,477	32
Available-for-sale financial assets	12	1
Total finance income	13,570	920
<b>Finance costs</b>		
Interest costs		
Interest-bearing debt	2,460	2,169
Other provision	17	43
Other liabilities	—	120
Loss on sales		
Available-for-sales financial assets	29	0
Impairment losses		
Available-for-sales financial assets ( iii )	2,327	587
Fair value gains /losses on derivatives		
Interest rate swaps	(40)	(23)
Total finance costs	4,793	2,896

Note:

(i) Gain or loss of measurement at fair value on currency derivatives is disclosed in the line item 'Foreign exchange loss (gain)' of Note 26. "Revenue and expenses (excluding finance income and costs), (5) Other expenses."

(ii) A portion of Group's investment in AVAN STRATE INC. was sold to CH HOLDINGS. LTD. on 6 June 2008.

(iii) 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 acquisition cost.

## 28. Discontinued operations

The Group classifies continuing and discontinued operations by SBU. Accordingly, when the Group disposes of a business that composes a part of a SBU, the business remains classified as continuing operations.

In December 2008, the Board of Directors of the Company decided the disposal of the Crystal Division which had not been profitable for years. The business was ultimately discontinued on 31 March 2009.

In April 2010, the Board of Directors of the Company decided to dispose of the Media Division. However, the division was classified as a continuing operation in the consolidated financial statements as it did not meet the criteria to be classified as a discontinued operations as at 31 March 2010.

The following is an analysis of revenue, expenses, profit/loss and cash flows from discontinued operations;

(Millions of Yen)

	For the year ended 31 March 2009
Profit/loss for the year from discontinued operations	
Revenues:	
Sales	75
Finance income	0
Other income	20
Total revenue	95
Expenses:	
Raw materials and consumables used	46
Employee benefits expense	548
Depreciation and amortisation	1
Subcontracting cost	3
Advertising and promotion	69
Commission expense	55
Impairment losses (Note 8)	67
Other expenses	185
Total expenses	974
Net loss from discontinued operations before tax	(879)
Income tax	—
<b>Net loss from discontinued operations (attributable to the shareholders of the Company)</b>	<b>(879)</b>

(Millions of Yen)

	For the year ended 31 March 2009
<b>Cash flow from discontinued operations</b>	
Cash flows from operating activities	(815)
Cash flows from investing activities	5
Cash flows from financing activities	—
Total	(810)

## 29. Other comprehensive income

For the years ended 31 March 2009 and 2010, other comprehensive income comprises of the following;

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Other comprehensive income:		
① Exchange differences on translating foreign operations		
Gains (losses) arising during the year	(50,593)	5,783
Reclassification adjustments to profit or loss for the year	—	83
Total	(50,593)	5,866
② Net gain/(loss) on revaluation of available-for-sale financial assets		
Gains (losses) arising during the year	(471)	406
Reclassification adjustments to profit or loss for the year	1,215	89
Total	744	495
③ Share of other comprehensive income of associates	(1,989)	(281)
Other comprehensive income/(loss) before tax	(51,838)	6,080
Income tax relating to components of other comprehensive income	(176)	(64)
Total other comprehensive income/(loss) (net of tax)	(52,014)	6,016

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

‘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.

Taxation on each item of other comprehensive income for the years ended 31 March 2009 and 2010 is as follows;

(Millions of Yen)

	For the year ended 31 March 2009			For the year ended 31 March 2010		
	Total	Tax	Net of tax	Total	Tax	Net of tax
Other comprehensive income attributable to owners of the Company						
① Exchange differences on translating foreign operations	(50,351)	37	(50,314)	5,853	(20)	5,833
② Net gain/(loss) on revaluation of available-for-sale financial assets	744	(213)	531	495	(44)	451
③ Share of other comprehensive income of associates	(1,989)	—	(1,989)	(281)	—	(281)
Sub total	(51,596)	(176)	(51,772)	6,067	(64)	6,003
Other comprehensive income attributable to minority interests						
① Exchange differences on translating foreign operations	(242)	—	(242)	13	—	13
Sub total	(242)	—	(242)	13	—	13
Total other comprehensive income	(51,838)	(176)	(52,014)	6,080	(64)	6,016



## 30. Earnings per share

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

(Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Basic earnings (loss) per share		
From continuing operations	69.90	95.24
From discontinued operations	(2.03)	—
Total basic earnings per share	67.87	95.24
Diluted earnings (loss) per share		
From continuing operations	69.89	95.15
From discontinued operations	(2.03)	—
Total diluted earnings per share	67.86	95.15

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

#### ① Basic earnings per share

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Profit attributable to owners of the Company from continuing operations	30,259	41,213
Loss attributable to owners of the Company from discontinued operations	(879)	—
Profit used in the calculation of basic earnings per share	29,380	41,213

##### (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 2009	For the year ended 31 March 2010
Weighted-average number of ordinary shares	432,858	432,754

#### ② Diluted earnings per share

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Profit attributable to owners of the Company from continuing operation after dilution	30,259	41,213
Loss attributable to owners of the Company from discontinued operation after dilution	(879)	—
Profit used in the calculation of diluted earnings per share	29,380	41,213

##### (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 2009	For the year ended 31 March 2010
Weighted average number of ordinary shares	432,858	432,754
Shares deemed to be issued for no consideration in respect of: Stock options	67	400
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	432,925	433,154

## 31. Non-cash transactions

Non-cash transactions for the year ended 31 March 2009 and 2010 consisted of acquiring property, plant and equipment through new finance lease arrangements in the amount of 313 million yen and 3 million yen, respectively.

## 32. Main subsidiaries

Details of the Company's main subsidiaries are as follows;

Name of Subsidiaries	Reportable Segment	Major products/services in the reportable segment	Location	Proportion of shares held		
				As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
HOYA MAGNETICS SINGAPORE PTE, LTD.	Information Technology	Electronics related products	SINGAPORE	100.0%	100.0%	100.0%
HOYA GLASS DISK (THAILAND) LTD.	Information Technology	Electronics related products	THAILAND	100.0%	100.0%	100.0%
HOYA GLASS DISK PHILIPPINES, INC.	Information Technology	Electronics related products	PHILIPPINES	100.0%	100.0%	100.0%
HOYA GLASS DISK VIETNAM LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%	100.0%
HOYA OPTICS (TAIWAN) LTD.	Information Technology	Electronics related products	TAIWAN	100.0%	100.0%	100.0%
HOYA ELECTRONICS KOREA CO., LTD.	Information Technology	Electronics related products	SOUTH KOREA	100.0%	100.0%	100.0%
HOYA ELECTRONICS MALAYSIA SDN.BHD.	Information Technology	Electronics related products	MALAYSIA	100.0%	100.0%	100.0%
HOYA CORPORATION USA	Information Technology	Electronics related products	U.S.A.	100.0%	100.0%	100.0%
THAI HOYA GLASS DISK LTD.	Information Technology	Electronics related products	THAILAND	100.0%	— (ii)	—
EAST CHEER INVESTMENT LIMITED	Information Technology	Electronics related products	CHINA	—	100.0% (iii)	100.0%
SHENZHEN KTM GLASS SUBSTRATE CO., LTD	Information Technology	Electronics related products	CHINA	—	51.0% (iii)	51.0%
HOYA OPTICS (THAILAND) LTD.	Information Technology	Imaging related products	THAILAND	100.0%	100.0%	100.0%
HOYA OPTO-ELECTRONICS QINGDAO LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%	100.0%
PENTAX CEBU PHILIPPINES CORPORATION	Information Technology	Imaging related products	PHILIPPINES	100.0%	100.0%	100.0%
PENTAX VN CO., LTD.	Information Technology	Imaging related products	VIETNAM	100.0%	100.0%	100.0%
HOYA PHOTONICS, INC.	Information Technology	Imaging related products	U.S.A.	99.9%	99.9%	99.9%
THAI HOYA OPTICS LTD.	Information Technology	Imaging related products	THAILAND	100.0%	— (ii)	—
HOYA HEALTHCARE CORPORATION	Life Care	Health Care related products	JAPAN	100.0%	100.0%	— (i)
HOYA LENS MANUFACTURING MALAYSIA SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%	100.0%
MALAYSIAN HOYA LENS SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%	100.0%
HOYA LENS THAILAND LTD.	Life Care	Health Care related products	THAILAND	100.0%	100.0%	100.0%
HOYA LENS GUANGZHOU LTD.	Life Care	Health Care related products	CHINA	95.0%	95.0%	95.0%
HOYA LENS AUSTRALIA PTY. LTD.	Life Care	Health Care related products	AUSTRALIA	100.0%	100.0%	100.0%
HOYA LENS INDIA PRIVATE LIMITED	Life Care	Health Care related products	INDIA	100.0%	100.0%	100.0%
HOYA LENS VIETNAM LTD	Life Care	Health Care related products	VIETNAM	100.0%	100.0%	100.0%

Name of Subsidiaries	Reportable Segment	Major products/services in the reportable segment	Location	Proportion of shares held		
				As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
HOYA LENS DEUTSCHLAND GMBH	Life Care	Health Care related products	GERMANY	100.0%	100.0%	100.0%
HOYA LENS U.K. LTD.	Life Care	Health Care related products	UNITED KINGDOM	100.0%	100.0%	100.0%
HOYA LENS ITALIA S.P.A.	Life Care	Health Care related products	ITALY	100.0%	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	100.0%	100.0%	100.0%
HOYA LENS FRANCE S.A.S.	Life Care	Health Care related products	FRANCE	100.0%	100.0%	100.0%
HOYA LENS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%	100.0%
VISION MEMBRANE TECHNOLOGIES, INC.	Life Care	Health Care related products	U.S.A.	82.7%	82.7%	82.7%
HOYA VISION (THAILAND) LTD.	Life Care	Health Care related products	THAILAND	100.0%	— (ii)	—
HOYA HOLDINGS N.V.	Life Care and Corporate	Health Care related products and EU headquarters	NETHERLANDS	100.0%	100.0%	100.0%
PENTAX OF AMERICA, INC.	Information Technology and Life Care	Imaging related products and Medical related products	U.S.A.	100.0%	100.0%	100.0%
PENTAX CANADA INC.	Information Technology and Life Care	Imaging related products and Medical related products	Canada	100.0%	100.0%	100.0%
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	100.0%	100.0%	100.0%
PENTAX ITALIA S.R.L.	Life Care	Medical related products	ITALY	60.0%	60.0%	60.0%
PENTAX U.K. LTD.	Life Care	Medical related products	UNITED KINGDOM	100.0%	100.0%	100.0%
MICROLINE SURGICAL, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%	100.0%
HOYA HOLDINGS ASIA PACIFIC PTE. LTD.	Corporate	Asia headquarters	SINGAPORE	100.0%	100.0%	100.0%
HOYA HOLDINGS (ASIA) B.V.	Corporate	Holding company	NETHERLANDS	100.0%	100.0%	100.0%
HOYA HOLDINGS, INC.	Corporate	U.S. headquarters	U.S.A.	100.0%	100.0%	100.0%

Note:

(i) HOYA HEALTHCARE CORPORATION was merged with the Company, effective 1 January 2010, and is now operated as a division of the Company.

(ii) THAI HOYA GLASSDISK LTD., THAI HOYA OPTICS LTD., and HOYA VISION (THAILAND) LTD. were liquidated on 30 June 2008.

(iii) EAST CHEER INVESTMENT LIMITED. and SHENZHEN KTM GLASS SUBSTRATE CO., LTD were acquired on 30 October 2008.

### 33. Related party disclosure

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 1 April 2008

(Millions of Yen)

Type of related party	Related party	Description of the related party transaction	Outstanding balance
Associate	AVAN STRATE INC.	Purchase of raw materials	—
Associate	AVAN STRATE INC.	License fee received	154

As at/ for the year ended 31 March 2009

(Millions of Yen)

Type of related party	Related party	Description of the related party transaction	Transaction amount	Outstanding balance
Associate	AVAN STRATE INC.	Purchase of raw materials	609	479
Associate	AVAN STRATE INC.	License fee received	3,685	225

As at/ for the year ended 31 March 2010

(Millions of Yen)

Type of related party	Related party	Description of the related party transaction	Transaction amount	Outstanding balance
Associate	AVAN STRATE INC.	Purchase of raw materials	383	372
Associate	AVAN STRATE INC.	License fee received	1,266	1,151

Note

(i) Transactions with associates are at arm's length basis.

(ii) The amounts outstanding above are unsecured and no guarantees have been received. Allowance for doubtful accounts has not been provided.

#### (2) Remuneration of key management personnel

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

(Millions of Yen)

	For the year ended 31 March 2009	For the year ended 31 March 2010
Short-term benefits	266	459
Share-based payments	76	78
Total remuneration of key management personnel	342	537

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 34. Business combinations

For the year ended 31 March 2009:

The subsidiary acquired through business combination during the year was not material. The Company paid a consideration to minority shareholders for a merger in the previous year in the amount of 9,398 million yen.

For the year ended 31 March 2010:

The details of business combination during the year were as follows;

### (1) Subsidiary acquired

The Group acquired 100% of the outstanding shares of Starion Instruments Corporation (“Starion”) on 17 April 2009. Starion manufactures medical devices. Starion was acquired in light of the robust growth in the medical device market due to the growing demand for advanced medical care.

### (2) Consideration transferred

(Millions of Yen)

	Amount
Cash and cash equivalents	3,431
Liabilities accepted on acquisition and others	285
Contingent liability	1,201
Total	4,917

Note:

(i) Contingent liability requires the Group to make additional payments if certain conditions (accumulated sales or achievement of research and development) are met in a specified period.

(ii) Costs directly related to the acquisition were 108 million yen which is included in the consideration amount above.

### (3) Assets acquired at the date of acquisition

(Millions of Yen)

	Amount
Non-current assets:	
Property, plant and equipment	21
Other intangible assets	813
Deferred tax assets (Note 10)	777
Current assets:	
Cash and cash equivalents	8
Trade and other receivables	123
Inventories	164
Total	1,906

### (4) Goodwill arising on the acquisition

(Millions of Yen)

	Amount
Acquisition cost	4,917
Plus: minority interests	—
Less: fair value of identifiable net assets acquired	(1,906)
Goodwill arising on the acquisition	3,011

Goodwill relates to the benefit of expected synergies, revenue growth and future market development.

### (5) Net cash outflow on the acquisition

(Millions of Yen)

	For the year ended 31 March 2010
Consideration paid in cash and cash equivalents	3,431
Less: cash and cash equivalents balances possessed by acquiree	(8)
Cash paid for acquisition (excluding acquiree's cash)	3,423

### **(6) Impact of the acquisitions on the results of the Group**

There is no significant impact on the financial results of the Group, as the acquired company is mainly engaged in research and development activities. Accordingly, the Group omits the disclosure (pro forma) of revenue, and profit or loss information which would assume the business combination occurred on 1 April 2008 or 1 April 2009, and the disclosure of profit or loss information arising after acquisition date included in the consolidated statement of comprehensive income.

### **35. Sale of subsidiary**

No subsidiary was disposed in the years ended 31 March 2009 and 2010.

### **36. Contingent liabilities**

- Guarantee liabilities

The Group provides guarantees on borrowings of business partners and the Group's employees from financial institutions as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Business partners	2,070	1,720	1,631
The Group's employees	2	2	1
Total	2,072	1,722	1,632

### **37. Commitments for expenditure**

Payment commitments after the reporting date are as follows;

(Millions of Yen)

	As at 1 April 2008	As at 31 March 2009	As at 31 March 2010
Commitments for the acquisition of property, plant and equipment	3,996	4,570	4,147

## 38. Subsequent events

### (1) Resolution on cash dividends

On 31 May 2010, 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 2010 of 15,099 million yen (35 yen per common share).

In addition, on 5 November 2010, a resolution was made by the Company's Board of Directors for the payment of a cash dividend to shareholders of record on 30 September 2010 of 12,942 million yen (30 yen per common share).

### (2) Transfer of Media Business to Western Digital Corporation

#### ① Details of the transaction

On 28 April 2010, a decision was made by the representative executive officer of the Group to enter into an agreement with Western Digital Corporation to transfer Media business (information technology segment) and related assets. The Media business manufactured glass media for hard disk drive and was operated by the Company and its 100% owned subsidiary, HOYA MAGNETICS SINGAPORE PTE, LTD. ("HOMS"). The transfer was completed on 30 June 2010.

Continued high growth is expected in the hard disk market, especially for portable PCs and digital consumer electronics. Hard disk storage capacity is also expected to grow rapidly. In this business environment, it is essential to strengthen the research and development and maintenance of production system of the Group's substrate and glass media to meet the increasing demand trend for bigger hard disk capacity.

The Group leverages its competitive advantage and allocates its resources efficiently; accordingly, the Group has decided to transfer its related assets of glass media to Western Digital Corporation and focus on its hard disk substrate business so that the Group can rapidly deliver cutting edge products to meet burgeoning consumer demand and achieve timely, efficient production.

The scope of the transfer included the hard disk glass media manufacturing operation at HOMS and the Group's related research and equipment of glass media related equipment at HOYA's research and development facility.

The financial information of HOMS for the year ended 31 March 2010 was 16.4 billion yen of sales and 0.4 billion yen of profit before tax.

#### ② Assets and liabilities to be transferred, and price on transfer

Assets	11.1 billion yen (includes 7.7 billion yen of non-current assets)
Liabilities	0.7 billion yen
Price on transfer	20.6 billion yen

#### ③ Reportable segment

Information technology

## 39. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2010 were approved by the Company's Board of Directors and authorised for issue on 21 December 2010.

## 40. Explanation of transition to IFRSs

The Group has been preparing its consolidated financial statements in accordance with Japanese generally accepted accounting principles (“GAAP”) (Japanese GAAP) for the year ended 31 March 2010 and prior years. The Company first adopted and prepared its consolidated financial statements in accordance with IFRSs in the fiscal year ended 31 March 2010. In preparing the IFRSs consolidated financial statements, the Group prepared its opening consolidated statement of financial position at the date of transition, 1 April 2008 under IFRSs.

IFRS1 requires a first-time adopter to include at least three consolidated statements of financial position, two consolidated statements of comprehensive income, between two consolidated statements of cash flows and two consolidated statements of changes in equity and related notes in the first consolidated financial statements.

Additionally, under IFRS1, the Group is required to disclose following reconciliations;

- the reconciliation of total equity amount in the consolidated balance sheet under Japanese GAAP to total equity amount in the consolidated statement of financial position under IFRSs as at 1 April 2008 and 31 March 2010.
- the reconciliation of profit for the year in the consolidated statement of income under Japanese GAAP to profit attributable to owners of the Company in the consolidated statement of comprehensive income under IFRSs for the year ended 31 March 2010.

Likewise the Company disclosed the reconciliation as at 31 March 2009 and for the year then ended as well.

### (1) Reconciliation of equity at 1 April 2008 (date of transition to IFRSs)

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b>ASSETS</b>						<b>ASSETS</b>
NON-CURRENT ASSETS:						NON-CURRENT ASSETS:
Property, plant and equipment-net	152,203	1,474	595	154,272	A	Property, plant and equipment-net
Goodwill	32,680	(15,524)	19	17,175	B,C	Goodwill
Other intangible assets	23,624	12,898	104	36,626	B,C	Other intangible assets
Investment securities	22,203	(22,203)			D,E	
		17,279		17,279	D	Investments in associates
		10,431	(168)	10,263	E	Long-term financial assets
Other non-current assets	7,627	(3,060)	(85)	4,482	C,E	Other non-current assets
Allowance for doubtful accounts	(325)	325			E	
Deferred tax assets	41,159	10,868	5,595	57,622	F	Deferred tax assets
Total non-current assets:	279,171	12,488	6,060	297,719		Total non-current assets
CURRENT ASSETS:						CURRENT ASSETS:
Inventories	82,822	(1,865)	176	81,133	G	Inventories
Trade and notes receivables	120,522	11	1,277	121,810	H,I	Trade and other receivables
Deferred tax assets	10,868	(10,868)			F	
		1,079	284	1,363	E,I,J	Other short-term financial assets
		7,729		7,729	I	Income tax receivables
Other current assets	16,982	(11,065)	145	6,062	H,I	Other current assets
Allowance for doubtful accounts	(2,388)	2,388			H	
Cash and deposits	181,467	(131)		181,336	E,J	Cash and cash equivalents
				399,433		Sub total
		234		234	A	Assets held for sale
Total current assets	410,273	(12,488)	1,882	399,667		Total current assets
TOTAL ASSETS	689,444		7,942	697,386		TOTAL ASSETS



(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b><u>LIABILITIES AND EQUITY</u></b>						<b><u>LIABILITIES AND EQUITY</u></b>
EQUITY:						EQUITY:
Share capital	6,264			6,264		Share capital
Capital reserves	15,899			15,899		Capital reserves
Treasury shares	(7,984)			(7,984)		Treasury shares
Stock subscription rights	633	(633)			K	
		(4,107)	339	(3,768)	K,Q	Other capital reserves
Retained earnings	373,888	4,740	3,069	381,697	K,L,Q	Retained earnings
Unrealised profit (loss) on translation adjustments and others	3,016		(3,850)	(834)	L	Accumulated other comprehensive income/(loss)
				391,274		Equity attributable to owners of the Company
Minority interests	2,909		(6)	2,903		Minority interests
Total equity	394,625		(448)	394,177		Total equity
NON-CURRENT LIABILITIES:						NON-CURRENT LIABILITIES:
Bonds	99,967	13,351	1,839	115,157	M,O	Interest-bearing long-term debt
Long-term bank loans	13,268	(13,268)			M	
			73	73	E	Other long-term financial liabilities
Retirement benefits obligation	10,210		173	10,383	N	Retirement benefits obligation
		394	1,497	1,891	O	Other provisions
Reserve for periodic repairs	1,017		(1,017)		O	
Other non-current liabilities	1,500	(662)		838	F,M,O	Other non-current liabilities
		289	(180)	109	F	Deferred tax liabilities
Total non-current liabilities	125,962	104	2,385	128,451		Total non-current liabilities
CURRENT LIABILITIES:						CURRENT LIABILITIES:
Short-term bank loans	6,465	14,971	2,455	23,891	M	Interest-bearing short-term debt
Current portion of long-term bank loans	8,749	(8,749)			M	
Commercial paper	6,192	(6,192)			M	
Trade and notes payables	55,539	25,135	337	81,011	P	Trade and other payables
		81	(71)	10	E,P	Other short-term financial liabilities
Income tax payables	30,793		58	30,851		Income tax payables
Accrued bonus, Allowance for product's warranty and Accrued bonus for executives	8,499	(7,508)		991	O,P	Other provisions
Accrued expenses	22,515	(22,515)			P	
Other current liabilities	30,105	4,673	3,226	38,004	E,O,P	Other current liabilities
Total current liabilities	168,857	(104)	6,005	174,758		Total current liabilities
Total liabilities	294,819		8,390	303,209		Total liabilities
Total equity and liabilities	689,444		7,942	697,386		Total equity and liabilities

## **(2) Notes to the reconciliation of equity at 1 April 2008**

The following are notes to the reconciliation;

### **A. Property, plant and equipment-net, and Assets held for sale**

- Reclassifications: Assets held for sale of 234 million yen as property, plant and equipment-net under Japanese GAAP were reclassified and presented as assets held for sale under IFRSs.
- Adjustments: Lease expense under finance lease of 3,117 million yen, real estate acquisition tax of 279 million yen and site restoration costs relating to asset retirement obligations of 321 million yen expensed under Japanese GAAP are capitalised under IFRSs. The net carrying amount of property, plant and equipment-net has decreased by 2,829 million yen as a result of IFRSs implementation review of depreciation method and estimated useful lives of property, plant and equipment. In addition, the net carrying value of property, plant and equipment-net in the amount of 332 million yen has decreased due to the increase in depreciation from applying component accounting under IFRSs.

### **B. Goodwill and Other intangible assets**

- Reclassifications: Identifiable intangible assets of 15,524 million yen included in goodwill under Japanese GAAP were reclassified and presented as other intangible assets under IFRSs.
- Adjustments: Under IFRSs, goodwill has increased by 19 million yen as the goodwill denominated in foreign currency was translated using foreign exchange rate at the reporting date.

### **C. Goodwill, Other intangible assets and Other non-current assets**

- Reclassifications: Identifiable intangible assets of 15,524 million yen included in goodwill under Japanese GAAP were reclassified and presented as other intangible assets under IFRSs, and leasehold rights of 2,567 million yen included in other intangible assets under Japanese GAAP were reclassified as and included in other non-current assets as long-term prepaid expenses under IFRSs.
- Adjustments: Development costs expensed as incurred under Japanese GAAP but meet the asset recognition conditions under IFRSs are recognised as intangible assets.

### **D. Investments in associates**

- Reclassifications: Investments in associates of 17,279 million yen included in investment securities under Japanese GAAP are separately disclosed under IFRSs.

### **E. Long-term financial assets, Other non-current assets, Other short-term financial assets, Cash and cash equivalents, Other long-term financial liabilities, Other short-term financial liabilities and Other current liabilities**

- Reclassifications: Long-term deposits of 121 million yen, lease deposits of 3,718 million yen, non-current other receivables of 320 million yen and non-current loans receivable of 689 million yen collectively included in other non-current assets under Japanese GAAP, were reclassified as long-term financial assets under IFRSs. Available-for-sale financial assets of 4,924 million yen included in investment securities under Japanese GAAP were reclassified as long-term financial assets under IFRSs. The allowance for doubtful accounts of 325 million yen separately disclosed under Japanese GAAP was deducted from long-term financial assets under IFRSs. Time deposits with maturities over three-months of 131 million yen included in cash and deposits, short-term loans receivable of 328 million yen and derivative assets of 620 million yen included in other current assets, collectively under Japanese GAAP, were reclassified as other short-term financial assets under IFRSs. Short-term derivative liabilities of 81 million yen included in other current liabilities under Japanese GAAP were reclassified as other short-term financial liabilities under IFRSs.
- Adjustments: Foreign exchange contracts that were not recognised at fair value under Japanese GAAP as they were allocated to the corresponding foreign currency assets and/or liabilities, are measured at fair values and reclassified as long-term/short-term financial assets or liabilities under IFRSs.

### **F. Deferred tax assets and liabilities, and Other non-current liabilities**

- Reclassifications: Deferred tax assets of 10,868 million yen that were separately disclosed as current assets under Japanese GAAP were reclassified as non-current deferred tax assets under IFRSs. In addition, non-current deferred tax liabilities included in other non-current liabilities under Japanese GAAP are disclosed separately under IFRSs.
- Adjustments: Deferred tax assets have increased by 1,526 million yen under IFRSs as deferred tax assets on unrealised profits were calculated using different tax rates applicable under Japanese GAAP and IFRSs. There was a further increase in deferred tax assets 4,069 million yen under IFRSs as a result of the re-examination of recoverability of all deferred tax assets.

G. Inventories

- Adjustments: Inventories have decreased by 123 million yen as a result of adjusting lower of cost or net realisable value under IFRSs whereas inventories under Japanese GAAP were recognised at cost. Due to the changes in revenue recognition methodologies (see H. “Trade and other receivables, and Other current assets” below), inventories have increased by 199 million yen under IFRSs. In addition, inventories have increased by 100 million yen due to changes in the depreciation method for property, plant and equipment.

H. Trade and other receivables, and Other current assets

- Reclassifications: Allowance for doubtful accounts which was separately disclosed in the amount of 2,388 million yen and other accounts receivables of 2,399 million yen included in other current assets under Japanese GAAP were deducted from and reclassified as, respectively, trade and other receivables under IFRSs.
  - Adjustments: Accounts receivables decreased by 270 million yen as a result of the recognition of revenue from sales of goods under IFRSs when significant risks and rewards of ownership have been transferred, whereas under Japanese GAAP revenue from sales of goods was mainly recognized upon shipment.
- Notes receivable transferred with recourse obligation of 1,551 million yen are recognised until the recourse obligation is discharged under IFRSs whereas they were derecognised upon transfer under Japanese GAAP.

I. Trade and other receivables, Other short-term financial assets, Income tax receivables and Other current assets

- Reclassifications: Income tax receivables of 7,729 million yen included in other current assets under Japanese GAAP was separately presented under IFRSs. Other accounts receivables of 2,399 million yen included in other current assets under Japanese GAAP were reclassified as trade and other receivables under IFRSs. Short-term loans receivable of 328 million yen and derivative assets of 620 million yen included in other current assets under Japanese GAAP were reclassified as other short-term financial assets under IFRSs.

J. Other short-term financial assets and, Cash and cash equivalents

- Reclassifications: Time deposits of 131 million yen with maturities over three-months and included in cash and deposits under Japanese GAAP were reclassified as other short-term financial assets under IFRSs.

K. Other capital reserves and Retained earnings

- Reclassifications: Stock subscription rights separately presented of 633 million yen under Japanese GAAP were reclassified as other capital reserves under IFRSs.
- The loss on disposal of treasury shares of 4,740 million yen charged to retained earnings under Japanese GAAP were reclassified as other capital reserves under IFRSs following Group’s accounting policy.
- Adjustments: Under Japanese GAAP, stock subscription rights were recognised for stock options granted after the date the Company Act in Japan was effective whereas under IFRSs, stock options that were granted after 7 November 2002 and vested on or after 1 April 2008 are recognised as a result of applying exemptions for first-time adopters. As a result, capital reserves have increased by 339 million yen under IFRSs.

L. Retained earnings and Accumulated other comprehensive income

- Adjustments: Upon first-time adoption of IFRSs, cumulative translation differences at overseas subsidiaries of 3,850 million yen were considered to be zero.

M. Interest-bearing long-term and short-term debt, and Other non-current liabilities

- Reclassifications: Long-term bank loans of 13,268 million yen and lease obligations of 83 million yen included in other non-current liabilities under Japanese GAAP were reclassified as interest-bearing long-term debt under IFRSs. The current portion of long-term bank loans of 8,749 million yen and commercial paper of 6,192 million yen under Japanese GAAP were reclassified as interest-bearing short-term debt under IFRSs.
- Adjustments: As a result of finance leases capitalised under IFRSs, minimum lease payments of 2,106 million yen are recognised as interest-bearing long-term debt and 904 million yen as interest-bearing short-term debt, whereas lease payments were expensed under Japanese GAAP. Notes receivable transferred with recourse obligation was derecognised under Japanese GAAP, whereas the related liability of 1,551 million yen was recognised under IFRSs.

N. Retirement benefits obligation

- Adjustments: Retirement benefits obligation for some foreign subsidiaries which have defined benefit plans were recalculated and the Group recognised liabilities in accordance with IFRSs.

O. Interest-bearing long-term debt, Other provisions (non-current and current liabilities), Other non-current liabilities and Other current liabilities

- Reclassifications: Lease obligations of 83 million yen and asset retirement obligations of foreign subsidiaries of 394 million yen included in other non-current liabilities under Japanese GAAP, were reclassified to interest-bearing long-term debt and other provisions (non-current liability), respectively under IFRSs.

Accrued bonus of 7,453 million yen which was classified separately under Japanese GAAP has been reclassified to other current liabilities under IFRSs.

- Adjustments: Asset retirement obligations provision of 1,497 million yen not recognised under Japanese GAAP was recognised as other provisions under IFRSs. The reserve for periodic repairs of 1,017 million yen which was presented under Japanese GAAP was not recognised under IFRSs.

P. Trade and other payables, Other short-term financial liabilities, Other provisions (current liabilities) and Other current liabilities

- Reclassifications: Other payables of 25,135 million yen and short-term derivative liabilities of 81 million yen included in other current liabilities under Japanese GAAP, were reclassified as trade and other payables, and other short-term financial liabilities, respectively.

Accrued expenses of 22,515 million yen and accrued bonus of 7,453 million yen which were separately disclosed under Japanese GAAP were reclassified as other current liabilities under IFRSs.

- Adjustments: Under Japanese GAAP, the liability relating to the future expected usage of the Company's customer loyalty programmes of 708 million yen was recognised and included in other current liabilities (other payables) in the amount of the cost of the goods corresponding to the points of programmes. Under IFRSs, the customer loyalty programmes were identified as component of revenue and other current liabilities (deferred revenue) of 1,953 million yen has been recognised. Accrued vacation pay of 1,417 million yen, which was not recognised under Japanese GAAP, was accrued and included in other current liabilities under IFRSs. No asset and liability are recognised under Japanese GAAP for finance lease contracts that started before 1 April 2008. However under IFRSs, both assets and liabilities are recognised. In addition, a part of the liabilities for which purchase agreements of leased assets were concluded were classified to trade and other payables in the amount of 923 million yen.

Q. Other capital reserves and Retained earnings

- Reclassifications: Loss on disposal of treasury shares of 4,740 million yen included in retained earnings under Japanese GAAP was reclassified as other capital reserves under IFRSs.

- Adjustments: The main reconciliation items were as follows. The amounts below were adjustments to retained earnings through consolidated statement of comprehensive income and do not always equal to the amounts of reconciliation to consolidated statement of financial position to which the Notes in the chart below refer.

	Amount (Millions of Yen)
Property, plant and equipment related (Note A, M, P)	(3,747)
Asset retirement obligations reserve (Note A, O)	(1,176)
Deferred taxes (Note F)	5,775
Inventories related (Note G)	176
Stock options (Note K)	(339)
Cumulative translation differences (Note L)	3,850
Reserve for periodic repairs (Note O)	1,017
Accrued vacation pay (Note P)	(1,417)
Customer loyalty programmes (Note P)	(1,245)
Others	175
Total	3,069

### (3) Reconciliation of equity at 31 March 2009

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b><u>ASSETS</u></b>						<b><u>ASSETS</u></b>
NON-CURRENT ASSETS:						NON-CURRENT ASSETS:
Property, plant and equipment-net	129,317	(1,126)	2,307	130,498	A	Property, plant and equipment-net
Goodwill		1,156	1,537	2,693	B,C	Goodwill
Other intangible assets	22,150	(3,122)	200	19,228	B,C	Other intangible assets
Investment securities	11,328	(11,328)			D,E	
		7,778	1,314	9,092	D	Investments in associates
		9,115		9,115	E	Long-term financial assets
Other non-current assets	7,741	(4,147)	(7)	3,587	C,E	Other non-current assets
Allowance for doubtful accounts	(548)	548			E	
Deferred tax assets	36,643	6,369	4,176	47,188	F	Deferred tax assets
Total non-current assets	206,631	5,243	9,527	221,401		Total non-current assets:
CURRENT ASSETS:						CURRENT ASSETS:
Inventories	71,257	(14)	(135)	71,108	G	Inventories
Trade and notes receivables	82,875	(922)	(268)	81,685	H, I	Trade and other receivables
Deferred tax assets	6,369	(6,369)			F	
		6,899		6,899	E,I,J	Other short-term financial assets
		2,363		2,363	I	Income tax receivables
Other current assets	12,107	(4,396)		7,711	H,I	Other current assets
Allowance for doubtful accounts	(2,683)	2,683			H	
Cash and deposits	214,541	(6,613)		207,928	E,J	Cash and cash equivalents
				377,694		Sub total
		1,126		1,126	A	Assets held for sale
Total current assets	384,466	(5,243)	(403)	378,820		Total current assets
TOTAL ASSETS	591,097		9,124	600,221		TOTAL ASSETS

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b><u>LIABILITIES AND EQUITY</u></b>						<b><u>LIABILITIES AND EQUITY</u></b>
<b>EQUITY:</b>						<b>EQUITY:</b>
Share capital	6,264			6,264		Share capital
Capital reserves	15,899			15,899		Capital reserves
Treasury shares	(7,985)			(7,985)		Treasury shares
Stock subscription rights	939	(939)			K	
		(3,803)	500	(3,303)	K, P	Other capital reserves
Retained earnings	368,109	4,742	10,090	382,941	K,L,P	Retained earnings
Unrealised profit (loss) on translation adjustments and others	(46,974)		(5,632)	(52,606)	L	Accumulated other comprehensive income/(loss)
				341,210		Equity attributable to owners of the Company
Minority interests	1,758		16	1,774		Minority interests
Total equity	338,010		4,974	342,984		Total equity
<b>NON-CURRENT LIABILITIES:</b>						<b>NON-CURRENT LIABILITIES:</b>
Bonds	99,973	10,968	613	111,554	M, N	Interest-bearing long-term debt
Long-term bank loans	9,689	(9,689)			M	
		284		284		Other long-term financial liabilities
Retirement benefits obligation	8,489			8,489		Retirement benefits obligation
		421	1,522	1,943	N	Other provisions
Reserve for periodic repairs	999		(999)		N	
Other non-current liabilities	2,947	(2,158)		789	F,M,N	Other non-current liabilities
		172	(116)	56	F	Deferred tax liabilities
Total non-current liabilities	122,097	(2)	1,020	123,115		Total non-current liabilities
<b>CURRENT LIABILITIES:</b>						<b>CURRENT LIABILITIES:</b>
Short-term bank loans	2,145	46,448	295	48,888	M	Interest-bearing short-term debt
Current portion of long-term bank loans	4,402	(4,402)			M	
Commercial paper	41,978	(41,978)			M	
Trade and notes payables	29,557	17,146	(621)	46,082	O	Trade and other payables
		150		150	E,O	Other short-term financial liabilities
Income tax payables	7,273			7,273		Income tax payables
Accrued bonus, Allowance for product's warranty and Accrued bonus for executives	5,599	(4,805)		794	N,O	Other provisions
Accrued expenses	17,884	(17,884)			O	
Other current liabilities	22,152	5,327	3,456	30,935	E,N,O	Other current liabilities
Total current liabilities	130,990	2	3,130	134,122		Total current liabilities
Total liabilities	253,087		4,150	257,237		Total liabilities
Total equity and liabilities	591,097		9,124	600,221		Total equity and liabilities

#### **(4) Notes to the reconciliation of equity at 31 March 2009**

The following are notes to the reconciliation;

**A. Property, plant and equipment-net, and Assets held for sale**

- Reclassifications: Assets held for sale of 1,126 million yen as property, plant and equipment-net under Japanese GAAP were reclassified and presented as assets held for sale under IFRSs.
- Adjustments: Lease expense under finance lease of 600 million yen, real estate acquisition tax of 253 million yen and site restoration costs relating to asset retirement obligations of 325 million yen expensed under Japanese GAAP are capitalised under IFRSs. The net carrying amount of property, plant and equipment-net has increased by 1,294 million yen as a result of IFRSs implementation review on depreciation method and estimated useful lives of property, plant and equipment. In addition, the net carrying value of property, plant and equipment-net in the amount of 180 million yen has decreased due to the increase in depreciation from applying component accounting under IFRSs.

**B. Goodwill and Other intangible assets**

- Reclassifications: Goodwill included in intangible assets under Japanese GAAP of 1,156 million yen was reclassified and presented as goodwill under IFRSs.
- Adjustments: Amortisation of goodwill of 2,555 million yen under Japanese GAAP was reversed under IFRSs as goodwill amortisation is not allowed under IFRSs. The amount of goodwill of 687 million yen has decreased to adjust impairment losses incurred under Japanese GAAP. In addition, goodwill has decreased under IFRSs by 331 million yen as the goodwill denominated in foreign currency was translated using foreign exchange rate at the reporting date.

**C. Goodwill, Other intangible assets and Other non-current assets**

- Reclassifications: Goodwill of 1,156 million yen included in intangible assets under Japanese GAAP were reclassified as goodwill under IFRSs, and leasehold rights of 1,966 million yen included in other intangible assets under Japanese GAAP were reclassified as and included in other non-current assets as long-term prepaid expenses under IFRSs.
- Adjustments: Development costs expensed as incurred under Japanese GAAP but meet the asset recognition conditions under IFRSs are recognised as intangible assets.

**D. Investments in associates**

- Reclassifications: Investments in associates of 7,778 million yen included in investment securities under Japanese GAAP are separately disclosed under IFRSs.
- Adjustments: Amortised cost under Japanese GAAP on goodwill relating to investments in associates has been reversed due to goodwill not being amortised under IFRSs, and negative goodwill was recognised as income at one-time for the period. As a result, investments in associates have increased by 1,314 million yen.

**E. Long-term financial assets, Other non-current assets, Other short-term financial assets, Cash and cash equivalents, Other short-term financial liabilities and Other current liabilities**

- Reclassifications: Long-term deposits of 110 million yen, lease deposits of 3,664 million yen, non-current other receivables of 756 million yen and non-current loans receivable of 638 million yen collectively included in other non-current assets under Japanese GAAP were reclassified as long-term financial assets under IFRSs. Available-for-sale financial assets of 3,550 million yen included in investment securities under Japanese GAAP were reclassified as long-term financial assets under IFRSs. The allowance for doubtful accounts of 548 million yen separately disclosed under Japanese GAAP was deducted from long-term financial assets under IFRSs. Time deposits with maturities over three months of 6,613 million yen included in cash and deposits, short-term loans receivable of 210 million yen and derivative assets of 76 million yen included in other current assets, collectively under Japanese GAAP, were reclassified as other short-term financial assets under IFRSs. Short-term derivative liabilities of 150 million yen included in other current liabilities under Japanese GAAP were reclassified as other short-term financial liabilities under IFRSs.

**F. Deferred tax assets and liabilities, and Other non-current liabilities**

- Reclassifications: Deferred tax assets of 6,369 million yen that were separately disclosed as current assets under Japanese GAAP were reclassified as non-current deferred tax assets under IFRSs. In addition, non-current deferred tax liabilities included in other non-current liabilities under Japanese GAAP are disclosed separately under IFRSs.
- Adjustments: Deferred tax assets have increased by 1,257 million yen under IFRSs as deferred tax assets on unrealised profits were calculated using different tax rate applicable under Japanese GAAP and IFRSs. There was a further increase in deferred tax assets 2,919 million yen under IFRSs as a result of the re-examination of recoverability of all deferred tax assets.

G. Inventories

- Adjustments: Due to the changes in revenue recognition methodologies (see H. “Trade and other receivables, and Other current assets” below), inventories have increased by 358 million yen under IFRSs. In addition, inventories have decreased by 493 million yen due to changes in the depreciation method for property, plant and equipment.

H. Trade and other receivables, and Other current assets

- Reclassifications: Allowance for doubtful accounts which was separately disclosed in the amount of 2,683 million yen and other accounts receivables of 1,761 million yen included in other current assets under Japanese GAAP were deducted from and reclassified as, respectively, trade and other receivables under IFRSs.
- Adjustments: Accounts receivables decreased by 449 million yen as a result of the recognition of revenue from sales of goods under IFRSs when significant risks and rewards of ownership have been transferred, whereas under Japanese GAAP revenue from sales of goods was mainly recognised upon shipment. Notes receivable transferred with recourse obligation of 181 million yen are recognised until recourse obligation is discharged under IFRSs whereas they were derecognised upon transfer under Japanese GAAP.

I. Trade and other receivables, Other short-term financial assets, Income tax receivables and Other current assets

- Reclassifications: Income tax receivables of 2,363 million yen included in other current assets under Japanese GAAP was separately presented under IFRSs. Other accounts receivables of 1,761 million yen included in other current assets under Japanese GAAP were reclassified as trade and other receivables under IFRSs. Short-term loans receivable of 210 million yen and derivative assets of 76 million yen included in other current assets under Japanese GAAP were reclassified as other short-term financial assets under IFRSs.

J. Other short-term financial assets and, Cash and cash equivalents

- Reclassifications: Time deposits of 6,613 million yen with maturities over three-months and included in cash and deposits under Japanese GAAP were reclassified as other short-term financial assets under IFRSs.

K. Other capital reserves and Retained earnings

- Reclassifications: Stock subscription rights separately presented of 939 million yen under Japanese GAAP were reclassified as other capital reserves under IFRSs. The loss on disposal of treasury shares of 4,742 million yen charged to retained earnings under Japanese GAAP were reclassified as other capital reserves under IFRSs following Group’s accounting policy.
- Adjustments: Under Japanese GAAP, stock subscription rights were recognised for stock options granted after the date the Company Act in Japan was effective whereas under IFRSs, stock options that were granted after 7 November 2002 and vested on or after 1 April 2008 are recognised as a result of applying exemptions for first-time adopters. As a result, capital reserves have increased by 500 million yen under IFRSs.

L. Retained earnings and Accumulated other comprehensive income

- Adjustments: Upon first-time adoption of IFRSs, cumulative translation differences at overseas subsidiaries of 3,850 million yen were considered to be zero. Cumulative translation differences of 1,782 million yen were recognised under IFRSs, because of the adjustment on disposal and liquidation of some overseas subsidiaries and the translation of goodwill and financial numbers of overseas branches.

M. Interest-bearing long-term and short-term debt, and Other non-current liabilities

- Reclassifications: Long-term bank loans of 9,689 million yen and lease obligations of 1,279 million yen included in other non-current liabilities under Japanese GAAP were reclassified as interest-bearing long-term debt under IFRSs. The current portion of long-term bank loans of 4,402 million yen and commercial paper of 41,978 million yen under Japanese GAAP were reclassified as interest-bearing short-term debt under IFRSs.
- Adjustments: As a result of finance leases capitalised under IFRSs, minimum lease payments of 841 million yen for the lease contract which commenced before 1 April 2008 are recognised as interest-bearing long-term debt and 114 million yen as interest-bearing short-term debt, whereas lease payments were expensed under Japanese GAAP. Notes receivable transferred with recourse obligation was derecognised under Japanese GAAP, whereas the related liability of 181 million yen was recognised under IFRSs.



N. Interest-bearing long-term debt, Other provisions (non-current and current liabilities), Other non-current liabilities and Other current liabilities

- Reclassifications: Lease obligations of 1,279 million yen and asset retirement obligations of foreign subsidiaries of 421 million yen included in other non-current liabilities under Japanese GAAP, were reclassified to interest-bearing long-term debt and other provisions (non-current liability) , respectively under IFRSs.

Accrued bonus of 4,754 million yen which was classified separately under Japanese GAAP has been reclassified to other current liabilities under IFRSs.

- Adjustments: Asset retirement obligations provision of 1,522 million yen not recognised under Japanese GAAP was recognised as other provisions under IFRSs. The reserve for periodic repairs of 999 million yen which was presented under Japanese GAAP was not recognised under IFRSs.

O. Trade and other payables, Other short-term financial liabilities, Other provisions (current liabilities) and Other current liabilities

- Reclassifications: Other payables of 17,146 million yen and short-term derivative liabilities of 150 million yen included in other current liabilities under Japanese GAAP, were reclassified as trade and other payables, and other short-term financial liabilities, respectively. Accrued expenses of 17,884 million yen and accrued bonus of 4,754 million yen which were separately disclosed under Japanese GAAP have been included in other current liabilities under IFRSs.

- Adjustments: Under Japanese GAAP, liability relating to the future expected usage of the Company's customer loyalty programmes of 749 million yen was recognised and included in other current liabilities (other payables) in the amount of the cost of the goods corresponding to the points of programmes. Under IFRSs, the customer loyalty programmes were identified as component of revenue and other current liabilities (deferred revenue) of 2,011 million yen has been recognised. Accrued vacation pay of 1,445 million yen, which was not recognised under Japanese GAAP, was accrued and included in other current liabilities under IFRSs.

P. Other capital reserves and Retained earnings

- Reclassifications: Loss on disposal of treasury shares of 4,742 million yen included in retained earnings under Japanese GAAP was reclassified as other capital reserves under IFRSs.

- Adjustments: The main reconciliation items were as follows. The amounts below were adjustments to retained earnings through consolidated statement of comprehensive income and do not always equal to the amounts of reconciliation to consolidated statement of financial position to which the Notes in the chart below refer.

	Amount (Millions of Yen)
Property, plant and equipment related (Note A,M)	999
Asset retirement obligations reserve (Note A,N)	(1,197)
Reversal of goodwill amortisation (Note B,D)	3,869
Goodwill impairment (Note B)	(687)
Deferred taxes (Note F)	4,477
Inventories related (Note G)	(135)
Stock option (Note K)	(500)
Cumulative translation differences (Note L)	4,857
Reserve for periodic repairs (Note N)	999
Accrued vacation pay (Note O)	(1,445)
Customer loyalty programmes (Note O)	(1,262)
Others	115
Total	10,090

**(5) Reconciliation of profit for the year ended 31 March 2009**

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	Discontinued operations (O)	IFRSs	Notes	IFRSs
Sales	454,195	(64)	(261)	(75)	453,795	A	Sales
Interest income	4,018	9,780	(228)	(0)	13,570	B	Finance income
Gain on sales of investment securities	9,705	(9,705)				B	
Equity in earnings (losses) of associated companies	(315)		1,314		999	C	Share of profit of associates
Other non-operating income	5,765	4,833	567	(20)	11,145	D	Other income
Gain on sales of property, plant and equipment	365	(365)				D	
Reversal of allowance for doubtful accounts	94	(94)				D	
Reversal of allowance for periodic repairs	41	(41)				D	
Commission for prior years	3,200	(3,200)				D	
Gain on disposal of business	886	(886)				D	
Other extraordinary income	1,010	(1,010)				D	
Total revenue/income	478,964	(752)	1,392	(95)	479,509		Total revenue
Cost of sales	264,289	(264,289)				E,G,H J,K	
Selling, general and administrative expenses	130,811	(130,811)				E,G,H J,K	
		6,556	(160)		6,396	E,F	Changes in inventories of goods, products and work in progress
		108,269		(46)	108,223	E	Raw materials and consumables used
		107,601	205	(548)	107,258	E,G	Employee benefits expense
		49,080	(2,283)	(1)	46,796	E,H,K	Depreciation and amortisation
		12,831		(3)	12,828	E	Subcontracting cost
		13,281	(437)	(69)	12,775	E,I	Advertising and promotion expense
		26,457		(55)	26,402	E,J	Commission expense
		74,581	(1,014)	(185)	73,382	E,K	Other expenses
Depreciation and amortisation included in non-operating expenses	620	(620)				H	
Loss on sales of property, plant and equipment	545	(545)				K	
Loss on disposal of property, plant and equipment	603	(603)				K	
Additional retirement benefits to employees	6,743	(6,743)				G	
Maintenance of environment	65	(65)				K	
Other non-operating expenses	1,666	(1,666)				K	
Foreign exchange gains	(7,152)	7,152				K	
Interest expenses	2,348	2,350	95		4,793	L	Finance costs
Loss on write-down of investment securities	2,328	(2,328)				L	
Impairment losses	30,459		375	(67)	30,767	M	Impairment losses
Other extraordinary losses	1,580	(1,580)				K	
Total expenses	434,905	(1,092)	(3,219)	(974)	429,620		Total expenses
Profit before income taxes	44,059	340	4,611	879	49,889		Profit before tax
Income tax expense	19,253	340	338		19,931	N	Income tax expense
					29,958		Profit for the year from continuing operations
				(879)	(879)		Profit/(loss) for the year from discontinued operations
					29,079		Profit for the year
Minority interests in net loss of consolidated subsidiaries	(304)		3		(301)		Profit attributable to minority interests
Profit for the year	25,110		4,270		29,380		Profit attributable to owners of the Company

The following are notes to the reconciliation;

A. Sales

- Reclassifications: Sales discounts were included in other non-operating expenses under Japanese GAAP whereas sales discounts are treated as a reduction in sales under IFRSs.
- Adjustments: Revenue from sales of goods was mainly recognised upon shipment under Japanese GAAP whereas under IFRSs, revenue from sales of goods is recognised when significant risks and rewards of ownership have transferred to the customer. Consequently, sales have decreased by 202 million yen under IFRSs. Under Japanese GAAP, costs relating to the future expected usage of the Company's customer loyalty programmes were recognised as sales expense (promotion cost) whereas such customer loyalty programmes are identified as individual components of revenue under IFRSs. Consequently, sales have decreased by 59 million yen under IFRSs.

B. Finance income

- Reclassifications: Gain on sales of investment securities which was separately presented in the amount of 9,705 million yen under Japanese GAAP was included in finance income under IFRSs.
- Adjustments: As all cumulative translation differences of overseas subsidiaries as of the transition date to IFRSs was considered to be zero, carrying amounts of associate investments between Japanese GAAP and IFRSs were different. Consequently, financial income on sales of associate investments has decreased by 228 million yen.

C. Share of profit of associates

- Adjustments: Amortised cost under Japanese GAAP on goodwill relating to investments in associates has been reversed due to goodwill not being amortised under IFRSs, and negative goodwill was required a one-time adjustment to income under IFRSs. Consequently, shares of profit of associates have increased by 1,314 million yen.

D. Other income

- Reclassifications: The following income items presented separately under Japanese GAAP were included in other income under IFRSs;
  - Other non-operating income
  - Gain on sales of property, plant and equipment
  - Commission for prior years
  - Gain on disposal of business
  - Other extraordinary income
- Adjustment: As a result of the change in depreciation method for property, plant and equipment, other income (gain on sales of property, plant and equipment) has increased by 236 million yen.

E. Changes in inventories of goods, products and work in progress, Raw materials and consumables used, Employee benefits expense, Depreciation and amortisation, Subcontracting cost, Advertising and promotion expense, Commission expense and Other expenses

- Reclassification: Cost of sales under Japanese GAAP was reallocated to the following line items under IFRSs;
  - Changes in inventories of goods, products and work in progress, 6,556 million yen.
  - Raw materials and consumables used, 108,331 million yen
  - Employee benefits expense, 48,614 million yen
  - Depreciation and amortisation, 38,460 million yen
  - Subcontracting cost, 12,826 million yen
  - Commission expense, 7,547 million yen
  - Other expenses, 41,955 million yen

Selling, general and administrative expenses under Japanese GAAP were reallocated to the following line items;

- Employee benefits expense, 52,244 million yen
- Depreciation and amortisation, 10,000 million yen
- Advertising and promotion expense, 13,241 million yen
- Commission expense, 18,910 yen
- Other expenses, 36,416 million yen

F. Changes in inventories of goods, products and work in progress

- Adjustments: These changes were impacted by the change in revenue recognition policy and depreciation method for property, plant and equipment.

G. Employee benefits expense

- Reclassifications: The following items presented separately under Japanese GAAP are included in employee benefits expense under IFRSs;
  - 48,614 million yen, a part of cost of sales
  - 52,244 million yen, a part of selling, general and administrative expenses
  - 6,743 million yen, additional retirement benefits to employees
- Adjustments: Employee benefits expense has increased due to the recognition of accrued vacation pay and additional share-based payments under IFRSs.

H. Depreciation and amortisation

- Reclassifications: The following items presented separately under Japanese GAAP are included in depreciation and amortisation under IFRSs;
  - 38,460 million yen, a part of cost of sales
  - 10,000 million yen, a part of selling, general and administrative expenses
  - 620 million yen, non-operating expenses
- Adjustments: As a result of changes in depreciation methods and estimated useful lives of property, plant and equipment, depreciation and amortisation decreased by 2,963 million yen. Depreciation on capitalised finance lease assets of 632 million yen was recognised under IFRSs whereas lease expense under finance lease was expensed under Japanese GAAP.

I. Advertising and promotion expense

- Adjustments: Under Japanese GAAP, costs relating to the future expected usage of the Company's customer loyalty programmes were recognised as sales expense (promotion cost) whereas, under IFRSs, the cost of customer loyalty programmes are identified as individual component of revenue. Consequently, advertising and promotion expense of 437 million yen was reversed.

J. Commission expense

- Reclassifications: The following items under Japanese GAAP were presented as commission under IFRSs;
  - 7,547 million yen, a part of cost of sales
  - 18,910 million yen, a part of selling, general and administrative expenses

K. Depreciation and amortisation, and Other expenses

- Reclassifications: The following items under Japanese GAAP were presented as other expenses under IFRSs;
  - Loss on sale of property, plant and equipment
  - Loss on disposal of property, plant and equipment
  - Maintenance of environment
  - Other non-operating expenses
  - Foreign exchange gain/loss
  - Other extraordinary losses

In addition, following items under Japanese GAAP were presented as other expenses under IFRSs;

- 41,955 million yen, a part of cost of sales
- 36,416 million yen, a part of selling, general and administrative expenses
- Adjustments: Expenses for lease contracts which commenced before 1 April 2008 under Japanese GAAP were reclassified as depreciation and amortisation under IFRSs in the amount of 692 million yen. Amortised goodwill under Japanese GAAP was reversed and as a result, other expenses have decreased by 966 million yen under IFRSs. Due to the adjustment in carrying amount of disposed property, plant and equipment, and intangible assets, other expenses have decreased by 922 million yen under IFRSs. In addition, other expenses under IFRSs have increased by 605 million yen due to the adjustment to the cumulative translation differences relating to the disposal or liquidation of overseas subsidiaries and the translation of goodwill or financial numbers of overseas branches. In addition, under Japanese GAAP cost relating to the future expected usage of the Company's customer loyalty programmes was recognised as sales and general administrative expense whereas under IFRSs such programmes are identified as a component of revenue and other expenses increased by 396 million yen.

L. Finance costs

- Reclassifications: Loss on write-down of investment securities of 2,328 million yen under Japanese GAAP were reclassified as finance costs under IFRSs.
- Adjustments: Bond issuance costs expensed at issuance under Japanese GAAP, were capitalised and amortised as financial costs under IFRSs. Interest on capitalised finance lease transactions which was included in lease expense under Japanese GAAP and interest on asset retirement obligations were recognised as finance costs.

M. Impairment losses

- Adjustments: Impairment losses have increased by 375 million yen due to the different treatment in goodwill amortisation and in depreciation methods of property, plant and equipment under IFRSs.

N. Income tax expense

- Reclassifications: A part of enterprise tax of 340 million yen included in selling, general and administrative expenses under Japanese GAAP was reclassified as income tax expenses under IFRSs.
- Adjustments: Income tax expenses increased by 269 million yen under IFRSs since unrealised intercompany profits were calculated using different tax rates applicable under Japanese GAAP and IFRSs. Income tax expenses increased by a further 69 million yen as a result of re-examination of recoverability of all deferred tax assets under IFRSs.

O. Discontinued operations

- In December 2008, the Board of Directors of the Company decided to discontinue the Crystal Division, and the business was discontinued on 31 March 2009.

**(6) Explanation of material adjustments to the cash flow statements for 31 March 2009**

There was no material difference between the consolidated statement of cash flows presented under IFRSs and the consolidated statement of cash flows presented under Japanese GAAP.

**(7) Reconciliation of equity at 31 March 2010**

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b><u>ASSETS</u></b>						<b><u>ASSETS</u></b>
NON-CURRENT ASSETS:						NON-CURRENT ASSETS:
Property, plant and equipment-net	119,190	(325)	3,338	122,203	A	Property, plant and equipment-net
		3,530	1,954	5,484	B,C	Goodwill
Intangible assets	24,569	(4,916)	(1,871)	17,782	B,C	Other intangible assets
Investment securities	11,055	(11,055)			D,E	
		7,689	1,525	9,214	D	Investments in associates
		18,809		18,809	E	Long-term financial assets
Other non-current assets	17,522	(14,560)		2,962	C,E	Other non-current assets
Allowance for doubtful accounts	(504)	504			E	
Deferred tax assets	32,657	5,973	6,054	44,684	F	Deferred tax assets
Total non-current assets:	204,489	5,649	11,000	221,138		Total non-current assets:
CURRENT ASSETS:						CURRENT ASSETS:
Inventories	61,466	(5)	(247)	61,214	G	Inventories
Trade and notes receivables	93,612	886	(200)	94,298	H,I	Trade and other receivables
Deferred tax assets	5,973	(5,973)			F	
		5,586		5,586	E,I,J	Other short-term financial assets
		2,326		2,326	I	Income tax receivables
Other current assets	12,714	(5,249)		7,465	H,I	Other current assets
Allowance for doubtful accounts	(1,825)	1,825			H	
Cash and deposits	173,308	(5,370)		167,938	E,J	Cash and cash equivalents
				338,827		Sub total
		325		325	A	Assets held for sale
Total current assets	345,248	(5,649)	(447)	339,152		Total current assets
TOTAL ASSETS	549,737		10,553	560,290		TOTAL ASSETS

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
<b><u>LIABILITIES AND EQUITY</u></b>						<b><u>LIABILITIES AND EQUITY</u></b>
EQUITY:						EQUITY:
Share capital	6,264			6,264		Share capital
Capital reserves	15,899			15,899		Capital reserves
Treasury shares	(11,010)			(11,010)		Treasury shares
Stock subscription rights	1,231	(1,231)			K	
		(3,632)	618	(3,014)	K,Q	Other capital reserves
Retained earnings	377,727	4,863	13,429	396,019	K,L,Q	Retained earnings
Unrealised profit (loss) on translation adjustments and others	(39,828)		(6,775)	(46,603)	L	Accumulated other comprehensive income/(loss)
				357,555		Equity attribute to equity holders of the parent
Minority interests	1,189		5	1,194		Minority interests
Total equity	351,472		7,277	358,749		Total equity
NON-CURRENT LIABILITIES:						NON-CURRENT LIABILITIES:
Bonds	99,979	2,877	139	102,995	M,O	Interest-bearing long-term debt
Long-term bank loans	1,830	(1,830)			M	
		7		7		Other long-term financial liabilities
Retirement benefits obligation	8,244		(58)	8,186	N	Retirement benefits obligation
		440	1,278	1,718	O	Other provisions
Reserve for periodic repairs	918		(918)		O	
Other non-current liabilities	3,304	(1,607)	6	1,703	F,M,O	Other non-current liabilities
		124	(114)	10	F	Deferred tax liabilities
Total non-current liabilities	114,275	11	333	114,619		Total non-current liabilities
CURRENT LIABILITIES:						CURRENT LIABILITIES:
Short-term bank loans	334	3,419	537	4,290	M	Interest-bearing short-term debt
Current portion of long-term bank loans	3,278	(3,278)			M	
Trade and notes payables	33,128	14,813	(662)	47,279	P	Trade and other payables
		385		385	E,P	Other short-term financial liabilities
Income tax payables	4,469			4,469		Income tax payables
Accrued bonus, Allowance for product's warranty and Accrued bonus for executives	5,597	(4,717)	24	904	O,P	Other provisions
Accrued expenses	16,152	(16,152)			P	
Other current liabilities	21,032	5,519	3,044	29,595	E,O,P	Other current liabilities
Total current liabilities	83,990	(11)	2,943	86,922		Total current liabilities
Total liabilities	198,265		3,276	201,541		Total liabilities
Total equity and liabilities	549,737		10,553	560,290		Total equity and liabilities

## **(8) Notes to the reconciliation of equity at 31 March, 2010**

The following are notes to the reconciliation;

### **A. Property, plant and equipment-net, and Assets held for sale**

- Reclassifications: Assets held for sale of 325million yen as property, plant and equipment-net under Japanese GAAP were reclassified and presented as assets held for sale under IFRSs.
- Adjustment: Lease expense under finance lease of 263 million yen, real estate acquisition tax of 222 million yen and site restoration costs relating to asset retirement obligations of 454 million yen expensed under Japanese GAAP are capitalised under IFRSs. The carrying amount of property, plant and equipment-net has increased by 2,416 million yen as a result of IFRSs implementation review on depreciation method and estimated useful lives of property, plant and equipment. In addition, the net carrying value of property, plant and equipment-net in the amount of 17 million yen has decreased due to the increase in depreciation from applying component accounting under IFRSs.

### **B. Goodwill and Other intangible assets**

- Reclassifications: Goodwill included in intangible assets under Japanese GAAP of 3,530 million yen was reclassified and presented as goodwill under IFRSs.
- Adjustments: Amortisation of goodwill of 2,232 million yen under Japanese GAAP was reversed under IFRSs as goodwill amortisation is not allowed under IFRSs. In addition, goodwill has decreased under IFRSs by 278 million yen as the goodwill denominated in foreign currency was translated using foreign exchange rate at the reporting date.

### **C. Goodwill, Other intangible assets and Other non-current assets**

- Reclassifications: Goodwill of 3,530 million yen included in intangible assets under Japanese GAAP were reclassified as goodwill under IFRSs, and leasehold rights of 1,386 million yen included in other intangible assets under Japanese GAAP were reclassified as and included in other non-current assets as long-term prepaid expenses under IFRSs.
- Adjustments: Loss on disposal of other intangible assets under Japanese GAAP of 1,874 million yen recognised during the year ending 31 March 2011, was recognised during the year ended 31 March 2010 as an adjusting subsequent event under IFRSs.

### **D. Investments in associates**

- Reclassifications: Investments in associates of 7,689 million yen included in investment securities under Japanese GAAP are separately disclosed under IFRSs.
- Adjustments: Amortised cost under Japanese GAAP on goodwill relating to investments in associates has been reversed due to goodwill not being amortised under IFRSs, and negative goodwill was recognised as income at one-time for previous period. As a result, investments in associates have increased by 1,525 million yen.

### **E. Long-term financial assets, Other non-current assets, Other short-term financial assets, Cash and cash equivalents, Other short-term financial liabilities and Other current liabilities**

- Reclassifications: Long-term deposits of 10,115 million yen, lease deposits of 3,896 million yen, non-current other receivables of 645 million yen and non-current loans receivable of 406 million yen collectively included in other non-current assets under Japanese GAAP were reclassified as long-term financial assets under IFRSs. Available-for-sale financial assets of 3,366 million yen included in investment securities under Japanese GAAP were reclassified as long-term financial assets under IFRSs. The allowance for doubtful accounts of 504 million yen separately disclosed under Japanese GAAP was deducted from long-term financial assets under IFRSs. Time deposits with maturities over three months of 5,370 million yen included in cash and deposits, short-term loans receivable of 216 million yen included in other current assets, collectively under Japanese GAAP, were reclassified as other short-term financial assets under IFRSs. Short-term derivative liabilities of 385 million yen included in other current liabilities under Japanese GAAP were reclassified as other short-term financial liabilities under IFRSs.



F. Deferred tax assets and liabilities, and Other non-current liabilities

- Reclassifications: Deferred tax assets of 5,973 million yen that were separately disclosed as current assets under Japanese GAAP were reclassified as non-current deferred tax assets under IFRSs. In addition, non-current deferred tax liabilities included in other non-current liabilities under Japanese GAAP are disclosed separately under IFRSs.
- Adjustments: Deferred tax assets have increased by 1,423 million yen under IFRSs as deferred tax assets on unrealised profits were calculated using different tax rate applicable under Japanese GAAP and IFRSs. There was a further increase in deferred tax assets in 4,032 million yen under IFRSs as a result of the re-examination of recoverability of all deferred tax assets. In addition, deferred tax assets that are recognised during the year ending 31 March 2011 under Japanese GAAP in the amount of 599 million yen were recognised in the year ended 31 March 2010 as an adjusting subsequent event under IFRSs.

G. Inventories

- Adjustments: Due to the changes in revenue recognition methodologies (see H. “Trade and other receivables, and Other current assets” below), inventories have increased by 362 million yen under IFRSs. In addition, inventories have decreased by 609 million yen due to the changes in the depreciation method for property, plant and equipment.

H. Trade and other receivables, and Other current assets

- Reclassifications: Allowance for doubtful accounts which was separately disclosed in the amount of 1,825 million yen and other accounts receivables of 2,711 million yen included in other current assets under Japanese GAAP were deducted from and reclassified as, respectively, trade and other receivables under IFRSs.
- Adjustments: Accounts receivables decreased by 504 million yen as a result of the recognition of revenue from sales of goods under IFRSs when significant risks and rewards of ownership have been transferred whereas under Japanese GAAP revenue from sales of goods was mainly recognised upon shipment.
- Notes receivable transferred with recourse obligation of 428 million yen are recognised until recourse obligation is discharged under IFRSs whereas they were derecognised upon transfer under Japanese GAAP.

I. Trade and other receivables, Other short-term financial assets, Income tax receivables and Other current assets

- Reclassifications: Income tax receivables of 2,326 million yen included in other current assets under Japanese GAAP was separately presented under IFRSs. Other accounts receivables of 2,711 million yen included in other current assets under Japanese GAAP were reclassified as trade and other receivables under IFRSs. Short-term loans receivable of 216 million yen included in other current assets under Japanese GAAP were reclassified as other short-term financial assets under IFRSs.

J. Other short-term financial assets and, Cash and cash equivalents

- Reclassifications: Time deposits of 5,370 million yen with maturities over three-months and included in cash and deposits under Japanese GAAP were reclassified as other short-term financial assets under IFRSs

K. Other capital reserves and Retained earnings

- Reclassifications: Stock subscription rights separately presented of 1,231 million yen under Japanese GAAP were reclassified as other capital reserves under IFRSs. The loss on disposal of treasury shares of 4,863 million yen charged to retained earnings under Japanese GAAP were reclassified as other capital reserves under IFRSs following Group’s accounting policy.
- Adjustments: Under Japanese GAAP, stock subscription rights were recognised for stock options granted after the date the Company Act in Japan was effective whereas under IFRSs, stock options that were granted after 7 November 2002 and vested on or after 1 April 2008 are recognised as a result of applying exemptions for first-time adopters. As a result, capital reserves have increased by 618 million yen under IFRSs.

L. Retained earnings and Accumulated other comprehensive income

- Adjustments: Upon first-time adoption of IFRSs, cumulative translation differences at overseas subsidiaries of 3,850 million yen were considered to be zero. Cumulative translation differences of 2,925 million yen were recognised under IFRSs, because of the adjustment on disposal and liquidation of some overseas subsidiaries and the translation of goodwill and financial numbers of overseas branches.

M. Interest-bearing long-term and short-term debt, and Other non-current liabilities

- Reclassifications: Long-term bank loans of 1,830 million yen and lease obligations of 1,047 million yen included in other non-current liabilities under Japanese GAAP were reclassified as interest-bearing long-term debt under IFRSs. The current portion of long-term bank loans of 3,278 million yen under Japanese GAAP were reclassified as interest-bearing short-term debt under IFRSs.
- Adjustments: As a result of finance leases capitalised under IFRSs, minimum lease payments of 326 million yen for the lease contract which commenced before 1 April 2008 are recognised as interest-bearing long-term debt and 109 million yen as interest-bearing short-term debt, whereas lease payments were expensed under Japanese GAAP. Notes receivable transferred with recourse obligation was derecognised under Japanese GAAP, whereas the related liability of 428 million yen was recognised under IFRSs.

N. Retirement benefits obligation

- Adjustments: Past service cost derived from a change of plan in a division in the Company with defined benefit plans was recognised to profit due to its benefit vested under IFRS whereas it was recognised over certain period under Japanese GAAP.

O. Interest-bearing long-term debt, Other provisions (non-current and current liabilities), Other non-current liabilities and Other current liabilities

- Reclassifications: Lease obligations of 1,047 million yen and asset retirement obligations of foreign subsidiaries of 440 million yen included in other non-current liabilities under Japanese GAAP, were reclassified to interest-bearing long-term debt and other provisions (non-current liability) , respectively under IFRSs. Accrued bonus of 4,717 million yen which was classified separately under Japanese GAAP has been reclassified to other current liabilities under IFRSs.
- Adjustments: Asset retirement obligations provision of 1,278 million yen not recognised under Japanese GAAP was recognised as other provisions under IFRSs. The reserve for periodic repairs of 918 million yen which was presented under Japanese GAAP was not recognised under IFRSs.

P. Trade and other payables, Other short-term financial liabilities, Other provisions (current liabilities) and Other current liabilities

- Reclassifications: Other payables of 14,813 million yen and short-term derivative liabilities of 385 million yen included in other current liabilities under Japanese GAAP, were reclassified as trade and other payables, and other short-term financial liabilities, respectively. Accrued expenses of 16,152 million yen and accrued bonus of 4,717 million yen which were separately disclosed under Japanese GAAP have been included in other current liabilities under IFRSs.
- Adjustments: Under Japanese GAAP, liability relating to the future expected usage of the Company's customer loyalty programmes of 662 million yen was recognised and included in other current liabilities (other payables) in the amount of the cost of the goods corresponding to the points of programmes. Under IFRSs, the customer loyalty programmes were identified as component of revenue and other current liabilities (deferred revenue) of 1,730 million yen has been recognised. Accrued vacation pay of 1,314 million yen, which was not recognised under Japanese GAAP, was accrued and included in other current liabilities under IFRSs.

Q. Other capital reserves and Retained earnings

- Reclassifications: Loss on disposal of treasury shares of 4,863 million yen included in retained earnings under Japanese GAAP was reclassified as other capital reserves under IFRSs.
- Adjustments: The main reconciliation items were as follows. The amounts below were adjustments to retained earnings through consolidated statement of comprehensive income and do not always equal to the amounts of reconciliation to consolidated statement of financial position to which the Notes in the chart below refers.

	Amount (Millions of Yen)
Property, plant and equipment related (Note A, M)	2,463
Asset retirement obligations reserve (Note A, O)	(848)
Reversal of goodwill amortisation (Note B,D)	3,870
Subsequent event to adjust for the year ended 31 March 2010 (Note C, F)	(1,997)
Deferred taxes (Note F)	6,247
Inventories related (Note G)	(247)
Stock option (Note K)	(618)
Cumulative translation differences (Note L)	6,298
Reserve for periodic repairs (Note O)	918
Accrued vacation pay (Note P)	(1,314)
Customer loyalty programmes (Note P)	(1,068)
Others	(275)
Total	13,429

**(9) Reconciliation of profit for the year ended 31 March 2010**

(Millions of Yen)

Japanese GAAP	Japanese GAAP	Reclassifications	Adjustments	IFRSs	Notes	IFRSs
Sales	413,525	(25)	226	413,726	A	Sales
Interest income	832	88		920	B	Finance income
Equity in earnings of associated companies	255		211	466	C	Share of profit of associates
Other non-operating income	4,561	1,275	(116)	5,720	B, D	Other income
Gain on sales of property, plant and equipment	287	(287)			D	
Reversal of allowance for doubtful accounts	10	(10)			D	
Reversal of allowance for periodic repairs	30	(30)			D	
Commission for prior years	1,013	(1,013)			D	
Other extraordinary income	183	(183)			D	
Total revenue/income	420,696	(185)	321	420,832		Total revenue
Cost of sales	233,076	(233,076)			E, G, H, J, K	
Sales and general administrative expenses	116,121	(116,121)			E, G, H, J, K	
		11,059	132	11,191	E, F	Changes in inventories of goods, products and work in progress
		93,801		93,801	E	Raw materials and consumables used
		93,067	(145)	92,922	E, G	Employee benefits expense
		34,411	(457)	33,954	E, H, K	Depreciation and amortisation
		7,046		7,046	E	Subcontracting cost
		10,974	(326)	10,648	E, I	Advertising and promotion expense
		21,991		21,991	E, J	Commission expense
		94,508	(516)	93,992	E, K	Other expenses
Depreciation and amortisation included in non-operating expenses	418	(418)			H	
Loss on sales of property, plant and equipment	658	(658)			K	
Loss on disposal of property, plant and equipment	1,012	(1,012)			K	
Additional retirement benefits to employees	1,932	(1,932)			G	
Maintenance of environment	1,883	(1,883)			K	
Loss regarding Antimonopoly Act	1,447	(1,447)			K	
Other non-operating expenses	1,568	(1,568)			K	
Foreign exchange losses	6,489	(6,489)			K	
Interest expenses	2,206	602	88	2,896	L	Finance costs
Loss on write-down of investment securities	587	(587)			L	
Impairment losses	834			834		Impairment losses
Foreign withholding tax	1,489	(1,489)			K	
Other extraordinary losses	1,215	(1,215)			K	
Total expenses	370,935	(436)	(1,224)	369,275		Total expenses
Profit before income taxes	49,761	251	1,545	51,557		Profit before tax
Income tax expense	11,589	251	(1,800)	10,040	M	Income tax expense
				41,517		Profit for the year
Minority interests in net income of consolidated subsidiaries	297		7	304		Profit attributable to minority interests
Profit for the year	37,875		3,338	41,213		Profit attributable to owners of the Company

The following are notes to the reconciliation;

A. Sales

- Reclassifications: Sales discounts were included in other non-operating expenses under Japanese GAAP whereas sales discounts are treated as a reduction in sales under IFRSs.
- Adjustments: Revenue from sales of goods was mainly recognised upon shipment under Japanese GAAP whereas under IFRSs, revenue from sales of goods is recognised when significant risks and rewards of ownership have transferred to customer. Consequently, sales have decreased by 56 million yen under IFRSs. Under Japanese GAAP, costs relating to the future expected usage of the Company's customer loyalty programmes were recognised as sales expense (promotion cost) whereas such customer loyalty programmes are identified as individual component of revenue under IFRSs. Consequently, sales have increased by 282 million yen under IFRSs.

B. Finance income

- Reclassifications: Other non-operating income such as dividends received under Japanese GAAP was reclassified as finance income under IFRSs.

C. Share of profit of associates

- Adjustments: Amortised cost under Japanese GAAP on goodwill relating to investments in associates has been reversed due to goodwill not being amortised under IFRSs. Consequently, shares of profit of associates have increased by 211 million yen.

D. Other income

- Reclassifications: The following income items presented separately under Japanese GAAP were included in other income under IFRSs;
  - Other non-operating income
  - Gain on sales of property, plant and equipment
  - Commission for prior years
  - Other extraordinary income
- Adjustments: As a result of the change in depreciation method for property, plant and equipment, other income (gain on sales of property, plant and equipment) has decreased by 116 million yen.

E. Changes in inventories of goods, products and work in progress, Raw materials and consumables used, Employee benefits expense, Depreciation and amortisation, Subcontracting cost, Advertising and promotion expense, Commission expense and Other expenses

- Reclassifications: Cost of sales under Japanese GAAP was reallocated to the following line items under IFRSs;
  - Changes in inventories of goods, products and work in progress, 11,059 million yen.
  - Raw materials and consumables used, 93,865 million yen
  - Employee benefits expense, 40,820 million yen
  - Depreciation and amortisation, 27,012 million yen
  - Subcontracting cost, 7,041 million yen
  - Commission expense, 5,601 million yen
  - Other expenses, 47,678 million yen

Selling, general and administrative expenses under Japanese GAAP were reallocated to the following line items;

- Employee benefits expense, 50,315 million yen
- Depreciation and amortisation, 6,981 million yen
- Advertising and promotion expense, 10,935 million yen
- Commission expense, 16,390 million yen
- Other expenses, 31,500 million yen

F. Changes in inventories of goods, products and work in progress

- Adjustments: These changes were impacted by the change in revenue recognition policy and depreciation method for property, plant and equipment.

G. Employee benefits expense

- Reclassifications: The following items presented separately under Japanese GAAP are included in employee benefits expense under IFRSs;
  - 40,820 million yen, a part of cost of sales
  - 50,315 million yen, a part of selling, general and administrative expenses
  - 1,932 million yen, additional retirement benefits to employees
- Adjustments: Employee benefits expense has increased due to the recognition of accrued vacation pay and additional share-based payments under IFRSs. Past service cost derived from a change of plan in a division in the Company with defined benefit plans was recognised to profit due to its benefit vested whereas it was recognised over certain period under Japanese GAAP.

H. Depreciation and amortisation

- Reclassifications: The following items presented separately under Japanese GAAP are included in depreciation and amortisation under IFRSs;
  - 27,012 million yen, a part of cost of sales
  - 6,981 million yen, a part of selling, general and administrative expenses
  - 418 million yen, non-operating expenses
- Adjustments: As a result of changes in depreciation methods and estimated useful lives of property, plant and equipment, depreciation and amortisation decreased by 797 million yen. Depreciation on capitalised finance lease assets of 330 million yen was recognised under IFRSs whereas lease expense under finance lease was expensed under Japanese GAAP.

I. Advertising and promotion expense

- Adjustments: Under Japanese GAAP, costs relating to the future expected usage of the Company's customer loyalty programmes were recognised as sales expense (promotion cost) whereas, under IFRSs, the cost of customer loyalty programmes are identified as individual component of revenue. Consequently, advertising and promotion expense of 328 million yen was reversed.

J. Commission expense

- Reclassifications: The following items under Japanese GAAP were presented as commission under IFRSs;
  - 5,601 million yen, a part of cost of sales
  - 16,390 million yen, a part of selling, general and administrative expenses

K. Depreciation and amortisation, and Other expenses

- Reclassifications: The following items under Japanese GAAP were presented as other expenses under IFRSs;
  - Loss on sale of property, plant and equipment
  - Loss on disposal of property, plant and equipment
  - Maintenance of environment
  - Loss regarding Antimonopoly Act
  - Other non-operating expenses
  - Foreign exchange gain/loss
  - Foreign withheld tax
  - Other extraordinary losses

In addition, following items under Japanese GAAP were presented as other expenses under IFRSs;

- 47,678 million yen, a part of cost of sales
- 31,500 million yen, a part of selling, general and administrative expenses
- Adjustments: Expense for lease contracts which commenced before 1 April 2008 under Japanese GAAP were reclassified as depreciation and amortisation under IFRSs in the amount of 415 million yen. Amortised goodwill under Japanese GAAP was reversed and as a result, other expenses have decreased by 477 million yen under IFRSs. Due to the adjustment in carrying amount of disposed property, plant and equipment, and intangible assets, other expenses have decreased by 872 million under IFRSs. In addition, other expenses under IFRSs have decreased by 1,200 million yen due to the adjustment to the cumulative translation differences relating to the disposal or liquidation of overseas subsidiaries and the translation of goodwill or financial numbers of overseas branches. In addition, under Japanese GAAP cost relating to the future expected usage of the Company's customer loyalty programmes was recognised as sales and general administrative expense whereas under IFRSs such programs are identified as a component of revenue and other expenses increased by 420 million yen. Loss on disposal of other intangible assets under Japanese GAAP in the amount of 1,997 million yen that is recognised during the year ending 31 March 2011 was recognised during the year ended 31 March 2010 as an adjusting subsequent event under IFRSs.

L. Finance costs

- Reclassifications: Loss on write-down of investment securities of 587 million yen under Japanese GAAP were reclassified as finance costs under IFRSs.
- Adjustments: Bond issuance costs expensed at issuance under Japanese GAAP, were capitalised and amortised as financial costs under IFRSs. Interest on capitalised finance lease transactions which was included in lease expense under Japanese GAAP and interest on asset retirement obligations were categorised as finance costs.

M. Income tax expense

- Reclassifications: A part of enterprise tax of 251 million yen included in selling, general and administrative expenses under Japanese GAAP was reclassified as income tax expenses under IFRSs.
- Adjustments: Income tax expenses decreased by 164 million yen under IFRSs since unrealised intercompany profits were calculated using different tax rates applicable under Japanese GAAP and IFRSs. Income tax expenses decreased by a further 1,037 million yen as a result of re-examination of recoverability of all deferred tax assets under IFRSs. Furthermore, income tax expenses on credit side under Japanese GAAP in the amount of 599 million yen that were recognised during the year ending 31 March 2011, were recognised during the year ended 31 March 2010 as an adjusting subsequent event.

**(10) Explanation of material adjustments to the cash flow statements for 31 March 2010**

There was no material difference between the consolidated statement of cash flows presented under IFRSs and the consolidated statement of cash flows presented under Japanese GAAP.