HOYA

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

For the year ended 31 March 2017

HOYA Corporation

Contents

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HOYA CORPORATION:

We have audited the accompanying consolidated statement of financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2017, and the related 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, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 auditing standards generally accepted in Japan. Those standards require that we 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 referred to above present fairly, in all material respects, the consolidated financial position of HOYA CORPORATION and its subsidiaries as at 31 March 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

8 June 2017

Consolidated Statement of Financial Position

HOYA Corporation and its Subsidiaries

As at 31 March 2017

	Notes	(Millions of Yen) As at 31 March 2016	(Millions of Yen) As at 31 March 2017	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2017
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6,8,33	108,751	103,729	924,584
Goodwill	7,8	9,502	14,590	130,048
Intangible assets	7,33	16,317	26,412	235,425
Investments in associates	9	182	196	1,750
Long-term financial assets	11,22	15,820	7,357	65,578
Other non-current assets	12,18	3,283	2,578	22,980
Deferred tax assets	10	11,231	9,399	83,781
Total non-current assets		165,086	164,263	1,464,146
CURRENT ASSETS:				
Inventories	13	66,408	65,501	583,839
Trade and other receivables	14,22	92,887	98,315	876,322
Other short-term financial assets	11,22	10,984	17,788	158,551
Income taxes receivable		587	389	3,471
Other current assets	12	16,764	16,477	146,869
Cash and cash equivalents	22	286,292	296,851	2,645,966
Total current assets		473,922	495,321	4,415,018
Total assets		639,007	659,583	5,879,164

	Notes	(Millions of Yen) As at 31 March 2016	(Millions of Yen) As at 31 March 2017	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2017
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21(1)	6,264	6,264	55,836
Capital reserves	21(1)	15,899	15,899	141,712
Treasury shares	21(2)	(34,633)	(6,816)	(60,754)
Other capital reserves	21(2),23	(4,956)	(5,345)	(47,644)
Retained earnings	21(3),34	510,787	506,367	4,513,480
Accumulated other comprehensive income/(loss)		(96)	(5,482)	(48,866)
Equity attributable to owners of the Company		493,265	510,887	4,553,764
Non-controlling interests	21(4)	4,909	4,518	40,273
Total equity		498,174	515,405	4,594,038
LIABILITIES				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	15,16,22	35,404	504	4,496
Other long-term financial liabilities	11,22	3,110	4,843	43,169
Retirement benefit liabilities	18	1,859	2,001	17,840
Provisions	19	2,335	2,419	21,558
Other non-current liabilities	12	808	813	7,248
Deferred tax liabilities	10	1,902	2,857	25,469
Total non-current liabilities		45,419	13,438	119,780
CURRENT LIABILITIES:				
Interest-bearing short-term debt	15,16,22	1,924	36,913	329,024
Trade and other payables	20,22	41,407	41,371	368,755
Other short-term financial liabilities	11,22	311	652	5,809
Income tax payables		13,243	11,649	103,837
Provisions	19	1,284	1,333	11,882
Other current liabilities	12	37,247	38,822	346,039
Total current liabilities		95,415	130,740	1,165,346
Total liabilities		140,834	144,178	1,285,126
Total equity and liabilities		639,007	659,583	5,879,164

Consolidated Statement of Comprehensive Income

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2017

	Notes	(Millions of Yen) For the year ended 31 March 2016	(Millions of Yen) For the year ended 31 March 2017	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2017
Continuing operations				
Revenue:				
Sales	24	505,714	478,927	4,268,896
Finance income	25	1,721	8,022	71,508
Share of profit of associates	9	3	16	138
Other income	24	7,747	2,764	24,636
Total revenue		515,186	489,729	4,365,178
Expenses:				
Changes in inventories of goods, products and work in progress		(4,108)	3,132	27,917
Raw materials and consumables used		94,136	74,304	662,305
Employee benefits expense	18,23,24	118,222	114,504	1,020,630
Depreciation and amortisation	6,7,24	33,524	29,777	265,413
Subcontracting cost		5,808	4,783	42,631
Advertising and promotion expense		13,077	12,912	115,088
Commissions expense	24	27,132	28,523	254,237
Impairment losses	8	981	334	2,978
Finance costs	18,25	976	1,130	10,068
Foreign exchange (gain)/loss	24	2,567	2,389	21,295
Other expenses	6,7,17,24	103,773	107,147	955,051
Total expenses		396,086	378,935	3,377,615
Profit before tax		119,099	110,795	987,564
Income tax expense	10	25,782	23,943	213,416
Profit for the year from continuing operations		93,317	86,852	774,148
Profit for the year		93,317	86,852	774,148
Other comprehensive income/(loss):	26			
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the net defined benefit liability (asset)		152	(281)	(2,504)
Income tax relating to components of other comprehensive income/(loss)	10	11	(4)	(38)
Subtotal		163	(285)	(2,542)
Items that may be reclassified subsequently to profit or loss:				
Net gain/(loss) on revaluation of available-for-sale financial assets		(20)	180	1,605
Exchange differences on translation of foreign operations		(30,558)	(5,808)	(51,771)
Share of other comprehensive income of associates		(24)	(1)	(11)
Income tax relating to components of other comprehensive income	10	(68)	(58)	(515)
Subtotal		(30,670)	(5,687)	(50,692)
Total other comprehensive income/(loss)		(30,507)	(5,972)	(53,235)
Total comprehensive income for the year		62,810	80,879	720,913

	Notes	(Millions of Yen) For the year ended 31 March 2016	(Millions of Yen) For the year ended 31 March 2017	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2017
Profit attributable to:				
Owners of the Company		93,175	86,740	773,153
Non-controlling interests		142	112	995
Total		93,317	86,852	774,148
Total comprehensive income/(loss) attributable to:				
Owners of the Company		62,885	81,069	722,600
Non-controlling interests		(75)	(189)	(1,687)
Total		62,810	80,879	720,913

	Notes	(Yen) For the year ended 31 March 2016	(Yen) For the year ended 31 March 2017	(U.S. Dollars (Note 2)) For the year ended 31 March 2017
Basic earnings per share	27			
Continuing operations		225.45	221.93	1.98
Discontinued operations		—	—	—
Basic earnings per share		225.45	221.93	1.98
Diluted earnings per share	27			
Continuing operations		224.85	221.49	1.97
Discontinued operations		—	—	—
Diluted earnings per share		224.85	221.49	1.97

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2017

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 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 options)	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**
Total comprehensive income/(loss) for the year						
Profit for the year						86,740
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						86,740
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(34,987)	(20)	
Disposal of treasury shares	21(2)			1,412	(662)	
Cancellation of treasury shares	21(2)			61,392		(61,392)
Dividends, 75 yen per share	21(3)					(29,482)
Change in non-controlling interests	21(4)				(115)	
Share-based payments (stock options)	23				408	
Transfer to retained earnings						(285)
Total contributions by and distributions to owners		–	–	27,817	(389)	(91,160)
Total transactions with owners		–	–	27,817	(389)	(91,160)
Balance at 31 March 2017		**6,264**	**15,899**	**(6,816)**	**(5,345)**	**506,367**

(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 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 options)	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)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	126	(5,511)	(285)	(1)	(5,671)
Total comprehensive income/(loss) for the year		126	(5,511)	(285)	(1)	(5,671)
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 options)	23					
Transfer to retained earnings				285		285
Total contributions by and distributions to owners		－	－	285	－	285
Total transactions with owners		－	－	285	－	285
Balance at 31 March 2017		**106**	**(3,629)**	**－**	**(1,960)**	**(5,482)**

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 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 options)	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**
Total comprehensive income/(loss) for the year				
Profit for the year		86,740	112	86,852
Other comprehensive income/(loss)	26	(5,671)	(301)	(5,972)
Total comprehensive income/(loss) for the year		81,069	(189)	80,879
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(35,007)		(35,007)
Disposal of treasury shares	21(2)	749		749
Cancellation of treasury shares	21(2)	−		−
Dividends, 75 yen per share	21(3)	(29,482)	−	(29,482)
Change in non-controlling interests	21(4)	(115)	(202)	(316)
Share-based payments (stock options)	23	408		408
Transfer to retained earnings		−		−
Total contributions by and distributions to owners		(63,446)	(202)	(63,648)
Total transactions with owners		(63,446)	(202)	(63,648)
Balance at 31 March 2017		**510,887**	**4,518**	**515,405**

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2017-Continued

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

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2016		**55,836**	**141,712**	**(308,701)**	**(44,175)**	**4,552,875**
Total comprehensive income/(loss) for the year						
Profit for the year						773,153
Other comprehensive income/(loss)	26					
Total comprehensive income/(loss) for the year						773,153
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	21(2)			(311,853)	(178)	
Disposal of treasury shares	21(2)			12,581	(5,905)	
Cancellation of treasury shares	21(2)			547,219		(547,219)
Dividends, 75 yen per share	21(3)					(262,786)
Change in non-controlling interests	21(4)				(1,021)	
Share-based payments (stock options)	23				3,636	
Transfer to retained earnings						(2,542)
Total contributions by and distributions to owners		—	—	247,947	(3,469)	(812,547)
Total transactions with owners		—	—	247,947	(3,469)	(812,547)
Balance at 31 March 2017		**55,836**	**141,712**	**(60,754)**	**(47,644)**	**4,513,480**

(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 2016		**(174)**	**16,774**	**—**	**(17,456)**	**(856)**
Total comprehensive income/(loss) for the year						
Profit for the year						
Other comprehensive income/(loss)	26	1,123	(49,122)	(2,542)	(11)	(50,552)
Total comprehensive income/(loss) for the year		1,123	(49,122)	(2,542)	(11)	(50,552)
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 options)	23					
Transfer to retained earnings				2,542		2,542
Total contributions by and distributions to owners		—	—	2,542	—	2,542
Total transactions with owners		—	—	2,542	—	2,542
Balance at 31 March 2017		**948**	**(32,347)**	**—**	**(17,467)**	**(48,866)**

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

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2016		**4,396,690**	**43,757**	**4,440,447**
Total comprehensive income/(loss) for the year				
Profit for the year		773,153	995	774,148
Other comprehensive income/(loss)	26	(50,552)	(2,682)	(53,235)
Total comprehensive income/(loss) for the year		722,600	(1,687)	720,913
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	21(2)	(312,031)		(312,031)
Disposal of treasury shares	21(2)	6,677		6,677
Cancellation of treasury shares	21(2)	—		—
Dividends, 75 yen per share	21(3)	(262,786)	—	(262,786)
Change in non-controlling interest	21(4)	(1,021)	(1,797)	(2,818)
Share-based payments (stock options)	23	3,636		3,636
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(565,526)	(1,797)	(567,322)
Total transactions with owners		(565,526)	(1,797)	(567,322)
Balance at 31 March 2017		**4,553,764**	**40,273**	**4,594,038**

Consolidated Statement of Cash Flows

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2017

	Notes	(Millions of Yen) For the year ended 31 March 2016	(Millions of Yen) For the year ended 31 March 2017	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2017
Cash flows from operating activities				
Profit before tax		119,099	110,795	987,564
Depreciation and amortisation		33,524	29,777	265,413
Impairment losses		981	334	2,978
Finance income		(1,721)	(8,022)	(71,508)
Finance costs		976	1,130	10,068
Share of (profits)/loss of associates		(3)	(16)	(138)
(Gain)/loss on sales of property, plant and equipment		(842)	(720)	(6,422)
Loss on disposal of property, plant and equipment		400	226	2,011
Foreign exchange (gain)/loss		2,946	1,269	11,315
Others		(2,040)	3,589	31,987
Cash generated from operations (before movements in working capital)		153,319	138,360	1,233,268
Movements in working capital				
Decrease/(increase) in inventories		(2,758)	729	6,501
Decrease/(increase) in trade and other receivables		2,741	(5,528)	(49,271)
Increase/(decrease) in trade and other payables		355	(859)	(7,660)
Increase/(decrease) in retirement benefits liabilities and provisions		267	16	140
Subtotal		153,924	132,718	1,182,978
Interests received		1,699	1,813	16,164
Dividends received		8	50	443
Interests paid		(878)	(858)	(7,651)
Income taxes paid		(23,206)	(26,614)	(237,222)
Income taxes refunded		342	553	4,929
Net cash generated from operating activities		131,889	107,662	959,640
Cash flows from investing activities				
Withdrawals of time deposits		11,909	10,149	90,466
Payments for time deposits		(12,115)	(8,898)	(79,315)
Proceeds from sales of property, plant and equipment		2,746	1,060	9,451
Payments for acquisition of property, plant and equipment		(18,184)	(21,528)	(191,887)
Proceeds from sales of investment		128	5,818	51,855
Payments for acquisition of investment		(391)	—	—
Proceeds from sales of subsidiaries		0	—	—
Payments for acquisition of subsidiaries		(1,791)	(6,360)	(56,688)
Payments to non-controlling interests upon merger		(2)	(19)	(172)
Payments for business transfer		(111)	(6,193)	(55,197)
Other proceeds		4,903	597	5,326
Other payments		(2,254)	(2,134)	(19,020)
Net cash used in investing activities		(15,161)	(27,507)	(245,183)

Consolidated Statement of Cash Flows

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2017-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2016	(Millions of Yen) For the year ended 31 March 2017	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2017
Cash flows from financing activities				
Dividends paid to owners of the Company		(31,496)	(29,447)	(262,478)
Dividends paid to non-controlling interests		(625)	—	—
Increase/(decrease) in short-term debt		(94)	(4)	(37)
Repayments of long-term borrowings		(279)	(258)	(2,296)
Payments for redemption of bonds	15	(21)	(21)	(187)
Proceeds from disposal of treasury shares	21(2)	0	0	3
Payments for purchase of treasury shares	21(2)	(130,151)	(35,007)	(312,031)
Proceeds from exercise of stock options		1,980	749	6,673
Payments for acquisition of non-controlling interests	21(4)	(832)	(301)	(2,685)
Net cash used in financing activities		(161,519)	(64,289)	(573,036)
Net increase/(decrease) in cash and cash equivalents		(44,791)	15,866	141,421
Cash and cash equivalents at the beginning of the year		348,819	286,292	2,551,850
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(17,737)	(5,307)	(47,306)
Cash and cash equivalents at the end of the year		286,292	296,851	2,645,966

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 2017.

Notes to the Consolidated Financial Statements

HOYA Corporation and its Subsidiaries
For the year ended 31 March 2017

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 ¥112.19 to $1, the foreign exchange rate at 31 March 2017. 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 2017:

IFRSs		Subject of new standards/amendments and transition provisions
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations	- 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	- 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
IFRS 11 (Revised)	Joint Arrangements	- 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

IFRSs		Subject of new standards/amendments and transition provisions
IFRS 12 (Revised)	Disclosure of Interests in Other Entities	- 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
IAS 16 (Revised) IAS 38 (Revised)	Property, Plant and Equipment Intangible Assets	- 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	- 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
IAS 34 (Revised)	Interim Financial Reporting	- 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

These standards and interpretations were applied in accordance with their respective transition provisions and had no significant impact on the consolidated financial statements of the Group.

(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 implications from adoption of these standards and interpretations have not yet been fully assessed by the Group.

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	Amendment to the accouting treatment for financial instruments
IFRS 15	Revenue from Contracts with Customers	1 January 2018	31 March 2019	Amendment to the accouting treatment for revenue recognition
IFRS 16	Leases	1 January 2019	31 March 2020	Amendment to the accouting treatment for lease arrangements
IAS 7 (Revised)	Statement of Cash Flows	1 January 2017	31 March 2018	Requiring disclosure of changes in liabilities arising from financial activities
IAS 12 (Revised)	Income Taxes	1 January 2017	31 March 2018	Clarifying recognition of deferred tax assets for unrealised losses
IFRS 10 (Revised) IAS 28 (Revised)	Consolidated Financial Statements Investments in Associates and Joint Ventures	Not determined	Not determined	Amendments to the accounting treatment for sale or contribution of assets to a joint venture or associate

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 intragroup 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 has neither joint operations nor 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 "R&D" 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: 7-13 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 on a pro-rata 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 fair value through profit and loss (“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 at 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 2016 and 2017, 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 2016 and 2017, 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 options), 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 at 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 2016 and 2017, 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 contracts

Financial guarantee contracts 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 carryforwards 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 (excluding business combinations)
· 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 the current tax assets against the 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 markets in which the Group operates
· Development of new products and timing of development
· Changes in the political, economic and regulatory environment, shortage of labour, labour strikes, natural disasters, and impact of unexpected international affairs in the countries in which the Group is located and operates
· 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 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

(Millions of Yen)

For the year ended 31 March 2017	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	160,617	314,442	3,866	478,925	3	478,927
Inter-segment sales	609	0	1,860	2,469	(2,469)	―
Total	161,226	314,442	5,726	481,394	(2,466)	478,927
Interest income	294	372	2	668	1,090	1,758
Interest expense	(221)	(589)	(0)	(811)	(312)	(1,123)
Depreciation and amortisation	(12,792)	(16,362)	(74)	(29,228)	(549)	(29,777)
Share of profit (loss) of associates	2	13	―	16	―	16
Impairment losses	(244)	(90)	―	(334)	―	(334)
Others	(93,758)	(243,067)	(4,752)	(341,577)	2,905	(338,672)
Segment profit before tax	54,507	54,718	902	110,128	667	110,795
Other disclosure						
Capital expenditure	10,202	12,512	99	22,814	49	22,863

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

For the year ended 31 March 2017	Information Technology	Life Care	Other	Total	Adjustments	Consolidated
Revenue from external customers	1,431,652	2,802,759	34,461	4,268,872	24	4,268,896
Inter-segment sales	5,428	1	16,577	22,005	(22,005)	―
Total	1,437,080	2,802,760	51,038	4,290,878	(21,981)	4,268,896
Interest income	2,624	3,317	16	5,957	9,712	15,669
Interest expense	(1,974)	(5,252)	(4)	(7,230)	(2,782)	(10,012)
Depreciation and amortisation	(114,017)	(145,845)	(657)	(260,520)	(4,894)	(265,413)
Share of profit (loss) of associates	21	117	―	138	―	138
Impairment losses	(2,179)	(799)	―	(2,978)	―	(2,978)
Others	(835,706)	(2,166,568)	(42,353)	(3,044,627)	25,890	(3,018,737)
Segment profit before tax	485,849	487,730	8,039	981,618	5,946	987,564
Other disclosure						
Capital expenditure	90,939	111,529	886	203,354	436	203,790

Note:

(i) Adjustments to revenue from external customers of 4 million yen and 3 million yen (24 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, respectively, represent revenue generated by the R&D department which is not included in any reportable segment.

(ii) Adjustments to segment profit before tax of (5,104) million yen for the year ended 31 March 2016 consist of the elimination of an inter-segment transaction of 4 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 (5,107) million yen. Adjustments to segment profit before tax of 667 million yen (5,946 thousand U.S. dollars) for the year ended 31 March 2017 consist of elimination of inter-segment transactions of 5 million yen (46 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 662 million yen (5,899 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 2016 and 2017:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Information Technology			
Electronics related products	132,861	124,247	1,107,468
Imaging related products	45,887	36,370	324,184
Information Technology total	178,749	160,617	1,431,652
Life Care			
Health Care related products	241,296	234,622	2,091,293
Medical related products	81,378	79,819	711,467
Life Care total	322,673	314,442	2,802,759
Other	4,289	3,866	34,461
Corporate (R&D)	4	3	24
Total revenue from external customers	505,714	478,927	4,268,896

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Japan	154,334	151,316	1,348,747
U.S.A.	64,325	63,247	563,751
China	55,216	51,214	456,494
Others	231,840	213,150	1,899,904
Total	505,714	478,927	4,268,896

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Japan	33,148	31,918	284,502
U.S.A.	9,006	25,215	224,751
Thailand	18,345	15,863	141,391
Vietnam	13,046	9,587	85,451
China	16,016	14,768	131,638
Others	45,017	47,381	422,324
Total	134,579	144,732	1,290,057

Note:
(i) Geographical areas are based on the physical location of non-current assets.
(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.

(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 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
Additions	1,229	2,461	2,489	－	15,207	21,386
Acquisitions through business combinations	5	272	33	－	－	309
Disposals (i)	(2,949)	(13,262)	(3,415)	(39)	(256)	(19,920)
Transfer from construction in progress	1,192	11,741	913	－	(13,846)	－
Effect of foreign currency exchange differences	(539)	(1,581)	(338)	(33)	217	(2,274)
Others	80	(1,825)	492	－	(100)	(1,353)
Balance at 31 March 2017	97,074	280,677	52,674	9,179	8,451	448,055

(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 2015	(63,037)	(247,264)	(37,218)	(1,116)	(282)	(348,917)
Depreciation expense	(5,021)	(19,564)	(3,977)	－	－	(28,561)
Impairment losses (ii)	(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)
Depreciation expense	(4,390)	(17,297)	(3,734)	－	－	(25,421)
Impairment losses (ii)	(226)	(30)	(6)	－	－	(262)
Disposals (i)	2,660	12,990	3,230	2	127	19,009
Effect of foreign currency exchange differences	196	566	201	－	(0)	963
Others	37	1,808	697	－	－	2,542
Balance at 31 March 2017	(62,472)	(244,331)	(36,360)	(1,114)	(48)	(344,326)

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at 1 April 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
Balance at 31 March 2017	34,602	36,346	16,314	8,064	8,403	103,729

(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 2016	874,025	2,521,344	467,967	82,463	64,429	4,010,229
Additions	10,951	21,940	22,187	–	135,546	190,624
Acquisitions through business combinations	44	2,424	290	–	–	2,758
Disposals (i)	(26,282)	(118,209)	(30,439)	(350)	(2,278)	(177,557)
Transfer from construction in progress	10,627	104,653	8,135	–	(123,415)	–
Effect of foreign currency exchange differences	(4,808)	(14,089)	(3,013)	(298)	1,937	(20,272)
Others	712	(16,264)	4,383	–	(893)	(12,062)
Balance at 31 March 2017	865,268	2,501,800	469,510	81,815	75,327	3,993,719

(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 2016	(541,499)	(2,160,323)	(327,556)	(9,948)	(1,556)	(3,040,882)
Depreciation expense	(39,126)	(154,178)	(33,284)	–	–	(226,588)
Impairment losses (ii)	(2,013)	(271)	(55)	–	–	(2,339)
Disposals (i)	23,714	115,786	28,795	15	1,130	169,439
Effect of foreign currency exchange differences	1,746	5,042	1,796	–	(4)	8,580
Others	333	16,112	6,210	–	–	22,656
Balance at 31 March 2017	(556,845)	(2,177,832)	(324,095)	(9,933)	(430)	(3,069,135)

(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 2017	308,422	323,967	145,415	71,882	74,897	924,584

Note:

(i) Gain and loss arising from the sale or disposal of property, plant and equipment for the years ended 31 March 2016 and 2017, 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) Details of impairment losses are set out in Note 8 "Impairment losses".

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

Machinery and carriers of 3 million yen (27 thousand U.S. dollars) have been pledged as collateral to secure 15 million yen (130 thousand U.S. dollars) in ‘Interest-bearing long-term debt’ as at 31 March 2017. Refer to Note 15 “Interest-bearing debt” for details.
In addition to the above, buildings in the amount of 16 million yen (141 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 81 million yen (718 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 2016 and 2017, 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 2016	83	31	266	380
Balance at 31 March 2017	30	29	287	346

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

	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Total
Balance at 31 March 2017	271	262	2,555	3,087

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 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
Additions	0	1,394	3	23	ー	57	1,477
Acquisitions through business combinations	4,970	1	8,970	186	3,891	58	13,106
Disposals (ii)	(21)	(250)	(2)	ー	(9)	(156)	(418)
Effect of foreign currency exchange differences	154	240	(421)	(7)	126	(407)	(469)
Others	ー	367	(32)	(14)	361	(318)	363
Balance at 31 March 2017	18,039	18,940	21,436	492	16,704	6,286	63,857

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 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)
Amortisation expense (iii)	ー	(1,156)	(815)	(17)	(1,568)	(800)	(4,356)
Impairment loss (iv)	(72)	ー	ー	ー	ー	ー	ー
Disposals (ii)	ー	197	1	ー	2	149	349
Effect of foreign currency exchange differences	57	(191)	34	0	(81)	274	36
Others	ー	(37)	(0)	15	(401)	430	7
Balance at 31 March 2017	(3,449)	(15,419)	(11,539)	(259)	(6,222)	(4,005)	(37,445)

(Millions of Yen)

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 1 April 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
Balance at 31 March 2017	14,590	3,521	9,897	233	10,482	2,281	26,412

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

Cost	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others (i)	Total
Balance at 31 March 2016	115,306	153,198	115,156	2,708	109,946	62,866	443,873
Additions	2	12,428	24	204	—	507	13,163
Acquisitions through business combinations	44,304	5	79,951	1,661	34,680	519	116,816
Disposals (ii)	(192)	(2,225)	(21)	—	(84)	(1,395)	(3,724)
Effect of foreign currency exchange differences	1,368	2,143	(3,756)	(62)	1,127	(3,630)	(4,177)
Others	—	3,268	(286)	(126)	3,222	(2,838)	3,239
Balance at 31 March 2017	160,788	168,817	191,068	4,385	148,891	56,029	569,190

(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 2016	(30,606)	(126,860)	(95,900)	(2,293)	(37,205)	(36,175)	(298,433)
Amortisation expense (iii)	—	(10,306)	(7,261)	(151)	(13,978)	(7,130)	(38,825)
Impairment loss (iv)	(639)	—	—	—	—	—	—
Disposals (ii)	—	1,753	8	—	22	1,328	3,111
Effect of foreign currency exchange differences	505	(1,699)	301	2	(725)	2,445	324
Others	—	(325)	(2)	133	(3,577)	3,830	59
Balance at 31 March 2017	(30,740)	(137,437)	(102,854)	(2,309)	(55,464)	(35,701)	(333,764)

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

Carrying amount	Goodwill	Intangible assets					
		Software	Technology	Patents	Customer related assets	Others	Total
Balance at 31 March 2017	130,048	31,380	88,214	2,076	93,428	20,327	235,425

Note:

(i) There were no significant internally-generated intangible assets for the years ended 31 March 2016 and 2017.

(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 2016		As at 31 March 2017		
		Carrying amount (Millions of Yen)	Remaining useful lives (Years)	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars (Note 2))	Remaining useful lives (Years)
Technology	Medical related products	2,156	9	9,897	88,215	12
Customer related assets	Health Care related products	4,816	8	8,347	74,400	9
	Medical related products	1,948	9	1,585	14,124	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 2016	(Millions of Yen) For the year ended 31 March 2017	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2017
Buildings and structures	299	226	2,013
Machinery and equipment	140	30	271
Tools, equipment and fixtures	136	6	55
Land	406	－	－
Total impairment losses on property, plant and equipment	981	262	2,339
Goodwill	－	72	639
Total impairment losses	981	334	2,978

(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, the asset is individually tested for impairment.

(2) Impairment losses on assets 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 its 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 the 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)
	Impairment losses
Information Technology	
Imaging related products	
Machinery and carriers	136
Tools, equipment and fixtures	136
Total property, plant and equipment	272
Total	272

For the year ended 31 March 2017

The Group performed an impairment test for the goodwill in Life Care during the year ended 31 March 2017 based on the latest business plan, and the following impairment losses were recognised.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for the following four or five fiscal years (average remaining useful lives) approved by the Group’s management, and a discount rate of 16% per annum which is the SBU’s pre-tax weighted-average capital cost (“WACC”).

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Life Care		
Health Care related products (Eyeglass lenses)		
Goodwill	72	639
Total	72	639

(3) Impairment losses on idle assets

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)
	Impairment losses
Information Technology	
Buildings and structures	72
Machinery and carriers	4
Total Information Technology	76
Life Care	
Buildings and structures	227
Land	406
Total Life Care	633
Total	709

For the year ended 31 March 2017, 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 2017:

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Information Technology		
Buildings and structures	226	2,013
Machinery and carriers	12	111
Tools, equipment and fixtures	6	55
Total Information Technology	244	2,179
Life Care		
Machinery and carriers	18	160
Total Life Care	18	160
Total	262	2,339

(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 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

(Millions of Yen)

As at 31 March 2017				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	791	733	−	1,524
Americas	7,080	3,237	−	10,317
Europe	594	770	−	1,364
Asia	1,384	−	−	1,384
Total	9,850	4,740	−	14,590

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

As at 31 March 2017				
	Life Care		Adjustments	
	Health Care related products	Medical related products	R&D	Total
	Eyeglass lenses	Medical accessories		
Japan	7,053	6,531	−	13,584
Americas	63,112	28,856	−	91,968
Europe	5,295	6,864	−	12,159
Asia	12,337	−	−	12,337
Total	87,796	42,251	−	130,048

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 2016	As at / for the year ended 31 March 2017	As at / for the year ended 31 March 2017
The Group's share of net income (loss)	3	16	138
The Group's share of other comprehensive income (loss)	(24)	(1)	(11)
The Group's share of comprehensive income (loss)	(21)	14	127
The Group's share of net assets	182	196	1,750

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 2016	As at 31 March 2017
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	Sale of optical lens	BRAZIL	Life Care	39.5	38.9

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 2016	As at / for the year ended 31 March 2017	As at / for the year ended 31 March 2017
The Group's unrecognised share of net loss (income)	3,730	(1,132)	(10,087)
The Group's unrecognised share of accumulated net loss	4,105	2,973	26,504

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 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
Write-down of 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 loss carryforwards and tax credits					
Tax loss carryforwards	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 tax and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2016	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2017
Temporary differences					
Enterprise tax payable	590	(48)	—	—	543
Write-down of inventories	1,183	41	—	—	1,223
Allowance for doubtful accounts	524	11	—	—	535
Provisions	898	53	—	—	950
Accrued expenses	3,590	(44)	—	—	3,546
Unrealised profit on inventories	3,066	(81)	—	—	2,985
Depreciation and amortisation	1,958	(27)	—	—	1,931
Impairment losses	520	50	—	—	570
Exchange differences on translating foreign operations	—	—	—	—	—
Others	3,428	(491)	(4)	—	2,932
Subtotal	15,756	(536)	(4)	—	15,216
Undistributed retained earnings of subsidiaries	(2,723)	(14)	—	—	(2,737)
Depreciation and amortisation	(4,492)	90	—	(3,446)	(7,849)
Net gain/(loss) on revaluation of available-for-sale financial assets	8	—	(58)	—	(50)
Others	(545)	88	—	—	(457)
Subtotal	(7,752)	164	(58)	(3,446)	(11,092)
Tax loss carryforwards and tax credits					
Tax loss carryforwards	1,322	39	—	1,040	2,402
Tax credits	2	15	—	—	17
Subtotal	1,324	54	—	1,040	2,418
Total	9,328	(318)	(62)	(2,406)	6,542

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 1 April 2016	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	As at 31 March 2017
Temporary differences					
Enterprise tax payable	5,262	(423)	－	－	4,839
Write-down of inventories	10,543	361	－	－	10,905
Allowance for doubtful accounts	4,667	99	－	－	4,766
Provisions	8,002	469	－	－	8,471
Accrued expenses	32,002	(392)	－	－	31,610
Unrealised profit on inventories	27,326	(722)	－	－	26,603
Depreciation and amortisation	17,452	(241)	－	－	17,211
Impairment losses	4,633	450	－	－	5,082
Exchange differences on translating foreign operations	－	－	－	－	－
Others	30,555	(4,379)	(38)	－	26,138
Subtotal	140,443	(4,779)	(38)	－	135,626
Undistributed retained earnings of subsidiaries	(24,271)	(125)	－	－	(24,396)
Depreciation and amortisation	(40,040)	798	－	(30,719)	(69,961)
Net gain/(loss) on revaluation of available-for-sale financial assets	73	－	(515)	－	(442)
Others	(4,859)	787	－	－	(4,071)
Subtotal	(69,097)	1,460	(515)	(30,719)	(98,871)
Tax loss carryforwards and tax credits			－		
Tax loss carryforwards	11,785	349	－	9,274	21,409
Tax credits	17	131	－	－	148
Subtotal	11,802	480	－	9,274	21,557
Total	83,148	(2,838)	(554)	(21,444)	58,312

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 loss carryforwards 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 2016	As at 31 March 2017	As at 31 March 2017
Tax loss carryforwards	13,416	12,285	109,500
Deductible temporary differences	3,674	4,083	36,396
Total	17,090	16,368	145,896

The expiration date and amounts of tax loss carryforwards 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 2016	As at 31 March 2017	As at 31 March 2017
Year 1	254	931	8,295
Year 2	836	1,736	15,476
Year 3	1,763	2,340	20,857
Year 4	1,896	988	8,808
Year 5 or later	8,666	6,290	56,065
Total	13,416	12,285	109,500

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 2016 and 2017, were 276,406 million yen and 273,333 million yen (2,436,338 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 2016 and 2017.

(2) Income taxes

In Japan, the normal effective statutory tax rates are approximately 33.0% and 30.5% for the years ended 31 March 2016 and 2017, 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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Current tax expense: (i)			
Current year	25,500	22,094	196,933
Prior years	90	1,523	13,580
Total current tax expense	25,590	23,617	210,512
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	(95)	326	2,904
Changes in tax rates	287	—	—
Total deferred tax expense	192	326	2,904
Total income tax expense	25,782	23,943	213,416
Continuing operations	25,782	23,943	213,416
Discontinued operations	—	—	—

Note:
(i) ‘Current tax expense’ includes previously unrecognised tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. These benefits were 317 million yen and 147 million yen (1,312 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, respectively.

(ii) 'Deferred tax expense' includes previously unrecognised tax benefits from tax loss carryforwards, 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 623 million yen and 282 million yen (2,511 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, 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 2016	For the year ended 31 March 2017
Effective statutory tax rate	33.0%	30.5%
Expenses not deductible for tax purposes	0.7%	0.8%
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	(15.5)%	(13.8)%
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	0.2%	－
Tax rate difference due to the elimination of the unrealised profit on inventories	0.1%	(0.0)%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.2%	0.0%
Prior year income taxes	(0.0)%	1.4%
Others	2.5%	2.3%
Actual tax rate	21.6%	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 2016	As at 31 March 2017	As at 31 March 2017
Other financial assets			
FVTPL financial assets (derivative instruments)	115	–	–
Available-for-sale financial assets	1,182	1,345	11,992
Loans and receivables			
Loans and receivables	26,291	24,359	217,120
Allowance for doubtful accounts	(783)	(559)	(4,983)
Loans and receivables–net	25,508	23,800	212,137
Total	26,804	25,145	224,129
Total non-current assets (long-term financial assets)	15,820	7,357	65,578
Total current assets (other short-term financial assets)	10,984	17,788	158,551

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017
Other financial liabilities			
FVTPL financial liabilities (derivative instruments)	484	492	4,388
Other financial liabilities measured at amortised cost	2,937	5,003	44,590
Total	3,421	5,495	48,978
Total non-current liabilities (other long-term financial liabilities)	3,110	4,843	43,169
Total current liabilities (other short-term financial liabilities)	311	652	5,809

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 2016	As at 31 March 2017	As at 31 March 2017
Non-current: Other assets			
Long-term prepaid expenses	3,082	2,557	22,790
Others	201	21	191
Total	3,283	2,578	22,980
Current: Other assets			
Suspense payment (i)	8,419	8,419	75,041
Prepaid expenses	2,952	2,679	23,882
Refundable consumption taxes	2,265	2,381	21,226
Others	3,128	2,998	26,720
Total	16,764	16,477	146,869

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017
Non-current: Other liabilities			
Deposit received and long-term advance revenue, etc.	808	813	7,248
Total	808	813	7,248
Current: Other liabilities			
Accrued salary/bonus/vacation pay	13,697	14,278	127,269
Other accrued expenses	15,667	17,613	156,991
Advance received/deferred revenue	3,498	3,165	28,210
Accrued consumption taxes	1,759	1,478	13,170
Others	2,626	2,289	20,399
Total	37,247	38,822	346,039

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 2016	As at 31 March 2017	As at 31 March 2017
Goods and products	33,805	31,498	280,757
Work in progress	7,004	7,015	62,531
Raw materials	14,183	16,081	143,335
Supplies	11,416	10,907	97,216
Total	66,408	65,501	583,839
Inventories expected to be sold after more than 12 months	3	5	43

The cost of inventories recognised as an expense during the years ended 31 March 2016 and 2017, was 238,571 million yen and 220,712 million yen (1,967,302 thousand U.S. dollars), respectively.

The cost of inventories recognised as an 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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Amount of write-down	1,242	1,351	12,042
Amount of reversal of write-down	(70)	(55)	(491)

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 2016	As at 31 March 2017	As at 31 March 2017
Accounts receivable	87,437	91,177	812,703
Notes receivable and electronically recorded monetary claims- operating	5,939	6,472	57,687
Other receivables	1,859	3,164	28,206
Allowance for doubtful accounts	(2,348)	(2,499)	(22,274)
Total	92,887	98,315	876,322

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 2016	As at 31 March 2017	As at 31 March 2017		
Long-term bank loans (excluding current portion)	14	8	71	—	2018-2020
Current portion of long-term bank loans	8	7	59	—	—
Short-term bank loans	1,658	1,640	14,615	1.12%	—
Bonds (ii)	35,015	14	120	1.51%	—
Current portion of bonds (ii)	21	35,015	312,100	1.93%	—
Long-term finance lease obligations (Note 16)	374	483	4,305	—	2018-2023
Short-term finance lease obligations (Note 16)	237	252	2,250	—	—
Total interest-bearing debt	37,328	37,418	333,521		
Total non-current debt	35,404	504	4,496		
Total current debt	1,924	36,913	329,024		

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 2016	As at 31 March 2017	As at 31 March 2017			
HOYA CORPORATION	Unsecured bond (No. 3)	11 September 2007	34,981	34,994	311,913	1.93	—	20 September 2017
HOYA Technosurgical, Inc.	1 Private Note	5 November 2011	56	35	308	1.51	—	2015-2018
Total	—	—	35,036	35,028	312,220	—	—	—

Machinery and carriers of 3 million yen are pledged as collateral for long-term bank loans (including current portion) stated above.

The obligations under finance leases 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 2017.

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 2016	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017
Amounts payable under finance leases:						
Not later than one year	243	273	2,437	237	252	2,250
Later than one year but not later than five years	415	543	4,839	372	482	4,296
Later than five years	2	1	10	2	1	9
Total	660	817	7,286	611	735	6,556
Less future finance charges	(49)	(82)	(730)			
Present value of lease obligations	611	735	6,556	611	735	6,556
Less amount due for settlement within 12 months				237	252	2,250
Amount due for settlement after 12 months				374	483	4,305

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 2017.

Certain lease contracts include renewal options or purchase options. However, there are no sub-lease contracts, contingent rents, escalation payments or specific limitations (such as dividends, additional debt, and further leasing) 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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Minimum lease payments	8,460	8,179	72,905
Contingent rent	681	774	6,900
Total	9,141	8,953	79,804

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 2016 and 2017, 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 2016	As at 31 March 2017	As at 31 March 2017
Not later than one year	1,669	1,353	12,060
Later than one year but not later than five years	2,157	2,129	18,980
Later than five years	2,368	2,790	24,864
Total	6,194	6,272	55,904

Operating lease payments represent rentals payable by the Group for the land used for offices, buildings, etc. The average remaining operating lease terms for those assets as at 31 March 2017, are 38 years and three years, respectively.

Certain lease contracts include renewal options, purchase options or escalation payments. However, there are no sub-lease contracts or restrictions (such as dividends, additional debt, and further leasing), 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 laws 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 2016	As at 31 March 2017	As at 31 March 2017
Present value of funded defined benefit obligation	5,266	5,539	49,373
Fair value of plan assets	(3,610)	(3,543)	(31,579)
Total	1,656	1,996	17,794
The effect of the changes to the asset ceiling	29	0	1
Net liability arising from defined benefit plans obligations	1,685	1,996	17,795
Balance in the consolidated statement of financial position			
Liability	1,859	2,001	17,840
Asset (Other non-current assets)	174	5	45

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Service cost			
Current service cost	332	353	3,144
Net interest expense	26	13	119
Components of defined benefit costs recognised in profit or loss	358	366	3,264
Remeasurement of the net defined benefit liability			
Return on plan assets	137	(145)	(1,295)
Actuarial gains and losses arising from changes in demographic assumptions	(92)	(68)	(606)
Actuarial gains and losses arising from changes in financial assumptions	(157)	512	4,568
Actuarial gains and losses arising from experience adjustments	(39)	7	64
Adjustments for restrictions on the defined benefit asset	0	(25)	(227)
Components of defined benefit costs recognised in other comprehensive income	(152)	281	2,504
Total	206	647	5,768

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Beginning balance	5,928	5,266	46,937
Current service cost	332	353	3,144
Interest cost	150	110	976
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	(92)	(68)	(606)
Actuarial gains and losses arising from changes in financial assumptions	(157)	512	4,568
Actuarial gains and losses arising from experience adjustments	(39)	7	64
Benefits paid	(354)	(286)	(2,553)
Effect of foreign currency exchange differences	(501)	(354)	(3,157)
Ending balance	5,266	5,539	49,373

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Beginning balance	3,871	3,610	32,176
Interest income	124	96	857
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	(137)	145	1,295
Contributions from the employer	279	255	2,276
Benefits paid	(181)	(206)	(1,835)
Effect of foreign currency exchange differences	(346)	(358)	(3,190)
Ending balance	3,610	3,543	31,579

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Beginning balance	32	29	261
Interest expense	0	0	0
Remeasurement gain (loss)			
The effect of the changes in the asset ceiling	0	(25)	(227)
Effect of foreign currency exchange differences	(3)	(4)	(33)
Ending balance	29	0	1

The fair values of major categories of plan assets as at 31 March 2016 and 2017, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017
Cash and cash equivalents	610	644	5,737
Equity instruments - Foreign equity instruments	1,911	1,829	16,306
Debt instruments - Foreign governmental bonds	537	503	4,487
Debt instruments - Foreign bonds	541	538	4,797
Others	11	28	247
Total	3,610	3,543	31,579

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 2016	As at 31 March 2017
Discount rate	3.5%	2.6%

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 2,189 million yen and 2,271 million yen (20,244 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, 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 2,281 million yen and 2,471 million yen (22,023 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, 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 2016	As at 31 March 2017	As at 31 March 2017
Asset retirement obligation	2,345	2,441	21,757
Warranties provision	1,275	1,311	11,683
Total	3,620	3,752	33,440
Non-current liabilities	2,335	2,419	21,558
Current liabilities	1,284	1,333	11,882

An analysis of the change in provisions is as follows:

(Millions of Yen)

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2016	2,345	1,275	3,620
Provision for the year	114	397	511
Interest cost associated with passage of time	20	―	20
Reduction resulting from settlement for the year	(33)	(362)	(396)
Effect of foreign currency exchange differences	(5)	1	(4)
Balance at 31 March 2017	2,441	1,311	3,752

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

	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2016	20,900	11,362	32,262
Provision for the year	1,014	3,543	4,557
Interest cost associated with passage of time	181	―	181
Reduction resulting from settlement for the year	(295)	(3,231)	(3,525)
Effect of foreign currency exchange differences	(43)	9	(34)
Balance at 31 March 2017	21,757	11,683	33,440

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 2016	As at 31 March 2017	As at 31 March 2017
Accounts payable	19,541	19,437	173,251
Notes payable, trade	6,738	5,760	51,340
Processing cost payable	698	529	4,712
Other payables	13,662	14,983	133,546
Notes payable for capital investment	767	663	5,906
Total	41,407	41,371	368,755

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 payables 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 2015	1,250,519,400	425,782,920	423,930,977	6,264	15,899	55,836	141,712
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	55,836	141,712
Decrease (i), (ii)	—	14,827,600	8,521,412	—	—	—	—
Balance at 31 March 2017	1,250,519,400	389,779,920	388,093,771	6,264	15,899	55,836	141,712

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 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 option	(747,200)	(3,134)
Balance at 31 March 2016	7,992,337	34,633
Repurchase of treasury shares	8,866,700	34,983
Cancellation of treasury shares	(14,827,600)	(61,392)
Repurchase of odd-lot shares	792	3
Disposal of odd-lot shares	(80)	(0)
Decrease on exercise of stock options	(346,000)	(1,411)
Balance at 31 March 2017	1,686,149	6,816

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2016	7,992,337	308,701
Repurchase of treasury shares	8,866,700	311,823
Cancellation of treasury shares	(14,827,600)	(547,219)
Repurchase of odd-lot shares	792	30
Disposal of odd-lot shares	(80)	(3)
Decrease on exercise of stock options	(346,000)	(12,579)
Balance at 31 March 2017	1,686,149	60,754

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 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)
Repurchase of treasury shares	—	—	(20)	(20)
Disposal of treasury shares	(474)	(188)	—	(662)
Share-based payments (i)	—	408	—	408
Change in non-controlling interests (iii)	—	—	(115)	(115)
Balance at 31 March 2017	(7,603)	3,307	(1,049)	(5,345)

	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 2016	(63,544)	27,519	(8,150)	(44,175)
Repurchase of treasury shares	—	—	(178)	(178)
Disposal of treasury shares	(4,225)	(1,680)	—	(5,905)
Share-based payments (i)	—	3,636	—	3,636
Change in non-controlling interests (iii)	—	—	(1,021)	(1,021)
Balance at 31 March 2017	(67,769)	29,475	(9,350)	(47,644)

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, 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.

(iii) The Group acquired 16.7% of the outstanding shares in SISTEMAS INTEGRALES DE MEDICINA, S.A. As a result, the ownership interest of the Group increased to 91.7%. 115 million yen (1,021 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 reservers' in the consolidated statement of financial position.

(3) Retained earnings and dividends

	Amount (Millions of Yen)
Balance at 1 April 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
Profit for the year (attributable to owners of the Company)	86,740
Cancellation of treasury shares	(61,392)
Dividends	(29,482)
Transfer to retained earnings	(285)
Balance at 31 March 2017	506,367

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2016	4,552,875
Profit for the year (attributable to owners of the Company)	773,153
Cancellation of treasury shares	(547,219)
Dividends	(262,786)
Transfer to retained earnings	(2,542)
Balance at 31 March 2017	4,513,480

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 2015	45	0.40	19,077	170,041	31 March 2015	1 June 2015
29 October 2015	30	0.27	12,450	110,970	30 September 2015	27 November 2015
20 May 2016	45	0.40	17,848	159,084	31 March 2016	1 June 2016
28 October 2016	30	0.27	11,634	103,701	30 September 2016	30 November 2016
23 May 2017	45	0.40	17,464	155,666	31 March 2017	1 June 2017

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 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
Profit for the year, attributable to non-controlling interests	112
Other comprehensive income	(301)
Decrease due to acquisition of non-controlling interests	(202)
Balance at 31 March 2017	4,518

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2016	43,757
Profit for the year, attributable to non-controlling interests	995
Other comprehensive income	(2,682)
Decrease due to acquisition of non-controlling interests	(1,797)
Balance at 31 March 2017	40,273

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 2016	As at 31 March 2017	As at 31 March 2017
Interest-bearing debt	37,328	37,418	333,521
Less: Cash and cash equivalents	286,292	296,851	2,645,966
Net debt	(248,965)	(259,433)	(2,312,445)
Equity	498,174	515,405	4,594,038

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2016 and 2017, 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 2017.

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 2016	As at 31 March 2017	As at 31 March 2017
Financial assets			
FVTPL financial assets (derivative instruments) (ii)	115	–	–
Loans and receivables			
Trade and other receivables	92,887	98,315	876,322
Other financial assets (ii)	25,508	23,800	212,137
Available-for-sale financial assets (ii)	1,182	1,345	11,992
Cash and cash equivalents	286,292	296,851	2,645,966
Financial liabilities			
FVTPL financial liabilities (derivative instruments) (iii)	484	492	4,388
Financial liabilities measured at amortised cost			
Trade and other payables	41,407	41,371	368,755
Interest-bearing debt	37,328	37,418	333,521
Other financial liabilities (iii)	2,937	5,003	44,590

Note:

(i) The items above are not included in discontinued operations and disposal groups 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 2016 and 2017, 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 exchange rates, 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 2016	For the year ended 31 March 2017
Average exchange rate		
(Yen per each currency)		
Thai Baht	3.42	3.10
Euro	132.53	118.68
U.S. dollar	120.16	108.72
Impact on profit for the year		
(Millions of Yen)		
Thai Baht	(130)	(79)
Euro	(32)	(24)
U.S. dollar	(386)	(355)
Impact on equity		
(Millions of Yen)		
Thai Baht	(197)	(158)
Euro	(408)	(364)
U.S. dollar	(631)	(607)

	For the year ended 31 March 2017
Impact on profit for the year	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(701)
Euro	(211)
U.S. dollar	(3,167)
Impact on equity	
(Thousands of U.S. Dollars (Note 2))	
Thai Baht	(1,408)
Euro	(3,247)
U.S. dollar	(5,406)

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 2016	31 March 2017	31 March 2016	31 March 2017
Trade and other receivables	(24)	(19)	(62)	(58)
Trade and other payables	1	2	15	11
Long-term financial assets	—	—	(2)	—
Short-term financial assets	—	—	(0)	(0)
Cash and cash equivalents	(31)	(13)	(122)	(63)
Total	(54)	(30)	(171)	(110)

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

	Euro	U.S. dollar
	31 March 2017	31 March 2017
Trade and other receivables	(168)	(516)
Trade and other payables	16	100
Long-term financial assets	—	—
Short-term financial assets	—	(0)
Cash and cash equivalents	(117)	(563)
Total	(270)	(979)

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.

2)-2. Holding company (Europe)

(Millions of Yen)

	Yen		U.S. dollar	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
Trade and other receivables	—	—	—	—
Trade and other payables	0	0	0	0
Long-term financial assets	—	—	—	—
Short-term financial assets	—	—	(33)	(0)
Cash and cash equivalents	(1)	(1)	(32)	(3)
Total	(1)	(0)	(65)	(3)

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

	Yen	U.S. dollar
	31 March 2017	31 March 2017
Trade and other receivables	―	―
Trade and other payables	0	0
Long-term financial assets	―	―
Short-term financial assets	―	(0)
Cash and cash equivalents	(4)	(23)
Total	(4)	(23)

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 2016	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value
Forward foreign exchange contracts				
More than one year				
US$Sell (€Buy)	0.74 (€/US$)	$22.7	2,146	(333)
Within one year				
US$Sell (€Buy)	0.75 (€/US$)	$10.0	957	(151)
¥Sell (US$Buy)	111.74 (US$/JPY)	$150.0	16,761	115

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

For the year ended 31 March 2017	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts						
Within one year						
US$Sell (€Buy)	0.74 (€/US$)	$22.7	2,013	(492)	17,941	(4,388)

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 sensitivity analyses 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 7 million yen and 34 million yen (303 thousand U.S. dollars) as at 31 March 2016 and 2017, 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 2017.

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 2016	As at 31 March 2017	As at 31 March 2017
Guarantee liabilities	53	11	99

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 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

(Millions of Yen)

Balance at 31 March 2017	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)	100,813	89,168	5,310	1,769	793	696	3,078
Allowance for doubtful accounts	(2,499)	(387)	(51)	(78)	(131)	(143)	(1,709)
Trade and other receivables (net)	98,315	88,781	5,259	1,691	662	553	1,369
Other financial assets (gross)	24,359	23,504	48	1	－	－	806
Allowance for doubtful accounts	(559)	(5)	－	－	－	－	(554)
Other financial assets (net)	23,800	23,499	48	1	－	－	252

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

Balance at 31 March 2017	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)	898,596	794,797	47,331	15,768	7,064	6,200	27,435
Allowance for doubtful accounts	(22,274)	(3,448)	(458)	(699)	(1,164)	(1,271)	(15,235)
Trade and other receivables (net)	876,322	791,349	46,873	15,069	5,900	4,930	12,201
Other financial assets (gross)	217,120	209,502	426	7	－	－	7,185
Allowance for doubtful accounts	(4,983)	(44)	－	－	－	－	(4,939)
Other financial assets (net)	212,137	209,458	426	7	－	－	2,246

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

As at 31 March 2016

Current portion of long-term loans to subsidiaries and affiliates of 8,225 million yen

As at 31 March 2017

Long-term loans to subsidiaries and affiliates of 8,166 million yen (72,784 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 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
Provision for the year	434	39	473
Reduction resulting from settlement for the year	(136)	(238)	(374)
Reduction for the year (reversal)	(63)	(8)	(71)
Other (foreign exchange translation gain or losses, etc.)	(84)	(17)	(100)
Balance at 31 March 2017	2,499	559	3,058

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

	Allowance for doubtful accounts (Current)	Allowance for doubtful accounts (Non-current)	Total
Balance at 31 March 2016	20,928	6,979	27,907
Provision for the year	3,866	349	4,215
Reduction resulting from settlement for the year	(1,211)	(2,123)	(3,334)
Reduction for the year (reversal)	(564)	(73)	(637)
Other (foreign exchange translation gains or losses, etc.)	(745)	(150)	(895)
Balance at 31 March 2017	22,274	4,983	27,257

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, credit risk is widely dispersed among customers and the Group does not depend on specific customers. Therefore, the possibility of a chain-reaction of bankruptcies of 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 2016 and 2017.

(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 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

(Millions of Yen)

Balance at 31 March 2017	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	41,371	41,371	41,371	—	—	—	—	—
Long-term bank loans (excluding current portion)	8	8	—	7	1	—	—	—
Current portion of long-term bank loans	7	7	7	—	—	—	—	—
Short-term bank loans	1,640	1,640	1,640	—	—	—	—	—
Bonds (excluding current portion)	14	14	—	14	—	—	—	—
Current portion of bonds	35,015	35,021	35,021	—	—	—	—	—
Long-term finance lease obligations	483	483	—	192	137	105	48	1
Short-term finance lease obligations	252	252	252	—	—	—	—	—
Other financial liabilities	5,003	5,003	496	734	2,965	673	134	—
Derivative liabilities								
Currency derivative	492	492	492	—	—	—	—	—
Total	84,283	84,290	79,279	946	3,103	778	183	1

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

Balance at 31 March 2017	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	368,755	368,755	368,755	—	—	—	—	—
Long-term bank loans (excluding current portion)	71	71	—	59	11	—	—	—
Current portion of long-term bank loans	59	59	59	—	—	—	—	—
Short-term bank loans	14,615	14,615	14,615	—	—	—	—	—
Bonds (excluding current portion)	120	120	—	120	—	—	—	—
Current portion of bonds	312,100	312,158	312,158	—	—	—	—	—
Long-term finance lease obligations	4,305	4,305	—	1,708	1,220	935	432	9
Short-term finance lease obligations	2,250	2,250	2,250	—	—	—	—	—
Other financial liabilities	44,590	44,590	4,421	6,543	26,430	6,000	1,197	—
Derivative liabilities								
Currency derivative	4,388	4,388	4,388	—	—	—	—	—
Total	751,253	751,311	706,646	8,430	27,662	6,935	1,629	9

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 2016	As at 31 March 2017	As at 31 March 2017
Bank overdraft			
Used	—	—	—
Unused	65,000	65,000	579,374
Total	65,000	65,000	579,374
Commercial paper			
Used	—	—	—
Unused	50,000	50,000	445,673
Total	50,000	50,000	445,673

(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 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

(Millions of Yen)

As at 31 March 2017	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	―	―	―	―
Available-for-sale financial assets	679	―	666	1,345
Total	679	―	666	1,345
FVTPL financial liabilities (derivative instruments)	―	492	―	492
Total	―	492	―	492

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

As at 31 March 2017	Level 1	Level 2	Level 3	Total
FVTPL financial assets (derivative instruments)	―	―	―	―
Available-for-sale financial assets	6,055	―	5,937	11,992
Total	6,055	―	5,937	11,992
FVTPL financial liabilities (derivative instruments)	―	4,388	―	4,388
Total	―	4,388	―	4,388

Note:

As at 31 March 2016

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2016.

As at 31 March 2017

The common stocks classified as Level 3 were transferred to Level 1 during the year ended 31 March 2017, as they became measurable at quoted prices in active markets.

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Opening balance	689	1,051	9,365
Total gains or losses recognised:	(2)	(11)	(97)
- in profit or loss (i)	(2)	(9)	(79)
- in other comprehensive income (ii)	(0)	(2)	(18)
Purchase	374	0	0
Sale	(10)	(0)	(0)
Transfer to level 1	ー	(374)	(3,331)
Others	0	(0)	(0)
Closing balance	1,051	666	5,937

Note:

(i) In the total gains or losses for the years ended 31 March 2016 and 2017, included in profit or loss, (2) million yen in profit and (9) million yen ((79) 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 2016 and 2017, included in other comprehensive income, (0) million yen in loss and (2) million yen ((18) 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 2016		As at 31 March 2017		As at 31 March 2017	
	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	—	—	8,166	8,169	72,784	72,810
Long-term loans to subsidiaries and affiliates	8,225	8,222	—	—	—	—
Lease deposits	4,893	4,893	4,857	4,857	43,290	43,290
Total	13,118	13,115	13,022	13,025	116,074	116,100
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	14	15	8	8	71	70
Current portion of long-term bank loans	8	8	7	7	59	59
Bonds (excluding current portion)	35,015	36,013	14	14	120	121
Current portion of bonds	21	21	35,015	35,350	312,100	315,094
Long-term finance lease obligations	374	428	483	577	4,305	5,140
Short-term finance lease obligations	237	248	252	267	2,250	2,383
Total	35,670	36,734	35,778	36,223	318,906	322,868

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 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

(Millions of Yen)

As at 31 March 2017	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	－	8,169	－	8,169
Lease deposits	－	4,857	－	4,857
Total	－	13,025	－	13,025
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	－	8	－	8
Current portion of long-term bank loans	－	7	－	7
Bonds (excluding current portion)	－	14	－	14
Current portion of bonds	－	35,350	－	35,350
Long-term finance lease obligations	－	577	－	577
Short-term finance lease obligations	－	267	－	267
Total	－	36,223	－	36,223

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

As at 31 March 2017	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables				
Long-term loans to subsidiaries and affiliates	−	72,810	−	72,810
Lease deposits	−	43,290	−	43,290
Total	−	116,100	−	116,100
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	−	70	−	70
Current portion of long-term bank loans	−	59	−	59
Bonds (excluding current portion)	−	121	−	121
Current portion of bonds	−	315,094	−	315,094
Long-term finance lease obligations	−	5,140	−	5,140
Short-term finance lease obligations	−	2,383	−	2,383
Total	−	322,868	−	322,868

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 425 million yen and 408 million yen (3,636 thousand U.S. dollars) for the years ended 31 March 2016 and 2017, respectively.

Details of the stock options that are outstanding for the years ended 31 March 2016 and 2017, 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
17	386,800	17 Jan 2017	30 Sep 2026	4,839	3,740

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

The weighted-average fair value of the stock options granted during the years ended 31 March 2016 and 2017, was 3,407 yen and 3,740 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 2016 and 2017.

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

	No. 16	No. 17
Share price at grant date (Yen)	4,639	4,722
Exercise price (Yen)	4,928	4,839
Expected volatility	26.92%	27.46%
Expected remaining option life (years)	6.0	6.0
Dividends yield	1.62%	1.59%
Risk free rate	0.01%	(0.10)%

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

The weighted-average exercise price of the outstanding options was 3,249 yen and 3,415 yen as at the years ended 31 March 2016 and 2017, respectively. Weighted-average remaining contractual life was 6.1 years and 6.5 years as at 31 March 2016 and 2017, respectively.

	For the year ended 31 March 2016		For the year ended 31 March 2017	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Outstanding at the beginning of the period	3,606,800	2,914	3,126,200	3,249
Granted	460,400	4,928	386,800	4,839
Forfeited (i)	(113,200)	2,731	(76,000)	3,387
Exercised	(643,000)	2,404	(346,000)	2,164
Expired	(184,800)	4,150	(349,800)	4,750
Outstanding at the end of the period	3,126,200	3,249	2,741,200	3,415
Exercisable at the end of the period	1,806,400	2,804	1,582,700	2,717

Note:

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

Stock options exercised during the year ended 31 March 2017, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
7	4,000	March 2017	5,500
8	25,600	May 2016 to March 2017	4,839
10	52,400	May 2016 to March 2017	4,497
11	55,200	June 2016 to March 2017	4,351
12	24,000	April 2016 to March 2017	4,424
13	99,600	April 2016 to March 2017	4,529
14	64,800	August 2016 to March 2017	4,761
15	20,400	November 2016 to March 2017	4,946
Total	346,000		

Note:

The number of shares exercised and the amount paid by key management personnel are 22,800 shares and 61 million yen, respectively.

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.

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

The stock options to which IFRS 2 is not applied were expired for the year ended 31 March 2017. 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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Sales of goods and products	503,738	477,051	4,252,167
Service revenue	1,977	1,877	16,729
Total sales	505,714	478,927	4,268,896

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Commission	874	237	2,116
Rent	118	131	1,171
Government grants	313	135	1,199
Gain on sale of plant, property and equipment and intangible assets	4,270	733	6,538
Insurance proceeds	14	287	2,560
Others	2,158	1,240	11,053
Total other income	7,747	2,764	24,636

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Employee benefits expense	8,497	8,450	75,317
Depreciation and amortisation	1,683	1,617	14,414
Commission expenses	1,374	1,270	11,319
Other expenses	8,732	10,489	93,491
Total R&D expenses recognised as incurred	20,287	21,826	194,541

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Salary, bonuses and others	107,175	103,799	925,203
Retirement benefit			
Defined benefit	332	353	3,144
Defined contribution	2,189	2,271	20,244
Retirement benefit total	2,520	2,624	23,389
Share-based payments (stock option)	425	408	3,636
Severance payments	2,281	2,471	22,023
Others	5,820	5,203	46,379
Total employee benefits expense	118,222	114,504	1,020,630

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Packaging/shipping/transportation	9,107	8,983	80,072
Travel	6,176	5,936	52,912
Rent	7,039	7,047	62,813
Utilities	12,543	10,423	92,907
Repair and maintenance	11,597	11,493	102,445
Loss on sales of property, plant and equipment	32	13	116
Loss on disposal of property, plant and equipment	366	143	1,277
Loss on disposal of intangible assets	33	82	734
Others	56,879	63,026	561,775
Total other expenses	103,773	107,147	955,051

25. Finance income and costs

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Finance income			
Interest income			
Cash and cash equivalents, loans and receivables	1,712	1,758	15,669
Dividend income			
Available-for-sale financial assets	8	50	443
Gain on sale			
Available-for-sale financial assets	1	6,215	55,396
Total finance income	1,721	8,022	71,508
Finance costs			
Interest costs			
Interest-bearing debt	861	996	8,882
Retirement benefits liabilities	43	22	197
Provisions	20	20	181
Other liabilities	45	84	752
Loss on sale			
Available-for-sales financial assets	1	0	0
Impairment losses			
Available-for-sales financial assets (i)	5	6	56
Total finance costs	976	1,130	10,068

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 2016 and 2017, 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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
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	(24)	174	1,549
Reclassification adjustments to profit or loss for the year	4	6	56
Total	(20)	180	1,605
② Exchange differences on translation of foreign operations (ii)			
Gains (losses) arising during the year	(30,915)	(5,808)	(51,771)
Reclassification adjustments to profit or loss for the year	357	―	―
Total	(30,558)	(5,808)	(51,771)
③ Share of other comprehensive income of associates			
Gains (losses) arising during the year	(24)	(1)	(12)
Reclassification adjustments to profit or loss for the year	―	0	1
Total	(24)	(1)	(11)
Other comprehensive income/(loss) before tax	(30,602)	(5,630)	(50,178)
Income tax relating to components of other comprehensive income	(68)	(58)	(515)
Total other comprehensive income/(loss) (net of tax)	(30,670)	(5,687)	(50,692)

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 2016 and 2017, are as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2016			For the year ended 31 March 2017			For the year ended 31 March 2017		
	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	(16)	4	(12)	184	(58)	126	1,638	(515)	1,123
② Exchange differences on translation of foreign operations	(30,344)	(72)	(30,416)	(5,511)	－	(5,511)	(49,122)	－	(49,122)
③ Remeasurements of the net defined benefit liability (asset)	152	11	163	(281)	(4)	(285)	(2,504)	(38)	(2,542)
④ Share of other comprehensive income of associates	(24)	－	(24)	(1)	－	(1)	(11)	－	(11)
Subtotal	(30,233)	(57)	(30,290)	(5,609)	(62)	(5,671)	(49,999)	(554)	(50,552)
Other comprehensive income attributable to non-controlling interests									
① Net gain/(loss) on revaluation of available-for-sale financial assets	(4)	－	(4)	(4)	－	(4)	(33)	－	(33)
② Exchange differences on translation of foreign operations	(214)	－	(214)	(297)	－	(297)	(2,649)	－	(2,649)
Subtotal	(217)	－	(217)	(301)	－	(301)	(2,682)	－	(2,682)
Total other comprehensive income/(loss)	(30,450)	(57)	(30,507)	(5,910)	(62)	(5,972)	(52,681)	(554)	(53,235)

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Basic earnings per share			
From continuing operations	225.45	221.93	1.98
From discontinued operations	—	—	—
Total basic earnings per share	225.45	221.93	1.98
Diluted earnings per share			
From continuing operations	224.85	221.49	1.97
From discontinued operations	—	—	—
Total diluted earnings per share	224.85	221.49	1.97

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Profit attributable to owners of the Company from continuing operations	93,175	86,740	773,153
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	93,175	86,740	773,153

(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 2016	For the year ended 31 March 2017
Weighted-average number of ordinary shares	413,282	390,837

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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Profit attributable to owners of the Company from continuing operation after dilution	93,175	86,740	773,153
Profit attributable to owners of the Company from discontinued operation after dilution	－	－	－
Profit used in the calculation of diluted earnings per share	93,175	86,740	773,153

(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 2016	For the year ended 31 March 2017
Weighted-average number of ordinary shares	413,282	390,837
Shares deemed to be issued for no consideration in respect of:		
Stock options	1,107	778
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	414,389	391,615

28. Non-cash transactions

Non-cash transactions for the years ended 31 March 2016 and 2017, consisted of acquiring property, plant and equipment through new finance lease arrangements in the amount of 214 million yen and 415 million yen (3,703 thousand U.S. dollars), respectively.

29. Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2016 and 2017, is as follows:

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2016	As at 31 March 2017
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	6	6
	JAPAN	1	1
Life Care	U.S.A.	5	6
	ARGENTINA	1	1
	UNITED KINGDOM	2	2
	ITALY	2	2
	INDIA	3	3
	INDONESIA	2	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 2016	As at 31 March 2017
Life Care	SOUTH KOREA	1	1
	TAIWAN	1	1
	CHINA	7	7
	SOUTH AFRICA	1	1
	TURKEY	1	1
	RUSSIA	1	2
	SWITZERLAND	1	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 2016	As at 31 March 2017
Information Technology	PHILIPPINES	1	1
	CHINA	2	2
Life Care	IRELAND	1	1
	U.S.A.	1	1
	UNITED KINGDOM	1	1
	NETHERLANDS	1	1
	SPAIN	1	1
	GERMANY	3	4
	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 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2017
WASSENBURG MEDICAL B.V. and six other companies	NETHERLANDS and other countries	49.0%	49.0%	150	74	656	3,029	2,894	25,799
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies	JAPAN and other countries	50.0%	50.0%	(123)	(9)	(79)	1,210	1,127	10,048
Individually immaterial subsidiaries with non-controlling interests							670	497	4,426
Total							4,909	4,518	40,273

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 2016	(Millions of Yen) As at / for the year ended 31 March 2017	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2017
WASSENBURG MEDICAL B.V. and six other companies			
Non-current assets	3,975	3,506	31,253
Current assets	4,183	4,197	37,408
Non-current liabilities	(711)	(591)	(5,270)
Current liabilities	(1,266)	(1,205)	(10,743)
Equity attributable to owner of the Company	3,152	3,012	26,849
Non-controlling interests	3,029	2,894	25,799
Revenue	6,005	5,546	49,436
Expenses	(5,698)	(5,396)	(48,097)
Profit/(loss) for the year	307	150	1,339
Other comprehensive income/(loss)	(176)	(425)	(3,789)
Comprehensive income/(loss)	131	(275)	(2,450)
Dividends paid to non-controlling interests	―	―	―
Net cash flow from operating activities	332	380	3,384
Net cash flow from investing activities	(125)	(168)	(1,493)
Net cash flow from financing activities	80	(14)	(126)
Net cash flow	287	198	1,765

	(Millions of Yen) As at / for the year ended 31 March 2016	(Millions of Yen) As at / for the year ended 31 March 2017	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2017
SEIKO OPTICAL PRODUCTS CO., LTD. and seven other companies			
Non-current assets	1,822	1,297	11,557
Current assets	11,524	11,800	105,182
Non-current liabilities	(62)	(59)	(529)
Current liabilities	(10,283)	(10,472)	(93,344)
Equity attributable to owner of the Company	1,501	1,283	11,433
Non-controlling interests	1,501	1,283	11,433
Revenue	30,626	30,315	270,215
Expenses	(31,018)	(30,604)	(272,789)
Profit/(loss) for the year	(392)	(289)	(2,574)
Other comprehensive income/(loss)	(194)	(156)	(1,392)
Comprehensive income/(loss)	(586)	(445)	(3,966)
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	1,365	1,094	9,754
Net cash flow from investing activities	(192)	(21)	(183)
Net cash flow from financing activities	99	(101)	(896)
Net cash flow	1,272	973	8,675

Note

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 2016	As at 31 March 2017
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%
HOEV CO., 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%
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 2016	As at 31 March 2017
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%
HOYA LENS CANADA, INC.	Life Care	Health Care related products	CANADA	100.0%	100.0%
HOYA OPTICAL LABS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	100.0%	100.0%
SEIKO OPTICAL PRODUCTS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	50.0%	50.0%
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	100.0%	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%

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 2016:

	Name of affiliates	Nature of related party transactions	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)
Affiliates	AvanStrate, Inc.	Repayment of loans of funds	275	8,225
		Interest received	233	97
		Advance paid	988	―

Note:

The platinum owned by a subsidiary of the affiliate is pledged as collateral. The repayment amounts during the year based on the free cash flow are stated in the loan agreement. The remaining amount will be repaid on October 31, 2017, by batch payment.

As at/for the year ended 31 March 2017:

	Name of affiliates	Nature of related party transactions	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Affiliates	AvanStrate, Inc.	Repayment of loans of funds	59	8,166	530	72,784
		Interest received	219	35	1,952	312
		Advance paid	5	―	42	―

Note:

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

(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 2016	For the year ended 31 March 2017	For the year ended 31 March 2017
Short-term benefits	444	427	3,803
Share-based payments	176	147	1,314
Total remuneration of key management personnel	620	574	5,117

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 certain companies through business combinations during the year ended 31 March 2017 as follows:

(1) Overview of acquired companies

Name of acquirees	Primary business	Reportable segments	Acquisition date	Percentage of voting equity interests acquired	Total consideration transferred (Million Yen)	Total consideration transferred (Thousands of U.S. Dollars (Note 2))	Acquisition method
C2 Therapeutics, Inc.	Development, manufacturing and sales of devices for minimally invasive treatment	Life Care (Medical related products)	23 Dec 2016	100%	9,794	87,299	Acquisition of shares
3M Company	Safety prescription eyewear business	Life Care (Health Care related products)	1 Jan 2017	—	6,174	55,031	Business transfer

(2) Primary reasons for business combinations

① C2 Therapeutics, Inc. (“C2”)

The Group seeks through this acquisition transition to a solution provider of minimally invasive treatment, which offers early detection and treatment.

② 3M Company (“3M”)

The acquisition of the safety prescription eyewear business from 3M, which has over 90 years' experience in North America, enables the Group to expand the product lineup, such as a comprehensive line of frames, prescription lenses and premium coating options, and strenghen the presence in the North American optical market.

(3) Consideration for the acquisitions

(Millions of Yen)

	C2	3M	Total
Cash and cash equivalents	6,360	6,174	12,534
Trade and other receivables (Note 1)	(24)	—	(24)
Current liabilities (Note 2)	1,021	—	1,021
Non-current liabilities (Note 2)	2,437	—	2,437
Total	9,794	6,174	15,968

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

	C2	3M	Total
Cash and cash equivalents	56,689	55,031	111,720
Trade and other receivables (Note 1)	(218)	—	(218)
Current liabilities (Note 2)	9,104	—	9,104
Non-current liabilities (Note 2)	21,724	—	21,724
Total	87,299	55,031	142,330

Note:

1. The amount represents an unsettled amount as at 31 March 2017, which is the adjustment of the fluctuation of net assets.
2. Current and Non-current liabilities represent contingent liabilities paid as a part of consideration for the acquisition on the achievements of milestones or accumulated revenue and are recognised at the fair value estimating the probability of achievement. The undiscounted maximum amount of contingent liabilities is 9,902 million yen (88,258 thousand U.S. dollars).

(4) Expenses related to acquisition

Expenses related to acquisition in the amount of 140 million yen (1,251 thousand U.S. dollars) are included in "Commission expense" in the consolidated statement of comprehensive income.

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

(Millions of Yen)

	C2	3M	Total
Non-current assets			
Property, plant and equipment-net	8	302	309
Intangible assets (Note)	9,017	4,089	13,106
Deferred tax assets	1,040	−	1,040
Sub-total	10,065	4,390	14,456
Current assets			
Inventory	24	220	244
Trade and other receivables			
(Before deducting allowance for doubtful accounts)	28	−	28
Cash and cash equivalents	0	−	0
Current assets other than above	14	4	18
Sub-total	66	224	290
Total assets	10,131	4,615	14,746
Non-current liabilities (Note)	(3,446)	−	(3,446)
Current liabilities	(177)	(125)	(302)
Total liabilities	(3,623)	(125)	(3,748)
Fair value of identifiable acquired net assets	6,508	4,489	10,998

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

	C2	3M	Total
Non-current assets			
Property, plant and equipment-net	69	2,689	2,758
Intangible assets (Note)	80,371	36,445	116,816
Deferred tax assets	9,274	−	9,274
Sub-total	89,714	39,134	128,849
Current assets			
Inventory	217	1,962	2,179
Trade and other receivables			
(Before deducting allowance for doubtful accounts)	249	−	249
Cash and cash equivalents	0	−	0
Current assets other than above	125	35	160
Sub-total	592	1,997	2,589
Total assets	90,306	41,132	131,438
Non-current liabilities (Note)	(30,719)	−	(30,719)
Current liabilities	(1,576)	(1,116)	(2,692)
Total liabilities	(32,295)	(1,116)	(33,412)
Fair value of identifiable acquired net assets	58,011	40,015	98,026

Note:

Intangible assets mainly consist of "Technology" and "Customer related assets".

Deferred tax liabilities are mainly recognised on temporary differences arising from recognition of identifiable intangible assets.

The Group reported the provisional amounts of certain intangible assets for the period ended 31 December 2016, as the measurement process was not completed. It was completed as at 31 March 2017.

(6) Goodwill arising from the acquisitions

(Millions of Yen)

	C2	3M	Total
Consideration for acquisitions	9,794	6,174	15,968
Less: Fair value of identifiable acquired net assets	(6,508)	(4,489)	(10,998)
Goodwill arising in acquisitions	3,286	1,685	4,970

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

	C2	3M	Total
Consideration for acquisitions	87,299	55,031	142,330
Less: Fair value of identifiable acquired net assets	(58,011)	(40,015)	(98,026)
Goodwill arising in acquisitions	29,288	15,016	44,304

Note:

Goodwill recognised consists of “control premium”, “expected synergy” and “human resources”.

Goodwill arising from the acquisition of 3M is tax-deductible.

(7) Net cash outflows for the acquisitions of subsidiaries

(Millions of Yen)

	C2	3M	Total
Consideration for the acquisitions paid in cash	6,360	6,174	12,534
Less: Cash and cash equivalents owned by subsidiaries acquired	(0)	–	(0)
Net cash outflows for the acquisitions of subsidiaries	6,360	6,174	12,534

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

	C2	3M	Total
Consideration for the acquisitions paid in cash	56,689	55,031	111,720
Less: Cash and cash equivalents owned by subsidiaries acquired	(0)	–	(0)
Net cash outflows for the acquisitions of subsidiaries	56,688	55,031	111,720

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

The disclosure of revenue and profit included in the consolidated comprehensive income, and of the pro forma revenue and profit as though the acquisition date for these business combinations had been on 1 April 2016, are omitted due to 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 2016	As at 31 March 2017	As at 31 March 2017
Business partners	53	11	99
Total	53	11	99

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 2016	As at 31 March 2017	As at 31 March 2017
Commitments for the acquisition of property, plant and equipment and intangible assets	4,050	5,210	46,437

34. Subsequent events

Resolution on cash dividends

On 23 May 2017, 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 2017 of 17,464 million yen (155,666 thousand U.S. dollars) (45 yen per common share).

35. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2017, were approved by the Company's board of directors and authorised for issue on 23 May 2017.