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

For the year ended 31 March 2016

HOYA Corporation

Contents

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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 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As explained in Note 21, "Share capital and other equity items," it was confirmed that treasury shares in the amount of ¥18,640 million repurchased as at 31 March 2016 and ¥4,984 million repurchased from 1 April 2016 to 8 April 2016, based on the resolution of the Company's Board of Directors on 16 February 2016, exceeded the distributable amount determined by the Companies Act and the Ordinance on Companies Accounting. Of these amounts, the treasury shares repurchased as at 31 March 2016, are included in "Acquisition of treasury shares" and "Balance at 31 March 2016" in the consolidated statement of changes in equity.

Our opinion is not modified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

20 June 2016

Consolidated Statement of Financial Position

HOYA Corporation and its Subsidiaries

As at 31 March 2016

	Notes	(Millions of Yen) As at 31 March 2015	(Millions of Yen) As at 31 March 2016	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2016
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6,8,33	128,191	108,751	965,131
Goodwill	7,8	9,970	9,502	84,332
Intangible assets	7,8,33	19,661	16,317	144,807
Investments in associates	9	186	182	1,615
Long-term financial assets	11,22	7,037	15,820	140,398
Other non-current assets	12,18	3,020	3,283	29,134
Deferred tax assets	10	12,102	11,231	99,667
Total non-current assets		180,166	165,086	1,465,084
CURRENT ASSETS:				
Inventories	13	68,925	66,408	589,351
Trade and other receivables	14,22	99,198	92,887	824,342
Other short-term financial assets	11,22	20,071	10,984	97,480
Income tax receivables		312	587	5,207
Other current assets	12	16,241	16,764	148,775
Cash and cash equivalents	22	348,819	286,292	2,540,753
Total current assets		553,566	473,922	4,205,908
Total assets		733,732	639,007	5,670,992

	Notes	(Millions of Yen) As at 31 March 2015	(Millions of Yen) As at 31 March 2016	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2016
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21(1)	6,264	6,264	55,593
Capital reserves	21(1)	15,899	15,899	141,096
Treasury shares	21(2)	(5,932)	(34,633)	(307,359)
Other capital reserves	21(2),23	(3,736)	(4,956)	(43,983)
Retained earnings	21(3),34	547,162	510,787	4,533,076
Accumulated other comprehensive income/(loss)		30,357	(96)	(852)
Equity attributable to owners of the Company		590,014	493,265	4,377,571
Non-controlling interests	21(4)	6,081	4,909	43,567
Total equity		596,095	498,174	4,421,137
LIABILITIES				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	15,16,22	35,528	35,404	314,199
Other long-term financial liabilities	11,22	667	3,110	27,604
Retirement benefits liabilities	18	2,098	1,859	16,499
Provisions	19	2,262	2,335	20,726
Other non-current liabilities	12	1,010	808	7,169
Deferred tax liabilities	10	2,205	1,902	16,881
Total non-current liabilities		43,770	45,419	403,078
CURRENT LIABILITIES:				
Interest-bearing short-term debt	15,16,22	2,033	1,924	17,071
Trade and other payables	20,22	41,247	41,407	367,475
Other short-term financial liabilities	11,22	2,896	311	2,758
Income tax payables		10,913	13,243	117,523
Provisions	19	1,063	1,284	11,396
Other current liabilities	12	35,716	37,247	330,553
Total current liabilities		93,867	95,415	846,777
Total liabilities		137,637	140,834	1,249,855
Total equity and liabilities		733,732	639,007	5,670,992

Consolidated Statement of Comprehensive Income

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2016

	Notes	(Millions of Yen) For the year ended 31 March 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Continuing operations				
Revenue:				
Sales	24	489,961	505,714	4,488,059
Finance income	25	2,296	1,721	15,275
Share of profit of associates	9	—	3	30
Other income	24	3,476	7,747	68,748
Total revenue		495,733	515,186	4,572,112
Expenses:				
Changes in inventories of goods, products and work in progress		(479)	(4,108)	(36,460)
Raw materials and consumables used		91,862	94,136	835,426
Employee benefits expense	18,23,24	115,218	118,222	1,049,186
Depreciation and amortisation	6,7,24	34,852	33,524	297,515
Subcontracting cost		6,317	5,808	51,544
Advertising and promotion expense		12,363	13,077	116,051
Commission expense	24	23,521	27,132	240,784
Impairment losses	8	286	981	8,702
Finance costs	18,25	1,209	976	8,658
Share of loss of associates	9	10	—	—
Foreign exchange (gain)/loss	24	(11,840)	2,567	22,784
Other expenses	6,7,17,24	104,165	103,773	920,955
Total expenses		377,484	396,086	3,515,144
Profit before tax		118,249	119,099	1,056,968
Income tax expense	10	25,308	25,782	228,809
Profit for the year from continuing operations		92,941	93,317	828,158
Profit for the year		92,941	93,317	828,158
Other comprehensive income/(loss):	26			
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the net defined benefit liability (asset)		(206)	152	1,345
Income tax relating to components of other comprehensive income/(loss)	10	39	11	100
Subtotal		(167)	163	1,446
Items that may be reclassified subsequently to profit or loss:				
Net gain/(loss) on revaluation of available-for-sale financial assets		(698)	(20)	(178)
Exchange differences on translation of foreign operations		21,265	(30,558)	(271,191)
Share of other comprehensive income of associates		7	(24)	(215)
Income tax relating to components of other comprehensive income	10	(236)	(68)	(604)
Subtotal		20,339	(30,670)	(272,188)
Total other comprehensive income/(loss)		20,172	(30,507)	(270,742)
Total comprehensive income for the year		113,112	62,810	557,416

	Notes	(Millions of Yen) For the year ended 31 March 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Profit attributable to:				
Owners of the Company		92,804	93,175	826,896
Non-controlling interests		137	142	1,262
Total		92,941	93,317	828,158
Total comprehensive income/(loss) attributable to:				
Owners of the Company		113,144	62,885	558,081
Non-controlling interests		(32)	(75)	(665)
Total		113,112	62,810	557,416

	Notes	(Yen) For the year ended 31 March 2015	(Yen) For the year ended 31 March 2016	(U.S. Dollars(Note 2)) For the year ended 31 March 2016
Basic earnings per share	27			
Continuing operations		218.23	225.45	2.00
Discontinued operations		—	—	—
Basic earnings per share		218.23	225.45	2.00
Diluted earnings per share	27			
Continuing operations		217.63	224.85	2.00
Discontinued operations		—	—	—
Diluted earnings per share		217.63	224.85	2.00

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2016

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 2014		**6,264**	**15,899**	**(8,890)**	**(2,839)**	**516,243**
Total comprehensive income/(loss) for the year						
Profit for the year						92,804
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						92,804
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(30,005)	(30)	
Disposal of treasury shares	21(2)			3,390	(1,253)	
Cancellation of treasury shares	21(2)			29,573		(29,573)
Dividends, 75 yen per share	21(3)					(32,145)
Share-based payments (stock option)	23				386	
Transfer to retained earnings						(167)
Total contributions by and distributions to owners		–	–	2,958	(897)	(61,885)
Total transactions with owners		–	–	2,958	(897)	(61,885)
Balance at 31 March 2015		**6,264**	**15,899**	**(5,932)**	**(3,736)**	**547,162**
Total comprehensive income/(loss) for the year						
Profit for the year						93,175
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						93,175
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(130,021)	(130)	
Disposal of treasury shares	21(2)			3,134	(1,153)	
Cancellation of treasury shares	21(2)			98,186		(98,186)
Dividends, 75 yen per share	21(3)					(31,527)
Change in non-controlling interests	21(4)				(361)	
Share-based payments (stock option)	23				425	
Transfer to retained earnings						163
Total contributions by and distributions to owners		–	–	(28,701)	(1,220)	(129,550)
Total transactions with owners		–	–	(28,701)	(1,220)	(129,550)
Balance at 31 March 2016		**6,264**	**15,899**	**(34,633)**	**(4,956)**	**510,787**

(Millions of Yen)

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 1 April 2014		**442**	**11,350**	**－**	**(1,941)**	**9,850**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	(449)	20,949	(167)	7	20,340
Total comprehensive income/(loss) for the year		(449)	20,949	(167)	7	20,340
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Share-based payments (stock option)	23					
Transfer to retained earnings				167		167
Total contributions by and distributions to owners		－	－	167	－	167
Total transactions with owners		－	－	167	－	167
Balance at 31 March 2015		**(7)**	**32,298**	**－**	**(1,934)**	**30,357**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	(12)	(30,416)	163	(24)	(30,290)
Total comprehensive income/(loss) for the year		(12)	(30,416)	163	(24)	(30,290)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Change in non-controlling interests	21(4)					
Share-based payments (stock option)	23					
Transfer to retained earnings				(163)		(163)
Total contributions by and distributions to owners		－	－	(163)	－	(163)
Total transactions with owners		－	－	(163)	－	(163)
Balance at 31 March 2016		**(20)**	**1,882**	**－**	**(1,958)**	**(96)**

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 2014		**536,526**	**6,121**	**542,648**
Total comprehensive income/(loss) for the year				
Profit for the year		92,804	137	92,941
Other comprehensive income/(loss)	26	20,340	(168)	20,172
Total comprehensive income/(loss) for the year		113,144	(32)	113,112
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(30,035)		(30,035)
Disposal of treasury shares	21(2)	2,137		2,137
Cancellation of treasury shares	21(2)	−		−
Dividends, 75 yen per share	21(3)	(32,145)	(9)	(32,154)
Share-based payments (stock option)	23	386		386
Transfer to retained earnings		−		−
Total contributions by and distributions to owners		(59,657)	(9)	(59,665)
Total transactions with owners		(59,657)	(9)	(59,665)
Balance at 31 March 2015		**590,014**	**6,081**	**596,095**
Total comprehensive income/(loss) for the year				
Profit for the year		93,175	142	93,317
Other comprehensive income/(loss)	26	(30,290)	(217)	(30,507)
Total comprehensive income/(loss) for the year		62,885	(75)	62,810
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(130,151)		(130,151)
Disposal of treasury shares	21(2)	1,981		1,981
Cancellation of treasury shares	21(2)	−		−
Dividends, 75 yen per share	21(3)	(31,527)	(626)	(32,153)
Change in non-controlling interests	21(4)	(361)	(471)	(832)
Share-based payments (stock option)	23	425		425
Transfer to retained earnings		−		−
Total contributions by and distributions to owners		(159,634)	(1,097)	(160,730)
Total transactions with owners		(159,634)	(1,097)	(160,730)
Balance at 31 March 2016		**493,265**	**4,909**	**498,174**

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2016-Continued

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

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2015		**55,593**	**141,096**	**(52,644)**	**(33,160)**	**4,855,896**
Total comprehensive income/(loss) for the year						
Profit for the year						826,896
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						826,896
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(1,153,899)	(1,154)	
Disposal of treasury shares	21(2)			27,812	(10,235)	
Cancellation of treasury shares	21(2)			871,373		(871,373)
Dividends, 75 yen per share	21(3)					(279,789)
Change in non-controlling interests	21(4)				(3,207)	
Share-based payments (stock option)	23				3,773	
Transfer to retained earnings						1,446
Total contributions by and distributions to owners		—	—	(254,714)	(10,823)	(1,149,716)
Total transactions with owners		—	—	(254,714)	(10,823)	(1,149,716)
Balance at 31 March 2016		**55,593**	**141,096**	**(307,359)**	**(43,983)**	**4,533,076**

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

	Notes	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)
Balance at 31 March 2015		**(63)**	**286,637**	**—**	**(17,165)**	**269,408**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	(110)	(269,935)	1,446	(215)	(268,815)
Total comprehensive income/(loss) for the year		(110)	(269,935)	1,446	(215)	(268,815)
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)					
Disposal of treasury shares	21(2)					
Cancellation of treasury shares	21(2)					
Dividends, 75 yen per share	21(3)					
Change in non-controlling interest	21(4)					
Share-based payments (stock option)	23					
Transfer to retained earnings				(1,446)		(1,446)
Total contributions by and distributions to owners		—	—	(1,446)	—	(1,446)
Total transactions with owners		—	—	(1,446)	—	(1,446)
Balance at 31 March 2016		**(174)**	**16,702**	**—**	**(17,380)**	**(852)**

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

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2015		**5,236,188**	**53,966**	**5,290,154**
Total comprehensive income/(loss) for the year				
Profit for the year		826,896	1,262	828,158
Other comprehensive income/(loss)	26	(268,815)	(1,928)	(270,742)
Total comprehensive income/(loss) for the year		558,081	(665)	557,416
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(1,155,053)		(1,155,053)
Disposal of treasury shares	21(2)	17,577		17,577
Cancellation of treasury shares	21(2)	―		―
Dividends, 75 yen per share	21(3)	(279,789)	(5,556)	(285,345)
Change in non-controlling interest	21(4)	(3,207)	(4,178)	(7,386)
Share-based payments (stock option)	23	3,773		3,773
Transfer to retained earnings		―		―
Total contributions by and distributions to owners		(1,416,699)	(9,734)	(1,426,433)
Total transactions with owners		(1,416,699)	(9,734)	(1,426,433)
Balance at 31 March 2016		**4,377,571**	**43,567**	**4,421,137**

Consolidated Statement of Cash Flows

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2016

	Notes	(Millions of Yen) For the year ended 31 March 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Cash flows from operating activities				
Profit before tax		118,249	119,099	1,056,968
Depreciation and amortisation		34,852	33,524	297,515
Impairment losses		286	981	8,702
Finance income		(2,296)	(1,721)	(15,275)
Finance costs		1,209	976	8,658
Share of (profits)/loss of associates		10	(3)	(30)
(Gain)/loss on sales of property, plant and equipment		(612)	(842)	(7,469)
Loss on disposal of property, plant and equipment		282	400	3,548
Foreign exchange (gain)/loss		(12,559)	2,946	26,145
Others		4,776	(2,040)	(18,103)
Cash generated from operations (before movements in working capital)		144,196	153,319	1,360,658
Movements in working capital				
Decrease/(increase) in inventories		(701)	(2,758)	(24,479)
Decrease/(increase) in trade and other receivables		(736)	2,741	24,326
Increase/(decrease) in trade and other payables		(314)	355	3,153
Increase/(decrease) in retirement benefits liabilities and provisions		(349)	267	2,369
Subtotal		142,095	153,924	1,366,027
Interests received		1,399	1,699	15,082
Dividends received		53	8	73
Interests paid		(1,001)	(878)	(7,792)
Income taxes paid		(27,354)	(23,206)	(205,948)
Income taxes refunded		187	342	3,036
Net cash generated from operating activities		115,380	131,889	1,170,478
Cash flows from investing activities				
Withdrawals of time deposits		14,082	11,909	105,689
Payments for time deposits		(14,988)	(12,115)	(107,516)
Proceeds from sales of property, plant and equipment		2,118	2,746	24,368
Payments for acquisition of property, plant and equipment		(18,385)	(18,184)	(161,375)
Proceeds from sales of investment		1,920	128	1,140
Payments for acquisition of investment		(58)	(391)	(3,470)
Proceeds from sales of subsidiaries		―	0	0
Payments for acquisition of subsidiaries		(281)	(1,792)	(15,901)
Payments to non-controlling interests upon merger		(2)	(2)	(19)
Payments for business transfer		(1,855)	(111)	(982)
Payments for loan to affiliates	30	(8,500)	―	―
Other proceeds		611	4,903	43,514
Other payments		(2,050)	(2,254)	(20,002)
Net cash used in investing activities		(27,387)	(15,161)	(134,553)

Consolidated Statement of Cash Flows

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2016-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Cash flows from financing activities				
Dividends paid to owners of the Company		(32,103)	(31,496)	(279,516)
Dividends paid to non-controlling interests		(9)	(625)	(5,551)
Increase/(decrease) in short-term debt		(215)	(94)	(838)
Repayments of long-term borrowings		(578)	(279)	(2,477)
Payments for redemption of bonds	15	(25,126)	(21)	(186)
Proceeds from disposal of treasury shares	21(2)	0	0	2
Payments for purchase of treasury shares	21(2)	(30,035)	(130,151)	(1,155,053)
Proceeds from exercise of stock options		2,137	1,980	17,575
Payments for acquisition of non-controlling interests	21(4)	―	(832)	(7,384)
Net cash used in financing activities		(85,929)	(161,519)	(1,433,427)
Net increase/(decrease) in cash and cash equivalents		2,064	(44,791)	(397,502)
Cash and cash equivalents at the beginning of the year		331,094	348,819	3,095,663
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		15,662	(17,737)	(157,407)
Cash and cash equivalents at the end of the year		348,819	286,292	2,540,753

Note:

Non-cash transactions are stated in Note 28 “Non-cash transactions”.

There are no short-term investments within three months as at 31 March 2016.

Notes to the Consolidated Financial Statements

1. General information

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

2. Basis of consolidated financial statements

(1) Basis of consolidated financial statements

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

The accompanying consolidated financial statements are stated in Japanese yen.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥112.68 to $1, the foreign exchange rate at 31 March 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

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

(2) Effects of applying new accounting standards

The Group adopted the following IFRSs for the year ended 31 March 2016:

IFRSs		Subject of new standards/amendments and transition provisions
IFRS 3 (Revised)	Business Combinations	- The amendment clarifies that: 1. Joint arrangements are outside the scope of IFRS 3, not just joint ventures 2. The scope exception applies only to the accounting in the financial statements of the joint arrangement itself
IFRS 8 (Revised)	Operating Segments	- Operating segments may be combined/aggregated if they are consistent with the core principle of the standard, which includes that the segments have similar economic characteristics and that they are similar in other qualitative respects. If they are combined, an entity must disclose the basis of determination whether the segments are 'similar' or not. - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is regularly provided to the chief operating decision maker, similar to the disclosure requirement for segment liabilities
IFRS 13 (Revised)	Fair Value Measurements	- Clarification that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32

IFRSs		Subject of new standards/amendments and transition provisions
IAS 1	Presentation of Financial Statements	- Clarifications were made under the Disclosure Initiative as follows: - Materiality and aggregation: useful information should not be obscured by aggregating or disaggregating information, and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs - Statement of financial position and statement of profit or loss and other comprehensive income: the list of line items specified by IAS 1 for these statements can be disaggregated and aggregated as relevant. Additional guidance has been added on the presentation of subtotals in these statements - Presentation of items of other comprehensive income ("OCI"): an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss - Notes: regarding the structure of notes, an entity should consider the understandability and comparability of its financial statements
IAS 16 (Revised) IAS 38 (Revised)	Property, Plant and Equipment Intangible Assets	- Proportionate restatement of accumulated depreciation for property, plant and equipment accounted for under the revaluation model - Clarification of revaluation for property, plant and equipment accounted for under the revaluation model by using observable data with respect to the gross or net carrying amount - The amendment also clarifies that accumulated depreciation/amortisation is the difference between the gross and the net carrying amounts of the asset
IAS 19 (Revised)	Employee Benefits	- Clarification of the accounting requirements for contributions from employees or third parties under defined benefit plans - Clarification that, if the amount of the contributions is independent of the number of years of service, an entity may recognise such contributions as a reduction in the service cost in the period in which the service is rendered, which may affect remeasurement of defined benefit liabilities (assets) - If such contributions are linked to the period of service, it shall be attributed to periods of service as a negative benefit, similar to the allocation of the contributions to the periods of service
IAS 24 (Revised)	Related Party Disclosures	- Clarification that a management entity, which provides key management personnel services, is a related party subject to the related party disclosures - An entity which employs a management entity is required to disclose the expenses incurred for management services
IAS 40 (Revised)	Investment Property	- Clarification that determining whether a transaction meets the definition of a business combination as defined in IFRS 3 upon an asset acquisition requires consideration of application of IFRS 3, not the incidental services under IAS 40, and consequently, the separate application of both standards independently of each other may be required

These standards and interpretations were applied in accordance with their respective transition provisions, except for IAS 1, and had no significant impact on the consolidated financial statements of the Group. The changes regarding IAS 1 were early adopted and the consolidated financial statements for the year ended 31 March 2015 were reclassified in accordance with the new guidance.

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

At the date of approval of the consolidated financial statements, the main standards and interpretations that were in issue but not yet effective for mandatory adoption are as follows. There are no standards and interpretations that were early adopted by the Group.
The description of the standards related to the first-time adoption, IFRS 14 “Regulatory Deferral Accounts”, and the amendment of IAS 41 “Agriculture” defining bearer plants are omitted.

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016	31 March 2017	- The amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued
IFRS 7 (Revised)	Financial Statements: Disclosure	1 January 2016	31 March 2017	- The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets - The amendments were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 9	Financial Instruments	1 January 2018	31 March 2019	- Replacement of IAS 39 for classification of financial assets measured either at amortised cost or fair value on the basis of the business model and contractual cash flows of the financial assets - Amendment to IAS 39 where financial instruments measured at fair value through profit and loss ("FVTPL") or amortised cost, all relating gains or losses are recognised in profit or loss, and where investments in equity instruments are designated to be measured at fair value through other comprehensive income, all relating gains or losses are recognised in other comprehensive income, except dividends on the investments which are recognised in profit or loss - Amendment that the changes in fair value of financial liabilities designated at FVTPL are to be recognised in profit or loss, except changes in the entity's own credit risk which are recognised directly in other comprehensive income - Prohibition on the reclassification of the amount presented in other comprehensive income subsequently to profit or loss - Enhancement of eligible hedged items and hedging instruments with an economic relationship to better reflect the entity's risk management activities in their financial statements - Introduction of flexibility of hedge effectiveness testing by removing the effectiveness test in the subsequent period and quantitative threshold (within 80%-125%). - Enhancement of disclosures about hedge accounting - Time value of options and forwards, which qualify for hedge accounting, are accounted for as hedging costs, by using a systematic and rational basis - Introduction of accounting for credit derivatives for hedging purposes to be measured at FVTPL if an entity manages the credit risk of all or a portion of a credit exposure - Amendment to allow an entity to elect to account for certain agreements to buy or sell a nonfinancial item for "own use" at FVTPL if it eliminates or significantly reduces an accounting mismatch - The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit - Amendment to the measurement category of fair value through other comprehensive income for certain simple debt instruments

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 10 (Revised)	Consolidated Financial Statements	Not determined	Not determined	- On a sale or contribution of assets to a joint venture or associate or a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business: when the assets or subsidiary constitute a business, any gain or loss is recognised in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated - The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity - The amendments clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to its investment activities applies only to subsidiaries that are not themselves investment entities. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, all other subsidiaries of an investment entity should be measured at fair value
IFRS 11 (Revised)	Joint Arrangements	1 January 2016	31 March 2017	- An acquirer of interests in a joint operation in which the activity constitutes a business as defined in IFRS 3 is required to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. - The amendments apply not only to the acquisition of an interest in an existing joint operation but also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business
IFRS 12 (Revised)	Disclosure of Interests in Other Entities	1 January 2016	31 March 2017	- The amendments clarify that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 15	Revenue from Contracts with Customers	1 January 2018	31 March 2019	- The amendments to IFRS 15 add clarifications in the following areas: 1. Identifying performance obligations; 2. Principal versus agent considerations; 3. Licensing application guidance; and 4. Practical expedients upon transition to reduce the effort and cost of initial application
IFRS 16	Leases	1 January 2019	31 March 2020	- The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance - IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer - Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets) - The standard does not include significant changes to the requirements for accounting by lessors
IAS 7 (Revised)	Statement of Cash Flows	1 January 2017	31 March 2018	- The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financial activities
IAS 12 (Revised)	Income Taxes	1 January 2017	31 March 2018	- The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences
IAS 16 (Revised) IAS 38 (Revised)	Property, Plant and Equipment Intangible Assets	1 January 2016	31 March 2017	- The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment - The amendments introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation for an intangible asset. This presumption can only be rebutted in certain limited circumstances.
IAS 19 (Revised)	Employee Benefits	1 January 2016	31 March 2017	- The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid (e.g. the euro): - These amendments would result in the depth of the market for high quality corporate bonds being assessed at the currency level - In countries where there is no deep market for high quality corporate bonds, the yield on government bonds should be used

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IAS 28 (Revised)	Investments in Associates and Joint Ventures	Not determined	Not determined	- On a sale or contribution of assets to a joint venture when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business; when the assets or subsidiary constitute a business, any gain or loss is recognised in full, and when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated - Application of the equity method by a non-investment entity investor to an investment entity investor: in applying the equity method to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries
IAS 34 (Revised)	Interim Financial Reporting	1 January 2016	31 March 2017	- Clarification of the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements: the amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report

The Group will apply the aforementioned standards and interpretations for the respective fiscal years.
The implications from adoption of these standards and interpretations have not yet been fully assessed by the Group; however, these standards and interpretations should have no significant impact on the future consolidated financial statements of the Group, except for IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases”.

3. Significant accounting policies

(1) Basis of preparation

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

(2) Basis of consolidation

① Subsidiaries

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

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

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

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

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

② Investments in associates

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

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

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

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

③ **Joint Arrangements**

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

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

(3) Business combination

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

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

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

The changes in the fair value of the contingent consideration resulting from events after the acquisition date are accounted for as follows:

(a) Contingent consideration classified as equity shall not be remeasured and any subsequent settlement shall be accounted for in equity; or

(b) Contingent consideration classified as an asset or a liability is accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 39 "Financial Instruments: Recognition and Measurement" or other IFRSs as appropriate.

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

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

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

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

(4) Foreign currencies

① Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e., its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position and cash flows of each group entity are presented in Japanese yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

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

② Financial statements of foreign operations

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

(5) Property, plant and equipment

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

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

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

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

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

(6) Leases

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

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

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

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

(7) Intangible assets

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

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

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

② Internally-generated intangible assets—research and development costs

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

③ Amortisation of intangible assets

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

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

④ Derecognition of intangible assets

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

(8) Goodwill

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

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

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

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

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

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

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

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

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

(10) Derivative financial instruments

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

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

Details of derivative transactions are set out in Note 22 “Financial instruments”.

(11) Financial assets other than derivative financial instruments

① Initial recognition and measurement

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

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

② Financial assets classified as FVTPL

Financial assets are classified as FVTPL when the financial assets are either held for trading or are designated as an FVTPL.

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

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

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

As at 31 March 2015 and 2016, the Group did not have financial assets classified as FVTPL other than derivative financial instruments designated as FVTPL.

③ Held-to-maturity investments

Financial assets except derivatives for which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with income recognised on an effective yield basis. As at 31 March 2015 and 2016, the Group did not have held-to-maturity investments.

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

④ Loans and receivables

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

⑤ Available-for-sale financial assets

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

Available-for-sale equity investments that are listed and traded in an active market are classified as available-for-sale financial assets and stated at fair value. The Group also has investments in unlisted equity investments that are not traded in an active market but also classified as available-for-sale financial assets, which are stated at fair value using valuation techniques. Fair value is determined in the manner described in Note 22 “Financial instruments”. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses and foreign exchange gains and losses on monetary assets being recognised in profit or loss.

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

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

⑥ **Impairment of financial assets**

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

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

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

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

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

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

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

⑦ **Derecognition of financial assets**

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

(12) Inventories

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

(13) Cash and cash equivalents

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

(14) Assets held for sale

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

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

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

(15) Treasury shares

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

(16) Share-based payments

Equity-settled share-based payments (i.e., stock option), which are incentive plans to Group's directors, officers and certain employees, are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23 "Share-based payments".

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

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

(17) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's board of directors.

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

① Equity instruments (shares)

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

② Financial liabilities

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

③ Financial liabilities classified as FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

Financial liabilities designated 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 22 "Financial instruments".

As at 31 March 2015 and 2016, the Group did not have financial liabilities as FVTPL other than derivative financial instruments designated as FVTPL.

④ Other financial liabilities

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

⑤ Derecognition of financial liabilities

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

⑥ Financial guarantee contract

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

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

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

(19) Retirement benefit costs

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

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

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

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

The Group presents the first two components of defined benefit cost in profit or loss as “Employee benefits expense” or “Finance cost”.

The retirement benefit liabilities recognised in the consolidated statement of financial position represent the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

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

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

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

The types of provisions are as follows:

① **Asset retirement obligation**

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

② **Warranties provision**

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

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

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

(21) Revenue

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

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

① Sale of goods

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

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

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

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

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

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

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

② Rendering of services

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

③ Dividend and interest income

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

(22) Government grants

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

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

(23) Income taxes

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

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

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

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

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

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

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

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

(24) Earnings per share

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

(25) Reclassification

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

4. Critical accounting judgements and key sources of estimation uncertainty

(1) Application of estimates and assumptions

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

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

· Determination of net realisable value of obsolete inventory (Note 13 “Inventories”)
· Expected cash flow from overdue trade and other receivables (Note 22 “Financial instruments”)
· Useful lives of property, plant and equipment, including assets under finance lease (Note 3 “Significant accounting policies”, Note 3 (5) “Property, plant and equipment” and Note 3 (7) “Intangible assets”)
· Assumptions used to estimate future cash flows of cash-generating units to assess the recoverability of property, plant and equipment and intangible assets, including goodwill (Note 8 “Impairment losses”)
· Valuation techniques used to value available-for-sale financial assets without an active market (Note 22 “Financial instruments”)
· Recoverability of deferred tax assets (Note 10 “Deferred taxes and income taxes”)
· Assumptions used for treatment of retained earnings of overseas subsidiaries and associates for tax purposes (Note 10 “Deferred taxes and income taxes”)
· Discrepancy in opinion with a tax authority relating to tax calculations (Note 10 “Deferred taxes and income taxes”)
· Assumptions used to calculate retirement benefit obligations (Note 18 “Retirement benefit plans”)
· Asset retirement obligations arising from legal obligations and constructive obligations (Note 19 “Provisions”)
· Fair value of stock options (Note 23 “Share-based payments”)
· Possibility of outflow of resources embodying economic benefits on contingent liabilities (Note 32 “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 affect current and/or future periods.

(2) Key sources of risk and estimation uncertainty

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

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

Global economic stagnation and the occurrence of natural disasters may have a significant impact on future profitability of the Group. Future profitability of the Group may affect the estimates for the following:

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

5. Operating segment information

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

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

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

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

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

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

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

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

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

(2) Segment revenues and results

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

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

(Millions of Yen)

For the year ended 31 March 2015	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	180,164	306,653	3,117	489,933	27	489,961
Inter-segment sales	247	0	1,749	1,997	(1,997)	―
Total	180,411	306,653	4,866	491,930	(1,969)	489,961
Interest income	437	337	5	778	630	1,408
Interest expense	(321)	(376)	(0)	(697)	(425)	(1,122)
Depreciation and amortisation	(16,185)	(18,388)	(98)	(34,671)	(181)	(34,852)
Share of profit (loss) of associates	(0)	(16)	―	(17)	7	(10)
Impairment losses	―	―	―	―	(286)	(286)
Others	(107,038)	(235,273)	(4,044)	(346,356)	9,506	(336,850)
Segment profit before tax	57,303	52,936	727	110,967	7,281	118,249
Other disclosure						
Capital expenditure	6,953	13,117	91	20,161	23	20,184

(Millions of Yen)

For the year ended 31 March 2016	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	178,749	322,673	4,289	505,711	4	505,714
Inter-segment sales	916	0	1,863	2,779	(2,779)	―
Total	179,665	322,674	6,152	508,490	(2,776)	505,714
Interest income	383	330	4	717	995	1,712
Interest expense	(320)	(371)	(1)	(692)	(278)	(970)
Depreciation and amortisation	(14,844)	(18,493)	(86)	(33,423)	(101)	(33,524)
Share of profit (loss) of associates	0	3	―	3	―	3
Impairment losses	(348)	(633)	―	(981)	―	(981)
Others	(99,046)	(245,762)	(5,103)	(349,912)	(2,944)	(352,856)
Segment profit before tax	65,491	57,747	965	124,203	(5,104)	119,099
Other disclosure						
Capital expenditure	9,358	10,756	48	20,162	165	20,328

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

For the year ended 31 March 2016	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	1,586,338	2,863,627	38,062	4,488,027	32	4,488,059
Inter-segment sales	8,132	1	16,532	24,664	(24,664)	―
Total	1,594,470	2,863,627	54,594	4,512,691	(24,632)	4,488,059
Interest income	3,403	2,929	31	6,364	8,826	15,190
Interest expense	(2,840)	(3,293)	(10)	(6,143)	(2,463)	(8,606)
Depreciation and amortisation	(131,733)	(164,123)	(766)	(296,622)	(892)	(297,515)
Share of profit (loss) of associates	2	28	―	30	―	30
Impairment losses	(3,086)	(5,616)	―	(8,702)	―	(8,702)
Others	(879,004)	(2,181,065)	(45,289)	(3,105,358)	(26,130)	(3,131,488)
Segment profit before tax	581,212	512,488	8,560	1,102,260	(45,292)	1,056,968
Other disclosure						
Capital expenditure	83,051	95,452	430	178,933	1,468	180,401

Note:

(i) Adjustments to revenue from external customers of 27 million yen and 4 million yen (32 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively, represent revenue by the R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of 7,281 million yen for the year ended 31 March 2015 consist of the elimination of an inter-segment transaction of (8) million yen, and profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from group companies) of 7,290 million yen. Adjustments to segment profit before tax of (5,104) million yen ((45,292) thousand U.S. dollars) for the year ended 31 March 2016 consist of elimination of inter-segment transaction of 4 million yen (35 thousand U.S. dollars), and profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from group companies) of (5,107) million yen ((45,327) thousand U.S. dollars).

(3) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services for the years ended 31 March 2015 and 2016:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Information Technology			
Electronics related products	134,469	132,861	1,179,103
Imaging related products	45,695	45,887	407,234
Information Technology total	180,164	178,749	1,586,338
Life Care			
Health Care related products	227,322	241,296	2,141,427
Medical related products	79,331	81,378	722,200
Life Care total	306,653	322,673	2,863,627
Other	3,117	4,289	38,062
Corporate (R&D)	27	4	32
Total revenue from external customers	489,961	505,714	4,488,059

(4) Information about geographical areas

Revenue from external customers

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Japan	145,312	154,334	1,369,663
U.S.A.	59,231	64,325	570,865
China	53,263	55,216	490,021
Others	232,155	231,840	2,057,510
Total	489,961	505,714	4,488,059

Note:

Geographical areas are based on the location of the customers.

Non-current assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Japan	35,142	33,148	294,179
Thailand	27,508	18,345	162,807
Vietnam	19,710	13,046	115,781
China	17,663	16,016	142,138
Others	57,809	54,023	479,439
Total	157,831	134,579	1,194,344

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

(5) Information about major customers

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

6. Property, plant and equipment

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

（Millions of Yen）

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2014	98,602	286,003	51,753	10,602	13,773	460,733
Additions	1,021	1,978	2,556	－	13,671	19,225
Acquisitions through business combinations	80	－	8	40	－	128
Disposals (i)	(4,432)	(12,524)	(3,613)	(218)	(253)	(21,040)
Transfer from construction in progress	2,763	16,763	1,197	－	(20,723)	－
Effect of foreign currency exchange differences	7,226	24,265	3,084	317	658	35,549
Others	1,118	(16,704)	(1,662)	－	(240)	(17,488)
Balance at 31 March 2015	106,377	299,781	53,322	10,741	6,887	477,108
Additions	968	1,741	2,409	－	14,017	19,135
Acquisitions through business combinations	11	228	18	－	2	259
Disposals (i)	(5,504)	(10,339)	(2,264)	(1,158)	(176)	(19,441)
Transfer from construction in progress	1,652	10,047	1,256	－	(12,955)	－
Effect of foreign currency exchange differences	(6,073)	(18,119)	(2,761)	(332)	(395)	(27,681)
Others	626	(469)	521	－	(151)	527
Balance at 31 March 2016	98,057	282,870	52,501	9,251	7,228	449,908

(Millions of Yen)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2014	(56,519)	(237,577)	(35,594)	(1,116)	(414)	(331,221)
Depreciation expense	(5,169)	(19,824)	(4,136)	－	－	(29,128)
Impairment losses (iii)	－	(5)	(128)	－	(83)	(216)
Disposals (i)	3,247	12,300	3,184	－	186	18,917
Effect of foreign currency exchange differences	(3,611)	(18,678)	(2,355)	－	(76)	(24,720)
Others	(986)	16,519	1,811	－	105	17,450
Balance at 31 March 2015	(63,037)	(247,264)	(37,218)	(1,116)	(282)	(348,917)
Depreciation expense	(5,021)	(19,564)	(3,977)	－	－	(28,561)
Impairment losses (iii)	(299)	(140)	(136)	(406)	－	(981)
Disposals (i)	4,306	10,124	2,199	406	64	17,099
Effect of foreign currency exchange differences	3,587	14,433	2,208	－	24	20,252
Others	(287)	44	175	－	19	(50)
Balance at 31 March 2016	(60,751)	(242,367)	(36,749)	(1,116)	(175)	(341,157)

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 2014	42,083	48,426	16,159	9,486	13,359	129,513
Balance at 31 March 2015	43,340	52,517	16,104	9,625	6,605	128,191
Balance at 31 March 2016	37,306	40,503	15,753	8,135	7,054	108,751

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

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2015	944,067	2,660,461	473,219	95,321	61,119	4,234,186
Additions	8,592	15,452	21,381	−	124,393	169,819
Acquisitions through business combinations	98	2,023	159	−	14	2,295
Disposals (i)	(48,848)	(91,758)	(20,089)	(10,274)	(1,562)	(172,531)
Transfer from construction in progress	14,657	89,166	11,145	−	(114,968)	−
Effect of foreign currency exchange differences	(53,900)	(160,804)	(24,505)	(2,943)	(3,506)	(245,659)
Others	5,558	(4,160)	4,623	−	(1,341)	4,680
Balance at 31 March 2016	870,224	2,510,380	465,932	82,104	64,149	3,992,790

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

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2015	(559,436)	(2,194,389)	(330,297)	(9,905)	(2,501)	(3,096,528)
Depreciation expense	(44,556)	(173,621)	(35,293)	−	−	(253,470)
Impairment losses (iii)	(2,652)	(1,243)	(1,203)	(3,604)	−	(8,702)
Disposals (i)	38,214	89,844	19,516	3,604	570	151,747
Effect of foreign currency exchange differences	31,832	128,092	19,596	−	214	179,733
Others	(2,546)	389	1,550	−	167	(439)
Balance at 31 March 2016	(539,144)	(2,150,928)	(326,132)	(9,905)	(1,549)	(3,027,659)

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

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 31 March 2016	331,080	359,451	139,800	72,199	62,600	965,131

Note:

(i) Gain and loss arising from sale or disposal of property, plant and equipment for the years ended 31 March 2015 and 2016, are set out in Note 24 "Revenue and expenses (excluding finance income and costs)". Gain and loss on sale of assets held for sale are included in 'gain on sale of property, plant and equipment' and 'loss on sale of property, plant and equipment' in Note 24.

(ii) Buildings and structures, etc. in the amount of 929 million yen (8,242 thousand U.S. dollars) of the headquarters and 520 million yen (4,612 thousand U.S. dollars) in Life Care, which were classified as held for sales during the year ended 31 March 2016, were sold in the same year.

(iii) Details of impairment losses are set out in Note 8 "Impairment losses".

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

Buildings and structures of 33 million yen (295 thousand U.S. dollars) and machinery and carriers of 11 million yen (101 thousand U.S. dollars) have been pledged as collateral to secure 23 million yen (201 thousand U.S. dollars) in 'Interest-bearing long-term debt' and 4 million yen (38 thousand U.S. dollars) in 'Interest-bearing short-term debt' as at 31 March 2016. Refer to Note 15 "Interest-bearing debt" for details. In addition to the above, buildings in the amount of 30 million yen (267 thousand U.S. dollars) and land in the amount of 1 million yen (9 thousand U.S. dollars) were provided as collateral for the conditional obligation in the amount of 85 million yen (751 thousand U.S. dollars) associated with the government grant.
Details of commitments for the acquisition of property, plant, and equipment are set out in Note 33 "Commitments for expenditure". There is no borrowing cost capitalised and included in the cost of acquisition of property, plant and equipment.

The following are carrying amounts for property, plant and equipment under finance leases as at 31 March 2015 and 2016, which are included in each corresponding amount in the table above:

(Millions of Yen)

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2015	71	65	324	459
Balance at 31 March 2016	83	31	266	380

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

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2016	737	278	2,360	3,375

The obligation under finance lease (Note 16 "Finance lease obligations") is secured by the leased assets on which the lessor has ownership.

7. Goodwill and intangible assets

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

(Millions of Yen)

Cost	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others (i)	Total
Balance at 1 April 2014	14,207	15,134	12,682	10,512	12,630	6,970	57,927
Additions	ー	807	11	21	65	61	966
Acquisitions through business combinations	ー	3	ー	ー	959	1	963
Disposals (ii)	ー	(267)	(2)	ー	ー	(7)	(276)
Effect of foreign currency exchange differences	(429)	857	429	12	(1,124)	300	474
Others	(146)	384	(0)	20	(10)	168	562
Balance at 31 March 2015	13,632	16,917	13,121	10,565	12,520	7,493	60,616
Additions	ー	1,072	59	0	9	52	1,192
Acquisitions through business combinations	595	11	ー	ー	871	474	1,357
Disposals (ii)	(96)	(276)	(21)	(10,255)	(24)	(718)	(11,293)
Effect of foreign currency exchange differences	(1,195)	(957)	(261)	(6)	(1,021)	(337)	(2,582)
Others	ー	420	21	ー	(21)	88	508
Balance at 31 March 2016	12,936	17,187	12,919	304	12,335	7,053	49,798

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 2014	(3,246)	(11,901)	(8,992)	(8,661)	(1,705)	(2,722)	(33,980)
Amortisation expense (iii)	ー	(1,389)	(859)	(1,202)	(1,386)	(887)	(5,724)
Impairment loss (iv)	(45)	ー	ー	ー	ー	(25)	(25)
Disposals (ii)	ー	266	ー	ー	ー	8	273
Effect of foreign currency exchange differences	(517)	(716)	(435)	(3)	286	(181)	(1,048)
Others	146	(64)	ー	(11)	(97)	(280)	(452)
Balance at 31 March 2015	(3,662)	(13,803)	(10,286)	(9,877)	(2,901)	(4,088)	(40,955)
Amortisation expense (iii)	ー	(1,263)	(684)	(609)	(1,516)	(891)	(4,963)
Disposals (ii)	96	274	21	10,223	ー	709	11,226
Effect of foreign currency exchange differences	132	798	212	2	286	228	1,527
Others	ー	(238)	(22)	4	(43)	(16)	(316)
Balance at 31 March 2016	(3,434)	(14,232)	(10,759)	(257)	(4,174)	(4,058)	(33,481)

(Millions of Yen)

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 2014	10,961	3,232	3,691	1,851	10,925	4,248	23,947
Balance at 31 March 2015	9,970	3,114	2,834	688	9,619	3,405	19,661
Balance at 31 March 2016	9,502	2,955	2,160	47	8,161	2,995	16,317

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

Cost	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others (i)	Total
Balance at 31 March 2015	120,981	150,134	116,441	93,759	111,114	66,501	537,949
Additions	―	9,510	527	3	82	460	10,583
Acquisitions through business combinations	5,278	98	―	―	7,729	4,211	12,039
Disposals (ii)	(852)	(2,453)	(183)	(91,011)	(211)	(6,368)	(100,226)
Effect of foreign currency exchange differences	(10,601)	(8,489)	(2,316)	(56)	(9,063)	(2,991)	(22,914)
Others	―	3,731	186	―	(184)	779	4,512
Balance at 31 March 2016	114,805	152,531	114,655	2,696	109,467	62,593	441,943

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

Accumulated amortisation and impairment losses	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 31 March 2015	(32,499)	(122,501)	(91,286)	(87,651)	(25,749)	(36,279)	(363,467)
Amortisation expense (iii)	―	(11,205)	(6,068)	(5,406)	(13,454)	(7,912)	(44,045)
Disposals (ii)	852	2,428	183	90,723	―	6,294	99,628
Effect of foreign currency exchange differences	1,173	7,084	1,882	17	2,541	2,025	13,549
Others	―	(2,115)	(194)	33	(381)	(145)	(2,801)
Balance at 31 March 2016	(30,473)	(126,308)	(95,483)	(2,283)	(37,043)	(36,017)	(297,135)

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

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 31 March 2016	84,332	26,223	19,172	413	72,424	26,575	144,807

Note:

(i) There were no significant internally-generated intangible assets for the years ended 31 March 2015 and 2016.

(ii) Loss on disposal of intangible assets is set out in Note 24 “Revenue and expenses (excluding finance income and costs)”.

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

(iv) Refer to Note 8 “Impairment losses” for details of impairment losses.

No intangible assets have been pledged as collateral to secure the debt. There is no restriction on legal title of these assets. Details of commitments for the acquisition of intangible assets are set out in Note 33 “Commitments for expenditure”.

Details of intangible assets in the consolidated statement of financial position are as follows:

		As at 31 March 2015		As at 31 March 2016		
		Carrying amount (Millions of Yen)	Remaining useful lives (Year)	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars (Note 2))	Remaining useful lives (Year)
Technology	Medical related products	2,313	10	2,156	19,136	9
Patents	Medical related products	536	0	—	—	—
Customer related assets	Health Care related products	6,220	9	4,816	42,740	8
	Medical related products	2,276	10	1,948	17,291	9

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 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Buildings and structures	－	299	2,652
Machinery and equipment	－	140	1,243
Tools, equipment and fixtures	85	136	1,203
Land	－	406	3,604
Construction in progress	131	－	－
Total impairment losses on property, plant and equipment	216	981	8,702
Goodwill	45	－	－
Intangible assets	25	－	－
Total impairment losses	286	981	8,702

(1) Cash-generating units

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

(2) Impairment losses on assets in business units

For the year ended 31 March 2015

No impairment losses on assets were recognised in business units.

For the year ended 31 March 2016

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

Recoverable amount was determined by fair value, which was based on real estate appraisals, etc., less costs to sell. The fair value was categorised within Level 3 of the fair value hierarchy. Refer to Note 22 "Financial instruments" for fair value hierarchy.

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Information Technology		
Imaging related products		
Machinery and carriers	136	1,210
Tools, equipment and fixtures	136	1,203
Total property, plant and equipment	272	2,413
Total	272	2,413

(3) Impairment losses on idle assets

For the year ended 31 March 2015, with regards to some products developed in R&D, as the initial plan for commercialisation that the Group promoted has been delayed, the carrying amount of the related assets (including goodwill), which were not expected to be used in the future, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised.

Impairment losses were recognised as follows for the year ended 31 March 2015:

	(Millions of Yen)
	Impairment losses
Corporate	
Tools, equipment and fixtures	85
Construction in progress	131
Total property, plant and equipment	216
Goodwill	45
Other intangible assets	25
Total	286

For the year ended 31 March 2016, the carrying amount of the related assets, which were not expected to be used in the future due to business restructuring, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised.

Impairment losses were recognised as follows for the year ended 31 March 2016:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Information Technology		
Buildings and structures	72	640
Machinery and carriers	4	33
Total Information Technology	76	672
Life Care		
Buildings and structures	227	2,013
Land	406	3,604
Total Life Care	633	5,616
Total	709	6,289

(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. The 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 that had been approved by the Group's management and a discount rate of 5% to 15% per annum which is the cash-generating units' pre-tax WACC. Cash flow projections during the budget period are based on the same expected gross margins and inflation throughout the budget period. The cash flows beyond the budget period have been extrapolated using a steady annum growth rate which is the projected long-term average growth rate for the main products market. Management believes that any reasonably possible change in the key assumptions (e.g., profit ratio, inflation, the projected long-term average growth rate and the before tax, weighted average cost of capital) on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

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

(Millions of Yen)

As at 31 March 2015				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	－	1,524
Americas	5,120	78	－	5,198
Europe	655	838	－	1,492
Asia	1,756	－	－	1,756
Total	8,322	1,648	－	9,970

(Millions of Yen)

As at 31 March 2016				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	－	1,524
Americas	4,903	72	－	4,974
Europe	611	821	－	1,432
Asia	1,572	－	－	1,572
Total	7,877	1,625	－	9,502

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

As at 31 March 2016				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	7,022	6,503	－	13,525
Americas	43,510	637	－	44,147
Europe	5,424	7,285	－	12,710
Asia	13,950	－	－	13,950
Total	69,906	14,426	－	84,332

Note:

Impairment loss on goodwill of Corporate (R&D) was recognised in the amount of 45 million yen for the year ended 31 March 2015.

9. Investments in associates

A summary of the Group's associates, which are not individually significant, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2015	As at / for the year ended 31 March 2016	As at / for the year ended 31 March 2016
The Group's share of net income (loss)	(10)	3	30
The Group's share of other comprehensive income (loss)	7	(24)	(215)
The Group's share of comprehensive income (loss)	(2)	(21)	(185)
The Group's share of net assets	186	182	1,615

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

Name of associate	Principal activity	Place of incorporation and operation	Segment	Ownership interest (%)	
				As at 31 March 2015	As at 31 March 2016
AVANSTRATE, INC.	Production and sale of glass substrate for thin film transistor (TFT) liquid crystal	JAPAN	Corporate	46.6	46.6
JIASHAN CANDEO OPTICAL GLASS CO., LTD.	Production and sale of special glass, such as coloured glass	CHINA	Information Technology	49.0	49.0
HTK LENTES OFTALMICAS LTDA	Sales of optical lens	BRAZIL	Life Care	39.5	39.5

The Group's unrecognised share of loss on associates is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2015	As at / for the year ended 31 March 2016	As at / for the year ended 31 March 2016
The Group's unrecognised share of net loss (income)	(2,347)	(3,730)	(33,100)
The Group's unrecognised share of accumulated net loss	375	4,105	36,432

10. Deferred taxes and income taxes

(1) Deferred taxes

Details of deferred tax assets and liabilities are as follows:

（Millions of Yen）

	As at 1 April 2014	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2015
Temporary differences					
Enterprise tax payable	813	(432)	－	－	381
Written down inventories	1,377	173	－	－	1,550
Allowance for doubtful accounts	761	(267)	－	－	494
Provisions	814	53	－	26	893
Accrued expenses	4,093	(322)	－	41	3,811
Unrealised profit on inventories	2,460	564	－	－	3,024
Depreciation and amortisation	4,629	(3,043)	－	27	1,612
Impairment losses	1,005	(255)	－	－	750
Exchange differences on translating foreign operations	552	－	(480)	－	72
Others	3,751	(119)	39	26	3,697
Subtotal	20,255	(3,648)	(442)	119	16,284
Undistributed retained earnings of subsidiaries	(2,007)	(476)	－	－	(2,483)
Depreciation and amortisation	(8,970)	3,408	－	230	(5,331)
Net gain/(loss) on revaluation of available-for-sale financial assets	(240)	－	245	－	4
Others	(591)	(10)	－	8	(593)
Subtotal	(11,808)	2,923	245	238	(8,402)
Tax losses carryforward and tax credits					
Tax losses carryforward	2,063	(415)	－	95	1,743
Tax credits	－	272	－	－	272
Subtotal	2,063	(143)	－	95	2,015
Total	10,510	(868)	(197)	452	9,897

Note:

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

(Millions of Yen)

	As at 31 March 2015	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2016
Temporary differences					
Enterprise tax payable	381	209	−	−	590
Written down inventories	1,550	(367)	−	−	1,183
Allowance for doubtful accounts	494	29	−	−	524
Provisions	893	5	−	−	898
Accrued expenses	3,811	(221)	−	−	3,590
Unrealised profit on inventories	3,024	41	−	−	3,066
Depreciation and amortisation	1,612	346	−	−	1,958
Impairment losses	750	(230)	−	−	520
Exchange differences on translating foreign operations	72	−	(72)	−	−
Others	3,697	(280)	11	−	3,428
Subtotal	16,284	(467)	(61)	−	15,756
Undistributed retained earnings of subsidiaries	(2,483)	(240)	−	−	(2,723)
Depreciation and amortisation	(5,331)	1,051	−	(212)	(4,492)
Net gain/(loss) on revaluation of available-for-sale financial assets	4	−	4	−	8
Others	(593)	48	−	−	(545)
Subtotal	(8,402)	859	4	(212)	(7,752)
Tax losses carryforward and tax credits					
Tax losses carryforward	1,743	(421)	−	−	1,322
Tax credits	272	(270)	−	−	2
Subtotal	2,015	(691)	−	−	1,324
Total	9,897	(300)	(57)	(212)	9,328

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

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

	As at 31 March 2015	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2016
Temporary differences					
Enterprise tax payable	3,383	1,856	－	－	5,239
Written down inventories	13,754	(3,256)	－	－	10,497
Allowance for doubtful accounts	4,388	258	－	－	4,646
Provisions	7,923	44	－	－	7,967
Accrued expenses	33,820	(1,957)	－	－	31,863
Unrealised profit on inventories	26,840	367	－	－	27,207
Depreciation and amortisation	14,306	3,070	－	－	17,376
Impairment losses	6,654	(2,042)	－	－	4,613
Exchange differences on translating foreign operations	639	－	(639)	－	－
Others	32,811	(2,488)	100	－	30,423
Subtotal	144,519	(4,148)	(538)	－	139,832
Undistributed retained earnings of subsidiaries	(22,036)	(2,130)	－	－	(24,166)
Depreciation and amortisation	(47,308)	9,325	－	(1,883)	(39,866)
Net gain/(loss) on revaluation of available-for-sale financial assets	39	－	34	－	73
Others	(5,264)	426	－	－	(4,837)
Subtotal	(74,569)	7,622	34	(1,883)	(68,796)
Tax losses carryforward and tax credits					
Tax losses carryforward	15,468	(3,734)	－	－	11,734
Tax credits	2,415	(2,398)	－	－	17
Subtotal	17,884	(6,133)	－	－	11,751
Total	87,833	(2,660)	(504)	(1,883)	82,786

Note:

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

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Tax losses carryforward	13,388	13,416	119,061
Deductible temporary differences	4,672	3,674	32,606
Total	18,060	17,090	151,666

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Year 1	288	254	2,250
Year 2	611	836	7,422
Year 3	753	1,763	15,650
Year 4	1,531	1,896	16,829
Year 5 or later	10,205	8,666	76,910
Total	13,388	13,416	119,061

The aggregate amounts of temporary differences associated with undistributed retained earnings of the subsidiaries for which deferred tax liabilities have not been recognised at 31 March 2015 and 2016, were 313,356 million yen and 276,406 million yen (2,453,016 thousand U.S. dollars), respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Company recognised no deferred tax assets on the tax losses as at 31 March 2015 and 2016.

(2) Income taxes

In Japan, the normal effective statutory tax rates are approximately 35.5% and 33.0% for the years ended 31 March 2015 and 2016, respectively.

Current or deferred taxes at other tax jurisdictions are calculated by the tax rates generally applied to those tax jurisdictions.
Details of current tax expense and deferred tax expense are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Current tax expense: (i)			
Current year	24,263	25,500	226,308
Prior years	(221)	90	798
Total current tax expense	24,043	25,590	227,106
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	505	(95)	(841)
Changes in tax rates	761	287	2,545
Total deferred tax expense	1,265	192	1,704
Total income tax expense	25,308	25,782	228,809
Continuing operations	25,308	25,782	228,809
Discontinued operations	―	―	―

Note:

(i) 'Current tax expense' includes previously unrecognised tax benefits from tax losses carryforward, tax credits and deductible temporary differences. These benefits were 518 million yen and 317 million yen (2,812 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively.

(ii) 'Deferred tax expense' includes previously unrecognised tax benefits from tax losses carryforward, tax credits, deductible temporary differences, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. These effects increased the deferred tax expense by 1,089 million yen and 623 million yen (5,533 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively.

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

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

	For the year ended 31 March 2015	For the year ended 31 March 2016
Effective statutory tax rate	35.5%	33.0%
Expenses not deductible for tax purposes	1.0%	0.7%
Income not taxable for tax purposes	0.0%	0.0%
Effect of unrecognised deferred tax assets	0.4%	0.4%
Impact of different tax rates applied to overseas subsidiaries	(18.2)%	(15.5)%
Profits and losses on investments in associates	0.0%	0.0%
Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate	0.6%	0.2%
Tax rate difference due to the elimination of the unrealised profit on inventories	0.5%	0.1%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.4%	0.2%
Others	1.2%	2.5%
Actual tax rate	21.4%	21.6%

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

11. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Other financial assets			
FVTPL financial assets (derivative instruments)	―	115	1,017
Available-for-sale financial assets	885	1,182	10,486
Loans and receivables			
Loans and receivables	27,179	26,291	233,324
Allowance for doubtful accounts	(956)	(783)	(6,949)
Loans and receivables–net	26,223	25,508	226,375
Total	27,108	26,804	237,877
Total non-current assets (long-term financial assets)	7,037	15,820	140,398
Total current assets (other short-term financial assets)	20,071	10,984	97,480

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Other financial liabilities			
FVTPL financial liabilities (derivative instruments)	3,400	484	4,300
Other financial liabilities measured at amortised cost	163	2,937	26,063
Total	3,563	3,421	30,362
Total non-current liabilities (other long-term financial liabilities)	667	3,110	27,604
Total current liabilities (other short-term financial liabilities)	2,896	311	2,758

12. Other assets and liabilities

Details of other assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Non-current: Other assets			
Long-term prepaid expenses	2,935	3,082	27,353
Others	85	201	1,781
Total	3,020	3,283	29,134
Current: Other assets			
Suspense payment (i)	8,419	8,419	74,714
Prepaid expenses	2,462	2,952	26,201
Refundable consumption taxes	2,505	2,265	20,098
Others	2,855	3,128	27,761
Total	16,241	16,764	148,775

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Non-current: Other liabilities			
Deposit received and long-term advance revenue, etc.	1,010	808	7,169
Total	1,010	808	7,169
Current: Other liabilities			
Accrued salary/bonus/vacation pay	13,541	13,697	121,552
Other accrued expenses	14,553	15,667	139,039
Advance received/deferred revenue	3,115	3,498	31,040
Accrued consumption taxes	1,535	1,759	15,614
Others	2,972	2,626	23,307
Total	35,716	37,247	330,553

Note:

(i) On 26 June 2013, the Company received a reassessment notice for additional tax on the transfer pricing taxation. The additional tax assessment was 8,419 million yen. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. Consequently, 8,419 million yen is included in “Other current assets” as suspense payment.

13. Inventories

Details of inventories are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Goods and products	36,342	33,805	300,006
Work in progress	6,679	7,004	62,160
Raw materials	14,326	14,183	125,869
Supplies	11,578	11,416	101,316
Total	68,925	66,408	589,351
Inventories expected to be sold after more than 12 months	5	3	24

The cost of inventories recognised as expense during the years ended 31 March 2015 and 2016, was 239,829 million yen and 238,571 million yen (2,117,242 thousand U.S. dollars), respectively.

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Amount of write-down	2,904	1,242	11,021
Amount of reversal of write-down	—	(70)	(622)

The reversal of write-down was due to an increase in net realisable value, as a result of an increase in new orders with positive sales activities.

14. Trade and other receivables

Details of trade and other receivables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Accounts receivable	93,615	87,437	775,973
Notes receivable and electronically recorded monetary claims- operating	5,970	5,939	52,707
Other receivables	2,033	1,859	16,498
Allowance for doubtful accounts	(2,421)	(2,348)	(20,837)
Total	99,198	92,887	824,342

The credit terms for customers are set between 90 days and 120 days on average.

Refer to Note 22 “Financial instruments” for credit risk management and fair value of trade and other receivables.

15. Interest-bearing debt

Details of interest-bearing debt are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Average interest rate (%) (i)	Due
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016		
Long-term bank loans (excluding current portion)	26	14	128	―	2017-2020
Current portion of long-term bank loans	8	8	72	―	―
Short-term bank loans	1,760	1,658	14,713	1.13%	―
Bonds (ii)	35,024	35,015	310,749	1.93%	―
Current portion of bonds (ii)	21	21	186	1.51%	―
Long-term finance lease obligations (Note 16)	478	374	3,322	―	2017-2022
Short-term finance lease obligations (Note 16)	243	237	2,099	―	―
Total interest-bearing debt	37,561	37,328	331,271		
Total non-current debt	35,528	35,404	314,199		
Total current debt	2,033	1,924	17,071		

Note:

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

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

Company	Item	Issue Date	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Interest rate (%)	Collateral (Millions of Yen)	Due
			As at 31 March 2015	As at 31 March 2016	As at 31 March 2016			
HOYA CORPORATION	Unsecured bond (No. 3)	11 September 2007	34,968	34,981	310,443	1.93	―	20 September 2017
HOYA Technosurgical, Inc.	1 Private Note	5 November 2011	77	56	493	1.51	―	2015-2018
Total	―	―	35,045	35,036	310,935	―	―	―

Buildings and structures of 33 million yen and machinery and carriers of 11 million yen are pledged as collateral for long-term and short-term bank loans (including current portion) stated above.

The obligations under finance lease are secured by the leased assets for which the lessor has ownership. Refer to Note 16 “Finance lease obligations”.

There is no debt with covenants as at 31 March 2016.

Details of the remaining contractual maturity for long-term borrowings and bonds and fair values are set out in Note 22 “Financial instruments”.

16. Finance lease obligations

Details of finance lease obligations are as follows:

	Minimum lease payments			Present Value of Minimum Lease Payments		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Amounts payable under finance leases:						
Not later than one year	268	243	2,153	243	237	2,099
Later than one year but not later than five years	542	415	3,686	475	372	3,305
Later than five years	3	2	19	3	2	17
Total	813	660	5,857	721	611	5,421
Less future finance charges	(92)	(49)	(436)			
Present value of lease obligations	721	611	5,421	721	611	5,421
Less amount due for settlement within 12 months				243	237	2,099
Amount due for settlement after 12 months				478	374	3,322

The Group has not entered into any new finance lease contracts as part of its policy, except for the cases when it concludes that it has a number of advantages of having a lease arrangement in respect of cost reduction or the avoidance of the risk associated with product obsolescence. The average remaining lease term is approximately two to four years as at 31 March 2016.

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

The Group's fair values of lease obligations are set out in Note 22 "Financial instruments".

17. Operating lease arrangements

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Minimum lease payments	8,231	8,460	75,080
Contingent rent	606	681	6,044
Total	8,836	9,141	81,125

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

As at 31 March 2015 and 2016, the maturity periods of the outstanding commitments under non-cancellable operating leases are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Not later than one year	1,843	1,669	14,810
Later than one year but not later than five years	3,423	2,157	19,144
Later than five years	2,737	2,368	21,019
Total	8,004	6,194	54,973

Operating lease payments represent rentals payable by the Group for the land used for an office, building, etc. The average remaining operating lease terms for those assets as at 31 March 2016, are 38 years and two years, respectively.

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

18. Retirement benefit plans

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

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

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

(1) Defined benefit plans

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Present value of funded defined benefit obligation	5,928	5,266	46,732
Fair value of plan assets	(3,871)	(3,610)	(32,036)
Total	2,057	1,656	14,696
The effect of the changes to the asset ceiling	32	29	259
Net liability arising from defined benefit plans obligations	2,089	1,685	14,955
Balance in the consolidated statement of financial position			
Liability	2,098	1,859	16,499
Asset (Other non-current assets)	8	174	1,544

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Service cost			
Current service cost	438	332	2,945
Past service cost and (gain)/loss from settlements	1	—	—
Net interest expense	27	26	228
Components of defined benefit costs recognised in profit or loss	467	358	3,173
Remeasurement of the net defined benefit liability			
Return on plan assets	(387)	137	1,213
Actuarial gains and losses arising from changes in demographic assumptions	14	(92)	(819)
Actuarial gains and losses arising from changes in financial assumptions	508	(157)	(1,395)
Actuarial gains and losses arising from experience adjustments	70	(39)	(344)
Adjustments for restrictions on the defined benefit asset	0	0	0
Components of defined benefit costs recognised in other comprehensive income	206	(152)	(1,345)
Total	672	206	1,827

Service cost and net interest expense are included in 'Employee benefits expense' and 'Finance cost' in the consolidated statement of comprehensive income.

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Beginning balance	4,832	5,928	52,611
Current service cost	438	332	2,945
Interest cost	166	150	1,329
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	14	(92)	(819)
Actuarial gains and losses arising from changes in financial assumptions	508	(157)	(1,395)
Actuarial gains and losses arising from experience adjustments	70	(39)	(344)
Past service cost	1	—	—
Increase due to acquisition of subsidiaries	24	—	—
Benefits paid	(431)	(354)	(3,146)
Effect of foreign currency exchange differences	304	(501)	(4,448)
Ending balance	5,928	5,266	46,732

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Beginning balance	3,191	3,871	34,353
Interest income	139	124	1,101
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	387	(137)	(1,213)
Contributions from the employer	230	279	2,474
Benefits paid	(230)	(181)	(1,605)
Effect of foreign currency exchange differences	153	(346)	(3,073)
Ending balance	3,871	3,610	32,036

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Beginning balance	31	32	284
Interest expense	0	0	0
Remeasurement gain (loss)			
The effect of the changes in the asset ceiling	0	0	0
Effect of foreign currency exchange differences	1	(3)	(26)
Ending balance	32	29	259

The fair values of major categories of plan assets as at 31 March 2015 and 2016, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Cash and cash equivalents	538	610	5,412
Equity instruments - Foreign equity instruments	1,391	1,911	16,957
Debt instruments - Foreign governmental bonds	615	537	4,766
Debt instruments - Foreign bonds	334	541	4,804
Others	993	11	97
Total	3,871	3,610	32,036

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

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

	As at 31 March 2015	As at 31 March 2016
Discount rate	3.3%	3.5%

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

(2) Defined contribution plans

The total expense recognised was 2,147 million yen and 2,189 million yen (19,423 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively.

(3) Severance payments

Under certain circumstances (such as retirement before the predetermined retirement date), additional payments are made upon retirement. The total expense recognised was 2,451 million yen and 2,281 million yen (20,247 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively.

19. Provisions

Details of provisions are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Asset retirement obligation	2,251	2,345	20,809
Warranties provision	1,075	1,275	11,313
Total	3,326	3,620	32,122
Non-current liabilities	2,262	2,335	20,726
Current liabilities	1,063	1,284	11,396

An analysis of the change in provisions is as follows:

(Millions of Yen)

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2015	2,251	1,075	3,326
Provision for the year	204	648	851
Acquisitions through business combinations	－	6	6
Interest cost associated with passage of time	20	－	20
Reduction resulting from settlement for the year	(79)	(385)	(464)
Effect of foreign currency exchange differences	(51)	(69)	(120)
Balance at 31 March 2016	2,345	1,275	3,620

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

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2015	19,976	9,537	29,513
Provision for the year	1,806	5,747	7,553
Acquisitions through business combinations	－	56	56
Interest cost associated with passage of time	181	－	181
Reduction resulting from settlement for the year	(702)	(3,413)	(4,116)
Effect of foreign currency exchange differences	(452)	(613)	(1,065)
Balance at 31 March 2016	20,809	11,313	32,122

Note:

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

20. Trade and other payables

Details of trade and other payables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Accounts payable	19,195	19,541	173,420
Notes payable, trade	5,840	6,738	59,801
Processing cost payable	591	698	6,197
Other payables	15,044	13,662	121,249
Notes payable for capital investment	576	767	6,809
Total	41,247	41,407	367,475

Trade notes payable are due 120 days on average.

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

21. Share capital and other equity items

(1) Share capital and capital reserves

	Number of authorised shares (Ordinary shares with no par value)	Number of issued shares (Ordinary shares with no par value)	Number of outstanding shares (Ordinary shares with no par value)	Share capital (Millions of Yen)	Capital reserves (Millions of Yen)	Share capital (Thousands of U.S. Dollars (Note 2))	Capital reserves (Thousands of U.S. Dollars (Note 2))
Balance at 1 April 2014	1,250,519,400	435,017,020	432,094,699	6,264	15,899	55,593	141,096
Decrease (i), (ii)	—	9,234,100	8,163,722	—	—	—	—
Balance at 31 March 2015	1,250,519,400	425,782,920	423,930,977	6,264	15,899	55,593	141,096
Decrease (i), (ii)	—	21,175,400	27,315,794	—	—	—	—
Balance at 31 March 2016	1,250,519,400	404,607,520	396,615,183	6,264	15,899	55,593	141,096

Note:

(i) Decrease in number of issued shares is due to cancellation of treasury shares.

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

(2) Treasury shares and other capital reserves

① Treasury shares

	Numbers of shares	Amount (Millions of Yen)
Balance at 1 April 2014	2,922,321	8,890
Repurchase of treasury shares	9,234,100	30,000
Cancellation of treasury shares	(9,234,100)	(29,573)
Repurchase of odd-lot shares	1,346	5
Disposal of odd-lot shares	(124)	(0)
Decrease on exercise of stock option	(1,071,600)	(3,390)
Balance at 31 March 2015	1,851,943	5,932
Repurchase of treasury shares	28,061,900	130,016
Cancellation of treasury shares	(21,175,400)	(98,186)
Repurchase of odd-lot shares	1,138	6
Disposal of odd-lot shares	(44)	(0)
Decrease on exercise of stock options	(747,200)	(3,134)
Balance at 31 March 2016	7,922,337	34,633

Note:

It was confirmed that treasury shares in the amount of 18,640 million yen (165,421 thousand U.S. dollars) repurchased as at 31 March 2016 and 4,984 million yen (44,227 thousand U.S. dollars) repurchased from 1 April 2016 to 8 April 2016, based on the resolution of the Company's Board of Directors on 16 February 2016, exceeded the distributable amount determined by the Companies Act and the Ordinance on Company Accounting. Of these amounts, the treasury shares repurchased as at 31 March 2016, are included in "Acquisition of treasury shares" and "Balance at 31 March 2016" in the consolidated statement of changes in equity.

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2015	1,851,943	52,644
Repurchase of treasury shares	28,061,900	1,153,850
Cancellation of treasury shares	(21,175,400)	(871,373)
Repurchase of odd-lot shares	1,138	49
Disposal of odd-lot shares	(44)	(2)
Decrease on exercise of stock options	(747,200)	(27,810)
Balance at 31 March 2016	7,922,337	307,359

② **Other capital reserves**

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Balance at 1 April 2014	(5,524)	3,078	(393)	(2,839)
Repurchase of treasury shares	―	―	(30)	(30)
Disposal of treasury shares	(741)	(512)	―	(1,253)
Share-based payments (i)	―	386	―	386
Balance at 31 March 2015	(6,265)	2,952	(423)	(3,736)
Repurchase of treasury shares	―	―	(130)	(130)
Disposal of treasury shares	(864)	(290)	―	(1,153)
Share-based payments (i)	―	425	―	425
Change in non-controlling interests(ii)	―	―	(361)	(361)
Balance at 31 March 2016	(7,129)	3,087	(914)	(4,956)

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2015	(55,603)	26,197	(3,753)	(33,160)
Repurchase of treasury shares	―	―	(1,154)	(1,154)
Disposal of treasury shares	(7,664)	(2,571)	―	(10,235)
Share-based payments (i)	―	3,773	―	3,773
Change in non-controlling interests (ii)	―	―	(3,207)	(3,207)
Balance at 31 March 2016	(63,268)	27,399	(8,115)	(43,983)

Note:

(i) Refer to Note 23 “Share-based payments” for details of stock options.

(ii) The Group acquired 40% of the outstanding shares in PENTAX ITALIA S.R.L, a consolidated subsidiary. As a result, the ownership interest of the Group increased to 100%. 361 million yen (3,207 thousand U.S. dollars), the difference between the decrease of non-controlling interests (i.e., proportional interests of the carrying amount of the net assets) and the consideration paid for the shares is included in 'Other capital reserves' in the consolidated statement of financial position.

(3) Retained earnings and dividends

	Amount (Millions of Yen)
Balance at 1 April 2014	516,243
Profit for the year (attributable to owners of the Company)	92,804
Cancellation of treasury shares	(29,573)
Dividends	(32,145)
Transfer to retained earnings	(167)
Balance at 31 March 2015	547,162
Profit for the year (attributable to owners of the Company)	93,175
Cancellation of treasury shares	(98,186)
Dividends	(31,527)
Transfer to retained earnings	163
Balance at 31 March 2016	510,787

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2015	4,855,896
Profit for the year (attributable to owners of the Company)	826,896
Cancellation of treasury shares	(871,373)
Dividends	(279,789)
Transfer to retained earnings	1,446
Balance at 31 March 2016	4,533,076

Details of dividends are as follows:

Date of resolution	Dividends per share (Yen)	Dividends per share (U.S. Dollars (Note 2))	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars (Note 2))	Record date	Effective date
21 May 2014	45	0.40	19,444	172,562	31 March 2014	29 May 2014
30 October 2014	30	0.27	12,700	112,712	30 September 2014	28 November 2014
21 May 2015	45	0.40	19,077	169,302	31 March 2015	1 June 2015
29 October 2015	30	0.27	12,450	110,487	30 September 2015	27 November 2015
20 May 2016	45	0.40	17,848	158,393	31 March 2016	1 June 2016

Dividends payable are included in the line item ‘Other short-term financial liabilities’ in the consolidated statement of financial position.

(4) Non-controlling interests

	Amount (Millions of Yen)
Balance at 1 April 2014	6,121
Profit for the year, attributable to non-controlling interests	137
Other comprehensive income	(168)
Dividends	(9)
Balance at 31 March 2015	6,081
Profit for the year, attributable to non-controlling interests	142
Other comprehensive income	(217)
Dividends	(626)
Decrease due to acquisition of non-controlling interests	(471)
Balance at 31 March 2016	4,909

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2015	53,966
Profit for the year, attributable to non-controlling interests	1,262
Other comprehensive income	(1,928)
Dividends	(5,556)
Decrease due to acquisition of non-controlling interests	(4,178)
Balance at 31 March 2016	43,567

22. Financial instruments

(1) Capital risk management

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

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Interest-bearing debt	37,561	37,328	331,271
Less: Cash and cash equivalents	348,819	286,292	2,540,753
Net debt	(311,259)	(248,965)	(2,209,483)
Equity	596,095	498,174	4,421,137

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2015 and 2016, the Group maintained cash and cash equivalent balances in excess of interest-bearing debt balances. The Group is not subject to any externally imposed capital regulations as at 31 March 2016.

Details of interest-bearing debt and equity are described in Note 15 “Interest-bearing debt” and Note 21 “Share capital and other equity items”, respectively.

(2) Significant accounting policies

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

(3) Categories of financial instruments

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Financial assets			
FVTPL financial assets (derivative instruments) (ii)	－	115	1,017
Loans and receivables			
Trade and other receivables	99,198	92,887	824,342
Other financial assets (ii)	26,223	25,508	226,375
Available-for-sale financial assets (ii)	885	1,182	10,486
Cash and cash equivalents	348,819	286,292	2,540,753
Financial liabilities			
FVTPL financial liabilities (derivative instruments) (iii)	3,400	484	4,300
Financial liabilities measured at amortised cost			
Trade and other payables	41,247	41,407	367,475
Interest-bearing debt	37,561	37,328	331,271
Other financial liabilities (iii)	163	2,937	26,063

Note:
(i) The items above are not included in discontinued operations and disposal group held for sale. The Group does not have held-to-maturity investments and derivative instruments designated as hedging instruments. Likewise, the Group does not have financial assets or financial liabilities using the fair value option.
(ii) FVTPL financial assets (derivative instruments), other financial assets and available-for-sale financial assets are included in 'Long-term financial assets' or 'Other short-term financial assets' in the consolidated statement of financial position.
(iii) FVTPL financial liabilities (derivative instruments) and other financial liabilities are included in 'Other long-term/short-term financial liabilities' in the consolidated statement of financial position.
(iv) Financial assets or liabilities to be offset as at 31 March 2015 and 2016, are immaterial.

(4) Financial risk management

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

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

(5) Market risk management

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

① Foreign currency risk

1) Foreign currency risk management

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

The Group intends to marry major currencies the Group uses (i.e., Euro, U.S. dollar and Yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, as the Company has multiple SBUs and conducts its own finance and dividend payments to the Company's shareholders, and the holding companies under the Company receive dividends from their subsidiaries and distribute them to the Company and/or other group companies, the Group's foreign currency-dominated balances in receivables, liabilities and/or bank deposits may not fully offset each other. This might cause significant gains or losses on foreign exchange differences when the Yen appreciates or depreciates against the U.S. dollar or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

2) Foreign currency sensitivity analysis

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

	For the year ended 31 March 2015	For the year ended 31 March 2016
Average exchange rate		
(Yen per each currency)		
Thai Baht	3.41	3.42
Euro	138.43	132.53
U.S. dollar	110.62	120.16
Impact on profit for the year		
(Millions of Yen)		
Thai Baht	(152)	(130)
Euro	(114)	(32)
U.S. dollar	(339)	(386)
Impact on equity		
(Millions of Yen)		
Thai Baht	(318)	(197)
Euro	(491)	(408)
U.S. dollar	(601)	(631)

	For the year ended 31 March 2016
Impact on profit for the year	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(1,157)
Euro	(286)
U.S. dollar	(3,427)
Impact on equity	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(1,748)
Euro	(3,618)
U.S. dollar	(5,596)

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

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

2)-1. Parent company (the Company)

(Millions of Yen)

	Euro		U.S. dollar	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
Trade and other receivables	(19)	(24)	(81)	(62)
Trade and other payables	1	1	16	15
Long-term financial assets	―	―	―	(2)
Short-term financial assets	―	―	(0)	(0)
Cash and cash equivalents	(17)	(31)	(218)	(122)
Total	(35)	(54)	(283)	(171)

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

	Euro	U.S. dollar
	31 March 2016	31 March 2016
Trade and other receivables	(212)	(550)
Trade and other payables	8	133
Long-term financial assets	―	(19)
Short-term financial assets	―	(1)
Cash and cash equivalents	(279)	(1,086)
Total	(483)	(1,521)

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

2)-2. Holding company (Europe)

(Millions of Yen)

	Yen		U.S. dollar	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
Trade and other receivables	―	―	―	―
Trade and other payables	0	0	―	0
Long-term financial assets	―	―	(22)	―
Short-term financial assets	―	―	(147)	(33)
Cash and cash equivalents	(135)	(1)	(20)	(32)
Total	(135)	(1)	(189)	(65)

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

	Yen	U.S. dollar
	31 March 2016	31 March 2016
Trade and other receivables	—	—
Trade and other payables	0	0
Long-term financial assets	—	—
Short-term financial assets	—	(290)
Cash and cash equivalents	(11)	(287)
Total	(11)	(577)

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

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

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

Details of the forward foreign exchange contracts at the end of each reporting period are as follows:

(Millions of Yen)

For the year ended 31 March 2015	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value
Forward foreign exchange contracts				
More than one year				
US$Sell (€Buy)	0.74 (€/US$)	$32.7	3,167	(667)
Within one year				
US$Sell (€Buy)	0.74 (€/US$)	$113.8	11,028	(2,733)

For the year ended 31 March 2016	Average exchange rate	Foreign currency (mil)	Notional amount (Millions of Yen)	Fair value (Millions of Yen)	Notional amount (Thousands of U.S. Dollars (Note 2))	Fair value (Thousands of U.S. Dollars (Note 2))
Forward foreign exchange contracts						
More than one year						
US$Sell (€Buy)	0.74 (€/US$)	$22.7	2,146	(333)	19,042	(2,959)
Within one year						
US$Sell (€Buy)	0.75 (€/US$)	$10.0	957	(151)	8,496	(1,341)
¥Sell (US$Buy)	111.74 (US$/¥)	$150.0	16,761	115	148,752	1,017

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

② **Interest rate risk management**

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

③ **Price risks management in equity instruments**

The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held from a viewpoint of business strategy, not for short-term trading purposes. 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 10 million yen and 7 million yen (58 thousand U.S. dollars) as at 31 March 2015 and 2016, respectively, as a result of changes in fair value of the equity instruments.

(6) Credit risk management

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

The main customers for the Information Technology business are globalised companies that have relatively large-scale and stable financial conditions. On the other hand, credit losses were incurred on a sporadic basis in the Life Care business as those products were sold to relatively small and diversified customers, such as end consumers, retailers, and medical institutions. Accordingly, no significant credit losses were incurred in the past. A division in the Life Care business of selling goods to medical institutions and operating wholesale businesses 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 a large number of customers across a diverse range of 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 2016.

① Financial assets and other credit exposures

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

	Maximum credit risk		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Guarantee liabilities	135	53	466

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 32 “Contingent liabilities”.

② Impaired or past-due financial assets

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

(Millions of Yen)

Balance at 31 March 2015	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	101,618	87,628	6,571	2,613	993	792	3,021
Allowance for doubtful accounts	(2,421)	(574)	(36)	(69)	(60)	(107)	(1,575)
Trade and other receivables (net)	99,198	87,055	6,535	2,544	933	685	1,446
Other financial assets (gross)	27,179	26,419	—	—	—	—	760
Allowance for doubtful accounts	(956)	(267)	—	—	—	—	(689)
Other financial assets (net)	26,223	26,151	—	—	—	—	72

(Millions of Yen)

Balance at 31 March 2016	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	95,235	84,264	4,856	1,586	1,237	599	2,692
Allowance for doubtful accounts	(2,348)	(391)	(103)	(108)	(140)	(60)	(1,546)
Trade and other receivables (net)	92,887	83,874	4,753	1,478	1,097	539	1,146
Other financial assets (gross)	26,291	25,426	8	—	—	—	856
Allowance for doubtful accounts	(783)	(4)	—	—	—	—	(779)
Other financial assets (net)	25,508	25,422	8	—	—	—	78

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

Balance at 31 March 2016	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	845,178	747,820	43,095	14,076	10,978	5,317	23,893
Allowance for doubtful accounts	(20,837)	(3,468)	(918)	(958)	(1,238)	(530)	(13,724)
Trade and other receivables (net)	824,342	744,351	42,178	13,118	9,740	4,786	10,169
Other financial assets (gross)	233,324	225,649	74	—	—	—	7,601
Allowance for doubtful accounts	(6,949)	(36)	—	—	—	—	(6,913)
Other financial assets (net)	226,375	225,613	74	—	—	—	688

The Group does not hold any collateral or other credit enhancements on the above financial assets, excluding the following:

As at 31 March 2015

Current portion of long-term loans to subsidiaries and affiliates of 8,500 million yen

As at 31 March 2016

Long-term loans to subsidiaries and affiliates of 8,225 million yen (72,994 thousand U.S. dollars)

Details of collaterals are described in Note 30 “Related party disclosures”.

In case of impairment of financial assets, the Group does not directly write off such assets by reducing the carrying amount; instead, it 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 2014	2,393	1,063	3,456
Provision for the year	302	74	376
Reduction resulting from settlement for the year	(145)	(5)	(150)
Reduction for the year (reversal)	(65)	(203)	(268)
Other (foreign exchange translation gain or losses, etc.)	(64)	27	(38)
Balance at 31 March 2015	2,421	956	3,377
Provision for the year	423	14	437
Reduction resulting from settlement for the year	(123)	(112)	(235)
Reduction for the year (reversal)	(138)	(45)	(183)
Other (foreign exchange translation gain or losses, etc.)	(234)	(30)	(264)
Balance at 31 March 2016	2,348	783	3,131

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

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 31 March 2015	21,484	8,484	29,968
Provision for the year	3,754	120	3,874
Reduction resulting from settlement for the year	(1,094)	(993)	(2,087)
Reduction for the year (reversal)	(1,228)	(395)	(1,623)
Other (foreign exchange translation gains or losses, etc.)	(2,080)	(267)	(2,347)
Balance at 31 March 2016	20,837	6,949	27,786

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

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

③ Transfer of financial assets

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

There were no notes receivable transferred and discounted that were outstanding as at 31 March 2015 and 2016.

(7) Liquidity risk management

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

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

(Millions of Yen)

Balance at 31 March 2015	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	More than 5 years
Non-derivative liabilities								
Trade and other payables	41,247	41,247	41,247	—	—	—	—	—
Long-term bank loans (excluding current portion)	26	26	—	12	7	6	2	—
Current portion of long-term bank loans	8	8	8	—	—	—	—	—
Short-term bank loans	1,760	1,760	1,760	—	—	—	—	—
Bonds (excluding current portion)	35,024	35,056	—	21	35,021	14	—	—
Current portion of bonds	21	21	21	—	—	—	—	—
Long-term finance lease obligations	478	478	—	219	161	72	23	3
Short-term finance lease obligations	243	243	243	—	—	—	—	—
Other financial liabilities	163	163	163	—	—	—	—	—
Derivative liabilities								
Currency derivative	3,400	3,400	2,733	211	456	—	—	—
Total	82,371	82,402	46,175	463	35,645	91	24	3

(Millions of Yen)

Balance at 31 March 2016	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	More than 5 years
Non-derivative liabilities								
Trade and other payables	41,407	41,407	41,407	—	—	—	—	—
Long-term bank loans (excluding current portion)	14	14	—	7	6	1	—	—
Current portion of long-term bank loans	8	8	8	—	—	—	—	—
Short-term bank loans	1,658	1,658	1,658	—	—	—	—	—
Bonds (excluding current portion)	35,015	35,035	—	35,021	14	—	—	—
Current portion of bonds	21	21	21	—	—	—	—	—
Long-term finance lease obligations	374	374	—	191	104	55	22	2
Short-term finance lease obligations	237	237	237	—	—	—	—	—
Other financial liabilities	2,937	2,937	385	519	744	676	563	49
Derivative liabilities								
Currency derivative	484	484	151	333	—	—	—	—
Total	82,156	82,175	43,867	36,071	868	733	585	51

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

Balance at 31 March 2016	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	More than 5 years
Non-derivative liabilities								
Trade and other payables	367,475	367,475	367,475	―	―	―	―	―
Long-term bank loans (excluding current portion)	128	128	―	63	52	13	―	―
Current portion of long-term bank loans	72	72	72	―	―	―	―	―
Short-term bank loans	14,713	14,713	14,713	―	―	―	―	―
Bonds (excluding current portion)	310,749	310,920	―	310,800	120	―	―	―
Current portion of bonds	186	186	186	―	―	―	―	―
Long-term finance lease obligations	3,322	3,322	―	1,695	926	488	195	17
Short-term finance lease obligations	2,099	2,099	2,099	―	―	―	―	―
Other financial liabilities	26,063	26,063	3,418	4,604	6,604	6,000	5,000	438
Derivative liabilities								
Currency derivative	4,300	4,300	1,341	2,959	―	―	―	―
Total	729,108	729,279	389,305	320,122	7,701	6,501	5,195	455

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

Temporary cash shortages due to dividends or bonus payments are funded in the following ways.
Details of financing methods and status are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Bank overdraft			
Used	―	―	―
Unused	65,000	65,000	576,855
Total	65,000	65,000	576,855
Commercial paper			
Used	―	―	―
Unused	50,000	50,000	443,734
Total	50,000	50,000	443,734

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

The following table provides an analysis of financial instruments that have been measured at fair value subsequent to initial recognition.

The fair values are categorised into Levels 1 to 3.

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

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

· Forward exchange contracts are measured at fair value on forward exchange rate at the closing date.

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

· Unlisted shares are measured by recognising the Group's share of the net asset of issuing companies at stated periods. Any excess of the cost of the investment over the Group's share of net assets is deemed as fair value.

① Financial instruments that are measured at fair value

(Millions of Yen)

As at 31 March 2015	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	－	－	－	－
Available-for-sale financial assets	196	－	689	885
Total	196	－	689	885
FVTPL financial liabilities (derivative instruments)	－	3,400	－	3,400
Total	－	3,400	－	3,400

(Millions of Yen)

As at 31 March 2016	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	－	115	－	115
Available-for-sale financial assets	131	－	1,051	1,182
Total	131	115	1,051	1,296
FVTPL financial liabilities (derivative instruments)	－	484	－	484
Total	－	484	－	484

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

As at 31 March 2016	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	－	1,017	－	1,017
Available-for-sale financial assets	1,161	－	9,324	10,486
Total	1,161	1,017	9,324	11,502
FVTPL financial liabilities (derivative instruments)	－	4,300	－	4,300
Total	－	4,300	－	4,300

Note:

No transfers occurred between Levels 1, 2 and 3 during the years ended 31 March 2015 and 2016, excluding the following:

- The common stocks which became possible to be measured at quoted prices in active markets were transferred from Level 3 to Level 1 during the year ended 31 March 2015.

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

	Fair value measurement as at the end of the reporting period		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
Available-for-sale financial assets	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Opening balance	720	689	6,113
Total gains or losses recognised:	(15)	(2)	(17)
- in profit or loss (i)	8	(2)	(13)
- in other comprehensive income (ii)	(23)	(0)	(4)
Purchase	―	374	3,317
Sale	(13)	(10)	(89)
Transfer to Level 1	(5)	―	―
Others	1	0	0
Closing balance	689	1,051	9,324

Note:

(i) In the total gains or losses for the years ended 31 March 2015 and 2016, included in profit or loss, 8 million yen in profit and (2) million yen ((89) thousand U.S. dollars) in loss, respectively, relate to available-for-sale financial assets at the end of the reporting period. Related loss of these assets is included in the line item 'Finance costs' in the consolidated statement of comprehensive income. Refer to Note 25 "Finance income and costs".

(ii) In the total gains or losses for the years ended 31 March 2015 and 2016, included in other comprehensive income, (23) million yen in loss and (0) million yen ((4) thousand U.S. dollars) in loss, respectively, relate to the shares not traded in the market. Related loss and profit are included in the line item 'Net gain/ (loss) on revaluation of available-for-sale financial assets' in Note 26 "Other comprehensive income".

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

① Carrying amounts and fair value

	(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars (Note 2))	
	As at 31 March 2015		As at 31 March 2016		As at 31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans and receivables						
Current portion of long-term loans to subsidiaries and affiliates	8,500	8,521	–	–	–	–
Long-term loans to subsidiaries and affiliates	–	–	8,225	8,222	72,994	72,968
Lease deposits	4,562	4,536	4,893	4,893	43,427	43,427
Total	13,062	13,058	13,118	13,115	116,421	116,394
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	26	27	14	15	128	131
Current portion of long-term bank loans	8	8	8	8	72	75
Bonds (excluding current portion)	35,024	36,915	35,015	36,013	310,749	319,608
Current portion of bonds	21	21	21	21	186	189
Long-term finance lease obligations	478	573	374	428	3,322	3,801
Short-term finance lease obligations	243	259	237	248	2,099	2,201
Total	35,801	37,803	35,670	36,734	316,557	326,005

② **Fair value hierarchy**

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

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

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

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

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

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

(Millions of Yen)

As at 31 March 2015	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Current portion of long-term loans to subsidiaries and affiliates	―	8,521	―	8,521
Lease deposits	―	4,536	―	4,536
Total	―	13,058	―	13,058
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	―	27	―	27
Current portion of long-term bank loans	―	8	―	8
Bonds (excluding current portion)	―	36,915	―	36,915
Current portion of bonds	―	21	―	21
Long-term finance lease obligations	―	573	―	573
Short-term finance lease obligations	―	259	―	259
Total	―	37,803	―	37,803

(Millions of Yen)

As at 31 March 2016	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	―	8,222	―	8,222
Lease deposits	―	4,893	―	4,893
Total	―	13,115	―	13,115
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	―	15	―	15
Current portion of long-term bank loans	―	8	―	8
Bonds (excluding current portion)	―	36,013	―	36,013
Current portion of bonds	―	21	―	21
Long-term finance lease obligations	―	428	―	428
Short-term finance lease obligations	―	248	―	248
Total	―	36,734	―	36,734

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

As at 31 March 2016	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	—	72,968	—	72,968
Lease deposits	—	43,427	—	43,427
Total	—	116,394	—	116,394
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	131	—	131
Current portion of long-term bank loans	—	75	—	75
Bonds (excluding current portion)	—	319,608	—	319,608
Current portion of bonds	—	189	—	189
Long-term finance lease obligations	—	3,801	—	3,801
Short-term finance lease obligations	—	2,201	—	2,201
Total	—	326,005	—	326,005

23. Share-based payments

(1) Detail of share-based payments

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

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

Stock options granted to members are accounted for as share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 386 million yen and 425 million yen (3,773 thousand U.S. dollars) for the years ended 31 March 2015 and 2016, respectively.

Details of the stock options that are outstanding for the years ended 31 March 2015 and 2016, are as follows:

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
5	445,000	1 Jan 2006	30 Sep 2015	4,150	2,917
6	585,600	7 Nov 2006	30 Sep 2016	4,750	3,961
7	77,600	14 Nov 2007	30 Sep 2017	4,230	3,357
8	1,036,000	28 Nov 2008	30 Sep 2018	1,556	952
10	1,247,600	8 Dec 2009	30 Sep 2019	2,215	2,784
11	1,225,600	7 Dec 2010	30 Sep 2020	1,947	1,861
12	680,800	17 Jan 2012	30 Sep 2021	1,616	1,427
13	560,800	16 Jan 2013	30 Sep 2022	1,648	1,707
14	758,800	15 Jan 2014	30 Sep 2023	2,846	3,141
15	582,400	14 Jan 2015	30 Sep 2024	3,972.5	3,585
16	460,400	13 Jan 2016	30 Sep 2025	4,928	3,407

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

(2) Determination of stock option value

Weighted-average fair value of the stock options granted during the years ended 31 March 2015 and 2016, was 3,585 yen and 3,407 yen, respectively.

In determining the expense of the stock options, the options were priced using the Black-Scholes model. The following table details the assumptions used in the Black-Scholes model for the options granted in the years ended 31 March 2015 and 2016.

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

	No. 15	No. 16
Share price at grant date (Yen)	4,056	4,639
Exercise price (Yen)	3,972.5	4,928
Expected volatility	29.11%	26.92%
Expected remaining option life (years)	6.0	6.0
Dividends yield	1.85%	1.62%
Risk free rate	0.01%	0.01%

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

Weighted-average exercise price of the outstanding options was 2,914 yen and 3,249 yen as at the years ended 31 March 2015 and 2016, respectively. Weighted-average remaining contractual life was 5.9 years and 6.1 years as at 31 March 2015 and 2016, respectively.

	For the year ended 31 March 2015		For the year ended 31 March 2016	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at the beginning of the period	4,251,100	2,522	3,606,800	2,914
Granted	582,400	3,973	460,400	4,928
Forfeited (i)	(171,700)	2,678	(113,200)	2,731
Exercised	(1,055,000)	1,960	(643,000)	2,404
Expired	—	—	(184,800)	4,150
Outstanding at the end of the period	3,606,800	2,914	3,126,200	3,249
Exercisable at the end of the period	2,171,200	2,835	1,806,400	2,804

Note:

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

Stock options exercised during the year ended 31 March 2016, were as follows:

No.	Number of shares exercised	Exercise period	Weighted average of share price at exercise date (Yen)
5	107,200	April to September 2015	4,932
6	6,600	April to December 2015	4,902
7	14,400	August 2015	5,347
8	37,600	April 2015 to March 2016	4,939
10	180,000	April 2015 to February 2016	4,867
11	106,400	April 2015 to March 2016	4,820
12	115,200	April 2015 to March 2016	4,594
13	49,200	April 2015 to March 2016	4,593
14	24,800	April 2015 to March 2016	4,535
15	1,600	November to December 2015	4,901
Total	643,000		

Note:

The number of shares exercised and the amount paid by key management personnel are 58,000 shares and 168 million yen, respectively.

Stock options exercised during the year ended 31 March 2015, were as follows:

No.	Number of shares exercised	Exercise period	Weighted average of share price at exercise date (Yen)
5	9,800	February to March 2015	4,893
8	158,000	April 2014 to March 2015	3,503
10	304,000	April 2014 to March 2015	3,553
11	299,200	April 2014 to March 2015	3,831
12	140,400	April 2014 to March 2015	3,838
13	92,000	April 2014 to March 2015	3,798
14	51,600	October 2014 to March 2015	4,441
Total	1,055,000		

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

There are 118,200 stock options outstanding as at 31 March 2016, which were granted after 7 November 2002 and vested before 1 April 2008, the opening balance of the first time adoption of IFRSs, resulting in IFRS 2 not being applied. The disclosure for these stock options is omitted due to its immateriality.

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

(1) Sales from continuing operations

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Sales of goods and products	488,143	503,738	4,470,516
Service revenue	1,817	1,977	17,543
Total sales	489,961	505,714	4,488,059

(2) Other income from continuing operations

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Commission	480	874	7,753
Rent	89	118	1,044
Government grants	400	313	2,776
Gain on sale of plant, property and equipment	834	4,270	37,894
Insurance proceeds	42	14	126
Others	1,630	2,158	19,155
Total other income	3,476	7,747	68,748

(3) R&D expenses recognised as incurred

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Employee benefits expense	7,432	8,497	75,409
Depreciation and amortisation	1,618	1,683	14,937
Commission expenses	1,467	1,374	12,195
Other expenses	8,014	8,732	77,497
Total R&D expenses recognised as incurred	18,531	20,287	180,038

Note:

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

(4) Employee benefits expense

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Salary, bonuses and others	104,665	107,175	951,147
Retirement benefit			
Defined benefit	439	332	2,945
Defined contribution	2,147	2,189	19,423
Retirement benefit total	2,586	2,520	22,368
Share-based payments (stock option)	386	425	3,773
Severance payments	2,451	2,281	20,247
Others	5,130	5,820	51,651
Total employee benefits expense	115,218	118,222	1,049,186

(5) Foreign exchange gains or losses

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

(6) Other expenses

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Packaging/shipping/transportation	9,338	9,107	80,824
Travel	6,019	6,176	54,806
Rent	6,655	7,039	62,468
Utilities	12,717	12,543	111,314
Repair and maintenance	10,947	11,597	102,924
Loss on sales of property, plant and equipment	222	32	285
Loss on disposal of property, plant and equipment	279	366	3,252
Loss on disposal of intangible assets	3	33	296
Others	57,984	56,879	504,786
Total other expenses	104,165	103,773	920,955

25. Finance income and costs

	(Millions of Yen) For the year ended 31 March 2015	(Millions of Yen) For the year ended 31 March 2016	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2016
Finance income			
Interest income			
Cash and cash equivalents, loans and receivables	1,408	1,712	15,190
Dividend income			
Available-for-sale financial assets	53	8	73
Gain on sale			
Available-for-sale financial assets	835	1	13
Total finance income	2,296	1,721	15,275
Finance costs			
Interest costs			
Interest-bearing debt	1,031	861	7,645
Retirement benefits liabilities	27	43	377
Provisions	15	20	181
Other liabilities	49	45	403
Loss on sale			
Available-for-sales financial assets	35	1	6
Impairment losses			
Available-for-sales financial assets (i)	42	5	47
Others	9	—	—
Total finance costs	1,209	976	8,658

Note:

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

26. Other comprehensive income

For the years ended 31 March 2015 and 2016, items that may be reclassified subsequently to profit or loss comprise the following:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Items that may be reclassified subsequently to profit or loss:			
① Net gain/(loss) on revaluation of available-for-sale financial assets (i)			
Gains (losses) arising during the year	59	(24)	(216)
Reclassification adjustments to profit or loss for the year	(757)	4	38
Total	(698)	(20)	(178)
② Exchange differences on translation of foreign operations (ii)			
Gains (losses) arising during the year	19,054	(30,915)	(274,361)
Reclassification adjustments to profit or loss for the year	2,212	357	3,170
Total	21,265	(30,558)	(271,191)
③ Share of other comprehensive income of associates			
Gains (losses) arising during the year	7	(24)	(215)
Reclassification adjustments to profit or loss for the year	―	―	―
Total	7	(24)	(215)
Other comprehensive income/(loss) before tax	20,574	(30,602)	(271,584)
Income tax relating to components of other comprehensive income	(236)	(68)	(604)
Total other comprehensive income/(loss) (net of tax)	20,339	(30,670)	(272,188)

Note:

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

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

Deferred and current taxes on each item of other comprehensive income for the years ended 31 March 2015 and 2016, are as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2015			For the year ended 31 March 2016			For the year ended 31 March 2016		
	Total	Tax	Net of tax	Total	Tax	Net of tax	Total	Tax	Net of tax
Other comprehensive income attributable to owners of the Company									
① Net gain/(loss) on revaluation of available-for-sale financial assets	(693)	245	(449)	(16)	4	(12)	(145)	34	(110)
② Exchange differences on translation of foreign operations	21,429	(480)	20,949	(30,344)	(72)	(30,416)	(269,296)	(639)	(269,935)
③ Remeasurements of the net defined benefit liability (asset)	(206)	39	(167)	152	11	163	1,345	100	1,446
④ Share of other comprehensive income of associates	7	−	7	(24)	−	(24)	(215)	−	(215)
Subtotal	20,537	(197)	20,340	(30,233)	(57)	(30,290)	(268,311)	(504)	(268,815)
Other comprehensive income attributable to non-controlling interests									
① Net gain/(loss) on revaluation of available-for-sale financial assets	(5)	−	(5)	(4)	−	(4)	(33)	−	(33)
② Exchange differences on translation of foreign operations	(164)	−	(164)	(214)	−	(214)	(1,895)	−	(1,895)
Subtotal	(168)	−	(168)	(217)	−	(217)	(1,928)	−	(1,928)
Total other comprehensive income/(loss)	20,369	(197)	20,172	(30,450)	(57)	(30,507)	(270,238)	(504)	(270,742)

27. Earnings per share

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

	(Yen)	(Yen)	(U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Basic earnings per share			
From continuing operations	218.23	225.45	2.00
From discontinued operations	—	—	—
Total basic earnings per share	218.23	225.45	2.00
Diluted earnings per share			
From continuing operations	217.63	224.85	2.00
From discontinued operations	—	—	—
Total diluted earnings per share	217.63	224.85	2.00

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

① Basic earnings per share

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Profit attributable to owners of the Company from continuing operations	92,804	93,175	826,896
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	92,804	93,175	826,896

(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 2015	For the year ended 31 March 2016
Weighted-average number of ordinary shares	425,248	413,282

② **Diluted earnings per share**

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Profit attributable to owners of the Company from continuing operation after dilution	92,804	93,175	826,896
Profit attributable to owners of the Company from discontinued operation after dilution	―	―	―
Profit used in the calculation of diluted earnings per share	92,804	93,175	826,896

(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 2015	For the year ended 31 March 2016
Weighted-average number of ordinary shares	425,248	413,282
Shares deemed to be issued for no consideration in respect of:		
Stock options	1,183	1,107
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	426,432	414,389

28. Non-cash transactions

Non-cash transactions for the years ended 31 March 2015 and 2016, consisted of acquiring property, plant and equipment through new finance lease arrangements in the amount of 267 million yen and 214 million yen (1,901 thousand U.S. dollars), respectively.

29. Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2015 and 2016, is as follows:

Reportable Segment	Location	Number of wholly owned subsidiaries	
		As at 31 March 2015	As at 31 March 2016
Information Technology	U.S.A.	1	1
	SINGAPORE	1	1
	THAILAND	2	2
	PHILIPPINES	3	3
	VIETNAM	4	4
	MALAYSIA	1	1
	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	8	6
	JAPAN	1	1
Life Care	U.S.A.	5	5
	ARGENTINA	1	1
	UNITED KINGDOM	2	2
	ITALY	1	2
	INDIA	3	3
	INDONESIA	1	2
	AUSTRALIA	1	1
	NETHERLANDS	4	4
	CANADA	2	2
	SINGAPORE	3	3
	SWEDEN	1	1
	SPAIN	1	1
	THAILAND	2	2
	CZECH REPUBLIC	1	1
	DENMARK	1	1
	GERMANY	4	4
	HUNGARY	2	2
	PHILIPPINES	2	2
	FINLAND	1	1
	BRAZIL	2	2
	FRANCE	3	3
	BULGARIA	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	POLAND	1	1
	MALAYSIA	3	3

Reportable Segment	Location	Number of wholly owned subsidiaries	
		As at 31 March 2015	As at 31 March 2016
Life Care	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	7	7
	SOUTH AFRICA	1	1
	TURKEY	−	1
	RUSSIA	−	1
	SWITZERLAND	−	1
	JAPAN	6	6
Other	U.S.A.	2	2
	NETHERLANDS	2	2
	SINGAPORE	1	1
	SOUTH KOREA	1	1
	JAPAN	1	1

Reportable Segment	Location	Number of non-wholly owned subsidiaries	
		As at 31 March 2015	As at 31 March 2016
Information Technology	PHILIPPINES	1	1
	CHINA	3	2
Life Care	IRELAND	1	1
	U.S.A.	1	1
	UNITED KINGDOM	1	1
	ITALY	1	−
	NETHERLANDS	1	1
	SPAIN	1	1
	GERMANY	3	3
	FRANCE	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	CHINA	3	3
	JAPAN	3	3

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

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

Name of subsidiaries	Location	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
				(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
WASSENBURG MEDICAL B.V. and five other companies	NETHERLANDS and other countries	49.0%	49.0%	232	150	1,334	2,965	3,029	26,882
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies	JAPAN and other countries	50.0%	50.0%	(254)	(123)	(1,093)	1,428	1,210	10,740
Individually immaterial subsidiaries with non-controlling interests							1,688	670	5,945
Total							6,081	4,909	43,567

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

	(Millions of Yen) As at / for the year ended 31 March 2015	(Millions of Yen) As at / for the year ended 31 March 2016	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2016
WASSENBURG MEDICAL B.V. and five other companies			
Non-current assets	4,427	3,975	35,279
Current assets	3,936	4,183	37,124
Non-current liabilities	(818)	(711)	(6,308)
Current liabilities	(1,494)	(1,266)	(11,237)
Equity attributable to owner of the Company	3,086	3,152	27,977
Non-controlling interests	2,965	3,029	26,882
Revenue	5,713	6,005	53,289
Expenses	(5,239)	(5,698)	(50,567)
Profit/(loss) for the year	474	307	2,722
Other comprehensive income/(loss)	(502)	(176)	(1,560)
Comprehensive income/(loss)	(29)	131	1,162
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	277	332	2,948
Net cash flow from investing activities	(156)	(125)	(1,108)
Net cash flow from financing activities	(296)	80	707
Net cash flow	(175)	287	2,547

	(Millions of Yen) As at / for the year ended 31 March 2015	(Millions of Yen) As at / for the year ended 31 March 2016	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2016
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies			
Non-current assets	2,016	1,822	16,174
Current assets	11,540	11,524	102,273
Non-current liabilities	(185)	(62)	(548)
Current liabilities	(9,787)	(10,283)	(91,258)
Equity attributable to owner of the Company	1,792	1,501	13,321
Non-controlling interests	1,792	1,501	13,321
Revenue	29,349	30,626	271,796
Expenses	(29,203)	(31,018)	(275,272)
Profit/(loss) for the year	146	(392)	(3,476)
Dividends paid to non-controlling interests	148	(194)	(1,726)
Other comprehensive income/(loss)	294	(586)	(5,201)
Comprehensive income/(loss)	—	—	—
Net cash flow from operating activities	407	1,365	12,113
Net cash flow from investing activities	(144)	(192)	(1,705)
Net cash flow from financing activities	(501)	99	881
Net cash flow	(238)	1,272	11,289

Note

(i) The Company holds less than a majority of the voting rights of SEIKO OPTICAL PRODUCTS CO., LTD. (“SOP”), however, the Company has the power to appoint a majority of its board of directors. Thus, the Company is considered to control SOP and includes it in its subsidiaries.

(3) Details of the material subsidiaries

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

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2015	As at 31 March 2016
HOYA GLASS DISK (THAILAND) LTD.	Information Technology	Electronics related products	THAILAND	100.0%	100.0%
HOYA GLASS DISK PHILIPPINES, INC.	Information Technology	Electronics related products	PHILIPPINES	100.0%	100.0%
HOYA GLASS DISK VIETNAM LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA GLASS DISK VIETNAM Ⅱ LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA MICROELECTRONICS TAIWAN CO., LTD.	Information Technology	Electronics related products	TAIWAN	100.0%	100.0%
HOYA ELECTRONICS KOREA CO., LTD.	Information Technology	Electronics related products	SOUTH KOREA	100.0%	100.0%
HOYA ELECTRONICS MALAYSIA SDN.BHD.	Information Technology	Electronics related products	MALAYSIA	100.0%	100.0%
HOYA ELECTRONICS SINGAPORE PTE. LTD.	Information Technology	Electronics related products	SINGAPORE	100.0%	100.0%
HOYA CORPORATION USA	Information Technology	Electronics related products	U.S.A.	100.0%	100.0%
EAST CHEER INVESTMENT LIMITED	Information Technology	Electronics related products	CHINA	100.0%	―
HOYA OPTICS (THAILAND) LTD.	Information Technology	Imaging related products	THAILAND	100.0%	100.0%
HOYA OPTO-ELECTRONICS QINGDAO LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL (ASIA) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
PENTAX CEBU PHILIPPINES CORPORATION	Information Technology	Imaging related products	PHILIPPINES	100.0%	100.0%
HOYA LENS MANUFACTURING MALAYSIA SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%
HOYA LENS THAILAND LTD.	Life Care	Health Care related products	THAILAND	100.0%	100.0%
HOYA LENS GUANGZHOU LTD.	Life Care	Health Care related products	CHINA	95.0%	95.0%
HOYA LENS AUSTRALIA PTY.LTD.	Life Care	Health Care related products	AUSTRALIA	100.0%	100.0%

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2015	As at 31 March 2016
HOYA LENS INDIA PRIVATE LIMITED	Life Care	Health Care related products	INDIA	100.0%	100.0%
HOYA LENS VIETNAM LTD.	Life Care	Health Care related products	VIETNAM	100.0%	100.0%
HOYA HOLDINGS N.V.	Life Care and Corporate	Health Care related products and EU headquarters	NETHERLANDS	100.0%	100.0%
HOYA LENS DEUTSCHLAND GMBH	Life Care	Health Care related products	GERMANY	100.0%	100.0%
HOYA LENS U.K. LTD.	Life Care	Health Care related products	UNITED KINGDOM	100.0%	100.0%
HOYA LENS ITALIA S.P.A.	Life Care	Health Care related products	ITALY	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	100.0%	100.0%
HOYA LENS FRANCE S.A.S.	Life Care	Health Care related products	FRANCE	100.0%	100.0%
HOYA LENS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%
SEIKO OPTICAL PRODUCTS CO., LTD.	Life Care	Health Care related products	JAPAN	50.0%	50.0%
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	100.0%	100.0%
PENTAX ITALIA S.R.L	Life Care	Medical related products	ITALY	60.0%	100.0%
PENTAX U.K. LTD.	Life Care	Medical related products	UNITED KINGDOM	100.0%	100.0%
PENTAX CANADA, INC.	Life Care	Medical related products	CANADA	100.0%	100.0%
MICROLINE SURGICAL, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
HOYA HOLDINGS ASIA PACIFIC PTE LTD	Corporate	Asia and Oceania headquarters	SINGAPORE	100.0%	100.0%
HOYA HOLDINGS (ASIA) B.V.	Corporate	Asia and Oceania holding company	NETHERLANDS	100.0%	100.0%
HOYA FINANCE B.V.	Corporate	Asia and Oceania financing company	NETHERLANDS	100.0%	100.0%
HOYA HOLDINGS, INC.	Corporate	North America headquarters	U.S.A.	100.0%	100.0%

Note

(i) Loss associated with loss of control of a subsidiary due to liquidation was recognised in the amount of 165 million yen (before tax effect) (1,465 thousand U.S. dollars) and included in “Other expenses” in the consolidated statement of comprehensive income for the year ended 31 March 2016.

30. Related party disclosures

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

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

The Group had transactions with related parties as follows:

As at/for the year ended 31 March 2015:

	Name of affiliates	Nature of related party transactions	Transaction amount (Millions of Yen)	Outstanding balance (Millions of Yen)
Affiliates	AvanStrate, Inc.	Loans of funds	8,500	8,500
		Interest received	179	62
		Advance paid	388	—

Note:
The platinum owned by a subsidiary of the affiliate is pledged as collateral.

As at/for the year ended 31 March 2016:

	Name of affiliates	Nature of related party transactions	Transaction amount (Millions of Yen)	Outstanding balance (Millions of Yen)	Transaction amount (Thousands of U.S. Dollars (Note 2))	Outstanding balance (Thousands of U.S. Dollars (Note 2))
Affiliates	AvanStrate, Inc.	Loans of funds	275	8,225	2,440	72,994
		Interest received	233	97	2,068	857
		Advance paid	988	—	8,770	—

Note:
The platinum owned by a subsidiary of the affiliate is pledged as collateral. The repayment date was extended to 31 October 2017 during the year ended 31 March 2016.

(2) Remuneration of key management personnel

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2016
Short-term benefits	673	444	3,938
Share-based payments	172	176	1,563
Total remuneration of key management personnel	846	620	5,501

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

31. Business combinations

The Group acquired some companies through business combinations during the year ended 31 March 2016. However, the disclosure is omitted due to its immateriality.

32. Contingent liabilities

Guarantee liabilities

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Business partners	135	53	466
Total	135	53	466

33. Commitments for expenditure

Payment commitments after the reporting date are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
Commitments for the acquisition of property, plant and equipment and intangible assets	8,576	4,050	35,942

34. Subsequent events

Resolution on cash dividends

On 20 May 2016, 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 2016 of 17,848 million yen (158,393 thousand U.S. dollars) (45 yen per common share).

35. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2016, were approved by the Company's board of directors and authorised for issue on 20 May 2016.