Internet Disclosure Accompanying the Notice of the Convocation of the 74th Ordinary General Meeting of Shareholders

Consolidated Statement of Cash Flows (Reference information, Unaudited)

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(From April 1, 2011 to March 31, 2012)

(Reference information) **Consolidated Statement of Cash Flows (Unaudited)**

(From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Amount
Cash flows from operating activities	
Profit before tax	54,021
Profit before tax from discontinued operations	4,509
Depreciation and amortization	27,927
Reversal of impairment losses	(1,854)
Impairment losses	831
Finance income	(1,589)
Finance costs	2,043
Share of profits of associates	(1,864)
Loss on sales of property, plant and equipment	766
Loss on disposal of property, plant and equipment	1,136
Gain on business transfer	(3,617)
Others	(3,515)
Cash generated from operations (before movements in working capital)	**78,795**
Movements in working capital	
Increase in inventories	(4,800)
Decrease in trade and other receivables	10,791
Decrease in trade and other payables	(6,728)
Decrease in retirement benefits obligation and other provisions	(48)
Sub-total	78,010
Interests received	1,502
Dividends received	69
Interests paid	(1,765)
Income taxes paid	(5,809)
Income taxes refunded	1,712
Net cash generated from operating activities	**73,719**
Cash flows from investing activities	
Withdrawals of time deposit	16,618
Deposits for time deposit	(5,366)
Withdrawals of certificates of deposit	10,000
Deposits for certificates of deposit	(30,000)
Proceeds from sales of property, plant and equipment	562
Payments for acquisition of property, plant and equipment	(31,184)
Payments for purchase of subsidiary	(80)
Payments to minority shareholders on merger	(7)
Proceeds from business transfer	12,537
Other proceeds	6,567
Other payments	(2,142)
Net cash used in investing activities	**(22,497)**
Cash flows from financing activities	
Dividends paid to owners of the Company	(28,003)
Dividends paid to non-controlling interests	(1)
Decrease in short-term debt	(313)
Repayments of long-term borrowings	(300)
Proceeds from disposal of treasury shares	0
Payments for purchase of treasury shares	(2)
Proceeds from exercise of stock options	19
Payments for purchase of Non-controlling interests	(658)
Net cash used in financing activities	**(29,259)**
Net increase in cash and cash equivalents	**21,964**
Cash and cash equivalents at the beginning of the year	**185,252**
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies	**(2,443)**
Cash and cash equivalents at the end of the year	**204,772**

(Notes)

1. Numbers in parentheses ( ) in the consolidated statement of cash flows are outflows of cash and cash equivalents.
2. Figures above are rounded up or down to the nearest unit.

Notes to the Consolidated Financial Statements

Important items for the preparation of the consolidated financial statements

1. Preparation of consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards with some omissions of disclosure items pursuant to the latter part of the first paragraph of Article 120 of the Ordinance for Companies Accounting.

2. Basis of consolidation

Number of consolidated subsidiaries	103 companies
Names of significant consolidated subsidiaries	HOYA HOLDINGS, INC.
	HOYA HOLDINGS N.V.
	HOYA HOLDINGS (ASIA) B.V.
	HOYA HOLDINGS ASIA PACIFIC PTE LTD.
	During the fiscal year, ten companies were newly established and three companies were acquired. On the other hand, ten companies were sold and one company was liquidated. In addition, one company merged with other group company. As a consequence, the number of consolidated companies was increased by one.

3. Application of the equity method

Number of associates accounted for by the equity method	3 companies
Name of significant associate	AvanStrate Inc.
	During the fiscal year, one company was sold and removed from the scope of equity method accounting.

4. Items related to accounting policies

(1) Basis and method of evaluation of financial assets

Financial assets are classified into “financial assets at fair value through profit or loss (FVTPL),” “held-to-maturity investments,” “loans and receivables,” or “available-for-sale financial assets.” However, the Group does not hold financial assets classified as “held-to-maturity investments.”

1) Derivative financial instruments

Derivatives are initially recognized 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 recognized financial assets or liabilities, or future firm transactions. Hedge accounting does not apply to these derivative transactions. Accordingly, derivative financial instruments are classified as FVTPL.

2) Financial assets other than derivative financial instruments

A. 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 amortized cost using the effective interest method, less any impairment. Principally interest income is recognized by applying the effective interest rate.

B. Available-for-sale financial assets

Financial assets except derivatives, either designated as available-for-sale financial assets or not classified as FVTPL, held-to-maturity investments or loans and receivables, are classified as available-for-sale financial assets. Listed available-for-sale shares that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value using valuation techniques. Gains and losses arising from changes in fair value are recognized in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets being recognized in profit or loss.

3) Impairment of financial assets

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

For listed and unlisted equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as available-for-sale financial assets and finance lease receivables, objective evidence of impairment could include:

(a) significant financial difficulties of the debtor; or

(b) default or delinquency in interest or principal payments; or

(c) a high probability that the borrower will go into bankruptcy or financial re-organization.

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 amortized cost, the amount of the impairment loss recognized 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 recognized 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment after the impairment is reversed does not exceed the amount the amortized cost would have been had the impairment not been recognized.

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

(2) Basis and method of evaluation of inventories

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

(3) Basis and method of evaluation of property, plant and equipment and intangible assets (excluding goodwill) and method of depreciation and amortization

1) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized 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 recognizes such parts as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognized as incurred.
Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

Buildings and structures	3-50	years
Machinery and carriers	3-10	years
Tools, equipment and fixtures	2-20	years

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

2) Intangible assets excluding goodwill

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

A. Intangible assets acquired separately and intangible assets acquired in a business combination

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

B. Internally-generated intangible assets - research and development expenses

Expenditures on research activities are recognized as expense in the period in which it is incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized 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 recognized for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet the recognition criteria listed above. The assets are amortized over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Where no internally-generated intangible asset can be recognized, development costs are recognized as expense in the period in which it is incurred.

C. Amortization of intangible assets

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

Patents	7-12	years
Technology	10-15	years
Customer List	5-8	years
Software	3-5	years

3) Impairment of property, plant and equipment and intangible assets excluding goodwill

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

(4) Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any 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, liabilities and contingent liabilities. Goodwill is not amortized but is reviewed for impairment at least annually. Goodwill is recorded at cost less accumulated impairment losses on the consolidated statement of financial position.
For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill is not reversed in subsequent periods. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(5) Method of accounting for significant reserves and allowances

1) Retirement benefits obligation

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

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

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

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligations as adjusted for unrecognized actuarial gains and losses, and as reduced by the fair value of plan assets. Contributions to defined contribution plans are recognized as expense when these are paid.

2) Other provisions, and contingent liabilities assumed in a business combination

Provisions are recognized 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 recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

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

The types of provisions are as follows:

A. Asset retirement obligation

The Group recognizes provisions for an asset retirement obligation reserve for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and considers each property individually. The discount rate is mainly 2.25% and depends on the useful life and the country. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

B. Warranties provision

Warranties provision is estimated and recognized 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.

C. 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.

(6) Basis for translation of important assets and liabilities denominated in foreign currencies

1) Foreign currency transactions

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

At the end of each reporting period, monetary items denominated in foreign currencies are 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 recognized in profit or loss in the period. The exchange gain or loss is included in "other expenses" in the consolidated statement of comprehensive income.

2) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese Yen at the foreign exchange rates prevailing at the end of reporting period. The revenues and expenses of foreign operations are translated into Japanese Yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognized 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.

(7) Method of accounting for national and local consumption tax

Tax-excluded method is applied.

Notes to the Consolidated Statement of Financial Position

1. Assets provided as collateral and related liabilities

Assets provided as collateral	
Buildings	¥29 million
Related liabilities	
Interest-bearing short-term debt	¥3 million
Interest-bearing long-term debt	¥14 million

2. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥1,873 million
Other financial assets	¥789 million

3. Accumulated depreciation of property, plant and equipment

Property, plant and equipment - net	¥256,634 million

Accumulated depreciation includes impairment losses of property, plant and equipment.

4. Contingent liabilities

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

Guarantee liabilities	¥982 million

Notes to the Consolidated Statement of Comprehensive Income

1. Loss on disaster

Due to the massive flooding in Thailand in October 2011, buildings, plant equipment and inventories at a subsidiary were flooded. As a result, the subsidiary temporally stopped its operation. The losses consist of damage of plant equipment of ¥4,013 million, damage on inventories of ¥ 974 million and other related cost of ¥ 921 million.

2. Reclassification adjustments and tax effects related to other comprehensive income

(1) Net loss on revaluation of available-for-sale financial assets

Losses arising during the year	¥ (591) million
Reclassification adjustments	¥272 million
Total amount before tax-effect adjustment	¥ (319) million
Tax-effect adjustment	¥144 million
Total	¥ (175) million

(2) Exchange differences on translation of foreign operations

Losses arising during the year	¥ (7,955) million
Reclassification adjustment	¥973 million
Total amount before tax-effect adjustment	¥ (6,982) million
Tax-effect adjustment	¥ (16) million
Total	¥ (6,998) million

(3) Share of other comprehensive income of associates

Losses arising during the year	¥ (113) million
Total other comprehensive income	¥ (7,286) million

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of issued shares as at March 31, 2012

Ordinary shares 435,017,020 shares

2. Dividend-related items

(1) Dividends paid,

1) Dividends resolved by the Board of Directors on May 30, 2011

- Total dividends ¥15,099 million
- Dividends per share ¥35
- Record date March 31, 2011
- Effective date June 2, 2011

2) Dividends resolved by the Board of Directors on October 31, 2011

- Total dividends ¥12,943 million
- Dividends per share ¥30
- Record date September 30, 2011
- Effective date November 30, 2011

(2) Dividends whose record date belongs to this fiscal year and effective date belongs to next fiscal year

Dividends resolved by the Board of Directors on May 30, 2012

- Total dividends ¥15,100 million
- Source of payment Retained earnings
- Dividends per share ¥35
- Record date March 31, 2012
- Effective date June 1, 2012

3. Type and number of shares covered by stock options outstanding at the end of the fiscal year (excluding the rights whose exercise period has not yet started)

Ordinary shares 2,789,900 shares

Notes Concerning Financial Instruments

1. Items concerning financial instruments

(1) Market risks

1) Foreign currency risk

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

The Group's policy generally does not permit the use of derivative instruments such as forward foreign exchange contracts. However, in certain circumstances in which the use of such derivatives is determined to be beneficial, the Group can enter into contracts upon obtaining a formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its global headquarters approval process. For instance, in order to economically hedge foreign currency exposures on intercompany receivable, payables and dividends, forward foreign exchange contracts are occasionally entered into.

2) Interest rate risk

The majority of the interest-bearing debt is bonds with fixed interest rates.

3) Price risk in equity instruments

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

(2) Credit and liquidity risks

The Group manages its credit risk by setting credit limits which are approved by the authorized personnel of each Strategic Business Unit.

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.

2. Notes Concerning Fair Value of Financial Instruments

As of March 31, 2012, (the end of the fiscal year) the carrying amount of financial instruments on the consolidated statement of financial position, the fair values of those instruments, and the differences were as follows.

(Millions of yen)

	Carrying amount of consolidated statement of financial position*	Fair value*	Difference
(1)FVTPL financial assets (derivative instruments)			
Other financial assets	1,058	1,058	−
(2) Loans and receivables			
Trade and other receivables	75,691	75,691	−
Other financial assets	51,673	51,650	(23)
(3) Available-for-sale financial assets			
Other financial assets	2,982	2,982	−
(4) Cash and cash equivalents	204,772	204,772	−
Total assets	336,176	336,154	(23)
(5) FVTPL financial liabilities (derivative instruments)			
Other financial liabilities	(383)	(383)	−
(6) Financial liabilities measured at amortized cost			
Trade and other payables	(42,138)	(42,138)	−
Interest-bearing debt	(102,045)	(105,518)	(3,473)
Other financial liabilities	(259)	(259)	−
Total liabilities	(144,824)	(148,298)	(3,473)

* The balance of liabilities is presented as the numbers in brackets.

(Note) Items related to the methods for calculating the fair value of financial instruments, together with securities and transactions of derivative

(1) (5) FVTPL financial assets and liabilities (derivative instruments)
The fair values of forward foreign exchange contracts at the end of each reporting period were determined based on the forward exchange rate at market.

(2) Loans and receivables
The fair values of loans and receivables were determined by discounting future net cash flows using rates taking into account the estimated timing of payments and credit risk.
Because trade and other receivables have short settlement periods and estimated fair values that are virtually the same as the carrying value, the carrying value has been used as fair values.

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

(4) Cash and cash equivalents
Because cash and cash equivalents have short settlement periods and estimated fair values that are virtually the same as the carrying value, the carrying value has been used as fair values.

(6) Financial liabilities measured at amortized cost
The fair values of long-term loans, bonds and finance lease obligations were determined by discounting future cash flows using rates taking into account the estimated timing of payments and credit risk.
Because trade and other payables, and interest-bearing short-term debt have short settlement periods and estimated fair values that are virtually the same as the carrying value, the carrying value has been used as fair values.

Notes for per share information

(1) Equity per share attributable to owners of the company ¥891.93
(2) Basic earnings per share ¥100.18

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(Note) Figures in the consolidated financial statements and related notes are rounded off to the nearest unit.
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Notes to the Non-consolidated financial statements

Significant accounting policies

1. Basis and methods for evaluation of marketable and investment Securities

Investment securities in subsidiaries and affiliates: Cost determined by the moving-average method

Available-for-sale securities:

Marketable Securities: Fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable securities: Cost determined by the moving-average method

2. Basis and methods for evaluation of derivatives: Fair value

3. Basis and methods for evaluation of inventories: Primarily the lower of cost determined by the average method and net selling value

4. Methods of depreciation of fixed assets:

Property, plant and equipment (excluding leased assets)	Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on and after April 1, 1998. The range of useful lives is principally from 15 to 50 years for buildings, from 5 to 15 years for machinery and equipment, and 2 to 10 years for tools, equipment and fixture.
Intangible fixed assets (excluding leased assets)	The straight-line method is applied. The period of amortization is 8 years for patents, 10 years for technology and 5 years for software.
Leased assets	The straight-line method over the lease terms with no residual value is applied for leases which do not transfer ownership of the leased assets to the lessee. The Company accounted for leases which existed at April 1, 2008 and do not transfer ownership of the leased assets to the lessee as operating leases.

5. Basis for the conversion of foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese Yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income.

6. Methods of providing important allowances

(i) Allowance for doubtful accounts	The allowance for doubtful accounts is provided based on the Company’s past experience of credit loss and an evaluation of the financial position of borrowers.
(ii) Accrued bonuses to employees	Accrued bonuses are provided at the year end to which such bonuses are attributable.
(iii) Warranties provisions	Accrued warranty cost is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period.
(iv) Retirement benefits obligation	Retirement benefits obligation is accounted for based on the projected benefit obligations and plan assets for certain divisions. Past service cost is amortized using straight-line method over the expected average remaining working lives (10 years) of the participating employees when it occurs. Actuarial gains and losses as at the end of the prior year are amortized using straight-line method over the expected average remaining working lives (10 years) of the participating employees.
(v) Reserve for periodic repairs	Reserve for periodic repairs is provided based on the actual expenses for the latest repairs for melting furnaces.

7. Method of accounting for national and local consumption taxes

Tax-excluded method is applied.

8. Additional information

Adoption of “Accounting Standard for Accounting Change and Error Correction”

The new accounting standard for accounting change and error correction, ASBJ Statement No.24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No.24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections” are applied effective for those which occurred on or after the beginning of the current fiscal year.

Notes to Non-consolidated Balance sheet

1. Accumulated depreciation of Property, plant and equipment ¥126,413 million

   The accumulated depreciation includes the accumulated impairment losses.

2. Contingent liabilities ¥353 million

   Guarantees for lease payments of following company

   PENTAX U.K. LTD. ¥353 million

   Guarantee for the loan of employees from financial institutions. ¥0 million

3. Monetary receivables from and payables to subsidiaries and affiliates (excluding classified items on balance sheet)

   (1) Short-term receivables ¥13,696 million

   (2) Long-term receivables ¥1,302 million

   (3) Short-term payables ¥14,903 million

Notes to Non-consolidated Statement of income

1. Gain on business transfer

   It was due to the transfer of PENTAX Imaging System Business which mainly conducted digital camera business.

2. Transactions with subsidiaries and affiliates

   (1) Sales ¥40,868 million

   (2) Purchases (including subcontracting cost and commission expense) ¥108,214 million

   (3) Transactions of non-operating transactions ¥22,785 million

Notes to Statements of Changes in Net Assets

Matters relating to the number of treasury shares

Share class	Balance at April 1, 2011	Increase	Decrease	Balance at March 31, 2012
Ordinary shares	3,602,848 shares	972 shares	12,220 shares	3,591,600shares

(Note) Details of the increase and decrease in the number of treasury shares are as follows:

Increase due to repurchase of odd-lot shares: 972 shares

Decrease due to disposal of odd-lot shares to shareholders with odd-lot shares 220 shares

Decrease on exercise of stock options: 12,000 shares

Notes relating to tax effect accounting

1.Breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual (As of March 31, 2012）

(1) Current

Deferred tax assets	
Tax loss carryforwards	¥6,595million
Accrued bonuses	1,574
Environmental cost	467
Valuation loss on inventories	407
Severance payments	155
Warranties provision	150
Others	1,770
Deferred tax assets – sub total	11,117
Valuation allowance	(283)
Net amount of deferred tax assets – current	¥10,834

(2) Non-current

Deferred tax assets	
Tax loss carryforwards	¥2,698million
Excess of depreciation	1,611
Write-down of investment in subsidiaries and affiliates	1,379
Write-down of equity security of subsidiaries and affiliates	1,262
Stock options	725
Write-down of investment securities	704
Excess of allowance for doubtful accounts	595
Loss on impairment	478
Others	2,573
Deferred tax assets – sub total	12,025
Valuation allowance	(4,847)
Total amount of deferred tax assets – non current	7,178
Deferred tax liabilities	
Reserve for advanced depreciation of fixed asset	(113)
Unrealized gain on available-for-sale securities	(102)
Reserve for special depreciation	(38)
Others	(77)
Total amount of deferred tax liabilities – non-current	(330)
Net amount of deferred tax assets – non-current	¥6,848

2. Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate

"Act for Partial Revision to the Income Tax Act, etc. in order to Build a Tax Framework in Response to Changes in the Structure of the Economic Society" (Law No. 114 for 2011) and "Act on Special measures for Securing Financial Resources Required to Implement Actions for Recovery from the Great East Japan Earthquake" (Law No. 117 for 2011) were promulgated on December 2, 2011. From the fiscal year beginning on or after April 1, 2012, the corporate tax rate will be reduced and the reconstruction special corporate tax will be imposed. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and liabilities will be changed from the current 40.5% to 38.0% for temporary differences and tax loss carryforwards that are expected to be realized in the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014; and to 35.5% for temporary differences and tax loss carryforwards that are expected to be realized in and after the fiscal year beginning on April 1, 2015. With these tax rate changes, deferred tax assets, net of deferred tax liabilities, have decreased by ¥1,254 million and income taxes-deferred have increased by ¥1,239 million.

Notes relating to fixed assets used under lease

Asset class	Contents and volumes of assets, etc.
Machinery and equipment	A part of Health Care related products manufacturing facilities A part of Medical related products manufacturing facilities
Tools, equipment and fixtures	A part of computers and their peripherals Other office equipment, etc.

Notes for per share information

(1) Net assets per share	¥414.34
(2) Net income per share	¥61.87

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(Note) Figures in the non-consolidated financial statements and notes are rounded up or down to the nearest unit.
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