KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2015 and 2014,
and Independent Auditor's Report

仰星監査法人
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KYODO PRINTING CO., Ltd.

We have audited the accompanying consolidated financial statements of KYODO PRINTING CO., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note1.

Tokyo, Japan
June 26, 2015

Gyosei & Co.

GYOSEI & Co.
Certified Public Accountants

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2015 and 2014

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Notes 5 and 14)	¥ 15,368	¥ 13,271	$ 127,779
Receivables (Note 14):			
Trade notes	5,533	4,878	46,004
Trade accounts	20,077	21,632	166,932
Allowance for doubtful accounts	(61)	(63)	(507)
Short-term investments (Notes 7 and 14)	283	288	2,353
Inventories (Note 6)	5,964	4,955	49,588
Deferred tax assets (Note 12)	620	660	5,155
Prepaid expenses and other current assets	512	402	4,257
Total current assets	48,299	46,026	401,588
PROPERTY, PLANT AND EQUIPMENT			
Land	15,476	15,476	128,677
Buildings and structures	42,594	42,506	354,153
Machinery and vehicles	50,358	53,536	418,707
Furniture and fixtures	5,819	5,705	48,382
Lease assets (Notes 5 and 13)	1,782	1,438	14,816
Construction in progress	849	153	7,059
Total	116,880	118,817	971,813
Accumulated depreciation	(80,099)	(81,438)	(665,993)
Net property, plant and equipment	36,780	37,378	305,811
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 14)	16,120	9,811	134,031
Investments in associated companies	264	258	2,195
Intangible assets	1,364	1,237	11,341
Deferred tax assets (Note 12)	113	412	939
Other long-term assets	1,384	1,126	11,507
Allowance for doubtful accounts	(217)	(245)	(1,804)
Total investments and other assets	19,030	12,600	158,227
TOTAL	¥ 104,110	¥ 96,004	$ 865,635

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2015 and 2014

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 5, 8 and 14)	¥ 2,043	¥ 4,525	$ 16,986
Payables (Note 14):			
Trade notes	8,423	8,330	70,034
Trade accounts	10,004	10,326	83,179
Income taxes payable	498	366	4,140
Accrued bonuses	1,143	1,127	9,503
Other current liabilities	5,199	5,141	43,227
Total current liabilities	27,312	29,817	227,089
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5, 8 and 14)	12,061	8,602	100,282
Liability for retirement benefits (Note 9)	5,286	6,104	43,951
Deferred tax liabilities (Note 12)	2,235	184	18,583
Other long-term liabilities	202	221	1,679
Total long-term liabilities	19,786	15,112	164,513
EQUITY (Notes 10 and 16):			
Common stock—authorized, 360,800,000 shares; issued, 90,200,000 shares as of March 31, 2015 and 2014	4,510	4,510	37,498
Capital surplus	1,742	1,742	14,484
Retained earnings	43,963	43,078	365,535
Treasury stock—at cost, 2,414,256 shares as of March 31, 2015 and 2,410,552 shares as of March 31, 2014	(547)	(545)	(4,548)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	7,021	2,665	58,376
Foreign currency translation adjustments	188	15	1,563
Remeasurement of defined benefit plans	126	(397)	1,047
Total	57,004	51,069	473,966
Minority interests	7	5	58
Total equity	57,012	51,074	474,033
TOTAL	¥ 104,110	¥ 96,004	$ 865,635

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES (Note 17)	¥ 92,483	¥ 94,479	$ 768,961
COST OF SALES (Note 2.l)	77,160	78,881	641,556
Gross profit	15,323	15,598	127,405
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2.l, 9 and 17):			
Delivery expenses	4,319	4,237	35,910
Travel and communication expense	345	339	2,868
Provision of allowance for doubtful accounts	(24)	157	(199)
Salaries and allowances	5,072	4,957	42,171
Provision for employees' bonuses	333	345	2,768
Provision for directors' bonuses	60	54	498
Retirement benefit expenses	384	419	3,192
Employee benefits	1,167	1,126	9,703
Depreciation	254	251	2,111
Other	1,638	1,608	13,619
Total selling, general and administrative expenses	13,551	13,498	112,671
Operating income	1,772	2,100	14,733
OTHER INCOME (EXPENSES):			
Interest and dividend income	219	209	1,820
Interest expenses	(155)	(212)	(1,288)
Gain on sales of goods	319	308	2,652
Rent income (expenses) on facilities	117	113	972
Dividend income of insurance	131	135	1,089
Gain (loss) on sales and retirement of non-current assets (Note 11)	(236)	(168)	(1,962)
Other—net	154	185	1,280
Other income—net	549	571	4,564
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,321	2,671	19,298
INCOME TAXES (Note 12):			
Current	801	627	6,660
Deferred	102	448	848
Total income taxes	904	1,076	7,516
INCOME BEFORE MINORITY INTERESTS	1,417	1,595	11,781
MINORITY INTERESTS IN NET INCOME	1	2	8
NET INCOME	¥ 1,415	¥ 1,592	$ 11,765

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2015 and 2014

	Yen		U.S. Dollars
	2015	2014	2015
PER SHARE OF COMMON STOCK (Notes 2.p and 10):			
Basic net income	¥ 16.13	¥ 18.14	$ 0.13
Diluted net income	15.51	-	0.12
Cash dividends applicable to the year	8.00	8.00	0.06

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
INCOME BEFORE MINORITY INTERESTS	¥ 1,417	¥ 1,595	$ 11,781
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain (loss) on available-for-sale securities	4,356	720	36,218
Foreign currency translation adjustments	172	13	1,430
Remeasurement of defined benefit plans	523	-	4,348
Share of other comprehensive income in associate accounted for using the equity method	(0)	2	(0)
Total other comprehensive income	5,051	736	41,997
COMPREHENSIVE INCOME	¥ 6,469	¥ 2,331	$ 53,787
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 6,467	¥ 2,329	$ 53,770
Minority interests	1	2	8

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2015 and 2014

	Number of Shares of		Millions of Yen				
	Common Stock Issued	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2013	90,200,000	2,408,352	¥ 4,510	¥ 1,742	¥ 42,188	¥ (545)	¥ 47,896
Net income					1,592		1,592
Cash dividends, ¥8.00 per share					(702)		(702)
Purchase of treasury stock (Note 10)		2,200				(0)	(0)
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2014	90,200,000	2,410,552	¥ 4,510	¥ 1,742	¥ 43,078	¥ (545)	¥ 48,785
Cumulative effects of changes in accounting policies					171		171
Restated balance	90,200,000	2,410,552	4,510	1,742	43,250	(545)	48,957
Net income					1,415		1,415
Cash dividends, ¥8.00 per share					(702)		(702)
Purchase of treasury stock (Note 10)		3,704				(1)	(1)
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2015	90,200,000	2,414,256	¥ 4,510	¥ 1,742	¥ 43,963	¥ (547)	¥ 49,669

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	¥ 1,942	¥ 2	¥ -	¥ 1,944	¥ -	¥ 49,840
Net income						1,592
Cash dividends, ¥8.00 per share						(702)
Purchase of treasury stock (Note 10)						(0)
Net change in the item other than those in shareholder's equity	723	13	(397)	339	5	344
BALANCE, MARCH 31, 2014	¥ 2,665	¥ 15	¥ (397)	¥ 2,283	¥ 5	¥ 51,074
Cumulative effects of changes in accounting policies						171
Restated balance	2,665	15	(397)	2,283	5	51,246
Net income						1,415
Cash dividends, ¥8.00 per share						(702)
Purchase of treasury stock (Note 10)						(1)
Net change in the item other than those in shareholder's equity	4,355	172	523	5,051	1	5,053
BALANCE, MARCH 31, 2015	¥ 7,021	¥ 188	¥ 126	¥ 7,335	¥ 7	¥ 57,012

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2015 and 2014

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2014	$ 37,498	$ 14,484	$ 358,177	$ (4,531)	$ 405,629
Cumulative effects of changes in accounting policies			1,421		1,421
Restated balance	37,498	14,484	359,607	(4,531)	407,059
Net income			11,765		11,765
Cash dividends, $0.06 per share			(5,836)		(5,836)
Purchase of treasury stock (Note 10)				(8)	(8)
Net change in the item other than those in shareholder's equity					
BALANCE, MARCH 31, 2015	$ 37,498	$ 14,484	$ 365,535	$ (4,548)	$ 412,979

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2014	$ 22,158	$ 124	$ (3,300)	$ 18,982	$ 41	$ 424,661
Cumulative effects of changes in accounting policies						1,421
Restated balance	22,158	124	(3,300)	18,982	41	426,091
Net income						11,765
Cash dividends, $0.06 per share						(5,836)
Purchase of treasury stock (Note 10)						(8)
Net change in items other than those in shareholders' equity	36,210	1,430	4,348	41,997	8	42,013
BALANCE, MARCH 31, 2015	$ 58,376	$ 1,563	$ 1,047	$ 60,987	$ 58	$ 474,033

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,321	¥ 2,671	$ 19,298
Adjustments for:			
Income taxes—paid	(670)	(615)	(5,570)
Depreciation and amortization	4,322	4,424	35,935
(Gain) Loss on sales and retirement of property, plant and equipment	235	167	1,953
(Gain) Loss on sales of investment securities	(61)	(10)	(507)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	901	984	7,491
(Increase) Decrease in inventories	(1,009)	158	(8,389)
Increase (Decrease) in trade payables	(229)	194	(1,904)
Increase (Decrease) in allowance for doubtful accounts	(30)	128	(249)
Increase (Decrease) in liability for retirement benefits	252	222	2,095
Increase (Decrease) in accrued consumption tax	571	99	4,747
Other—net	51	(358)	424
Total adjustments	4,333	5,394	36,027
Net cash provided by operating activities	6,655	8,065	55,333
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(3,590)	(3,188)	(29,849)
Purchases of intangible assets	(546)	(472)	(4,539)
Proceeds from sales of property, plant and equipment	41	32	340
Purchases of investment securities	(124)	(92)	(1,031)
Proceeds from sales of investment securities	123	28	1,022
Net proceeds from purchase of investment in subsidiary resulting in change of scope of consolidation	-	56	-
Other—net	(364)	(100)	(3,026)
Net cash used in investing activities	(4,460)	(3,736)	(37,083)
FORWARD	¥ 2,194	¥ 4,329	$ 18,242

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
FORWARD	¥ 2,194	¥ 4,329	$ 18,242
FINANCING ACTIVITIES:			
Repayments of long-term debt	(4,526)	(3,442)	(37,631)
Proceeds from issuance of bonds with subscription rights to shares	4,982	-	41,423
Dividends paid	(702)	(702)	(5,836)
Other—net	(1)	(0)	(8)
Net cash used in financing activities	(248)	(4,145)	(2,062)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	151	9	1,255
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,097	193	17,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,271	13,077	110,343
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 15,368	¥ 13,271	$ 127,779

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years Ended March 31, 2015 and 2014

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of KYODO PRINTING CO., LTD. (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.27 to $1, the approximate rate of exchange as of March 31, 2015. 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.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollar except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***a. Consolidation*—**The consolidated financial statements as of March 31, 2015, include the accounts of the Company and all its 12 (12 in 2014) subsidiaries.

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

From the year ended March 31, 2015, KYODO PRINTING (VIETNAM) CO. LTD. has been newly included in the scope of consolidation and reported in "Living and industrial materials" segment since the Company completed payment of the capital in August 2014. Nihon Shoseki Shinsha Co., Ltd., which was reported in "Other" segment, is excluded from the scope of consolidation due to the completion of liquidation in the year ended March 31, 2015.

Investment in one (one in 2014) associated company is accounted for by the equity method for the year ended March 31, 2015.

Investment in the other associated company, which is not accounted for by the equity method, is stated at cost because its impact on the consolidated financial statements has been immaterial in terms of the aggregated amount of assets, net sales, net income and retained earnings.

The fiscal year-end of two consolidated foreign subsidiaries is at the end of December. The financial statements of the subsidiaries as of and for the years ended December 31, 2014 and 2013 were used in preparing the accompanying consolidated financial statements, with adjustments made as necessary to account for significant transactions occurring during the period from their fiscal year-end to the consolidated balance sheet date.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Cash and Cash Equivalents—***Cash and cash equivalents include cash on hand, readily available deposits and short-term investments which are easily convertible into cash, are exposed to insignificant risk of changes in value and mature within three months of the date of acquisition.

c. ***Inventories***—Merchandise and work in process inventories of the Company are stated at the lower of cost, determined by the specific identification method, or net selling value, while those of the consolidated subsidiaries are stated at the lower of cost, principally determined by retail method, or net selling value.

   Raw materials and supplies are stated at the lower of cost, principally determined by the first-in, first-out method, or net selling value except for those of two consolidated subsidiaries which are stated at the lower of cost, determined by the specific identification method, or net selling value.

d. ***Marketable and Investment Securities***—The Group classifies all investment securities as available-for-sale securities, and reports marketable securities at fair value, with unrealized gains and losses (net of applicable taxes) as a separate component of equity. The cost of securities sold is determined by the moving-average method.

   Nonmarketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Allowance for Doubtful Accounts***—Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience for normal receivables and an evaluation of potential losses in the receivables outstanding.

f. ***Property, Plant and Equipment***—Property, plant and equipment, except for lease assets, are stated at cost. Depreciation of property, plant and equipment of the Group is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings (excluding structures) acquired after April 1, 1998. The ranges of useful lives are principally 31 to 50 years for buildings and structures, and 4 to 10 years for machinery and vehicles.

g. ***Intangible Assets***—Intangible assets, except for lease assets, are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method over five years.

h. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. ***Leases***—In March 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

   Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.
The lease assets are depreciated over the lease term on a straight-line basis assuming the residual value is equal to zero (guaranteed residual value, if there is such agreement.).

All other leases are accounted for as operating leases.

j. Retirement and Pension Plans—The Group has defined benefit plans and defined contribution plans for employees' benefits.

In calculation of the projected benefit obligations, expected benefit is attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a benefit formula basis over eight years within the average remaining service period. Past service costs are amortized on a straight-line basis over eight years within the average remaining service period. Certain subsidiaries adopt a simplified method and regard payable amount assuming voluntary retirement of all employees at the end of fiscal year and the most recent actuarial obligation of pension plan finance calculation as projected benefit obligations.

k. Accrued Bonuses—Bonuses to employees and directors are accrued at the year-end to which such bonuses are attributable.

l. Research and Development Costs—Research and development costs are charged to income as incurred. Research and development costs for the years ended March 31, 2015 and 2014 were ¥1,442 million ($11,989 thousand) and ¥1,481 million, respectively.

m. Bond Issuance Cost—Bond issuance cost is charged to expense as incurred.

n. Income Taxes**—**Provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

o. Derivatives and Hedging Activities—The Group uses interest rate swaps to manage its exposures to fluctuations in interest risks in accordance with its internal policies. These contracts are used for its long-term bank loans. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps used by certain domestic consolidated subsidiaries which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income (referred to as an exceptional treatment to the basic deferral method).

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common stock outstanding for the period.

The basic net income available to common shareholders and weighted-average number of common stock used in the computation were ¥1,415 million ($11,765 thousand) and 87,787 thousand shares for the year ended March 31, 2015 and ¥1,592 million and 87,790 thousand shares for the year ended March 31, 2014, respectively.

Diluted net income per share is computed assuming that all the subscription rights to shares are exercised at the beginning of the year (or at the time of issuance). In computing the diluted net income for the year ended March 31, 2015, adjustment to net income is null and number of common stock increased is 3,520 thousand shares. Diluted net income per share for the year ended March 31, 2014 is not disclosed because there were no dilutive shares.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

3. CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Retirement Benefits, etc.

Effective April 1, 2014, the Group applied the provisions set forth in paragraph 35 the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (the “ASBJ”) Statement No.26, issued May 17, 2012; hereinafter, the “Retirement Benefit Standard”) and paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, issued March 26, 2015; hereinafter, the “Retirement Benefit Guidance”). Accordingly, the Group changed the method of attributing expected benefit to periods from a straight line basis to a benefit formula basis and also changed the method of determining the discount rate for which a term of bonds is referred to from the method based on a period approximating the average remaining service period to the method using a single weighted average discount rate that reflects the expected timing and amount of benefit payments.

The Retirement Benefit Standard, etc. were applied in a transitional manner as provided in paragraph 37 of the Retirement Benefit Standard, and the amount of effect of the change in the method of calculating projected benefit obligations and service cost is stated as increase or decrease in retained earnings as of April 1, 2014.

As a result, liability for retirement benefits decreased by ¥266 million ($2,211 thousand) and retained earnings increased by ¥171 million ($1,421 thousand) as of April 1, 2014. The effects to operating income and income before income taxes and minority interests for the year ended March 31, 2015 were immaterial.

Also, the effects to basic net income per share and diluted net income per share were immaterial.

4. CHANGES IN METHOD OF PRESENTATION

(Consolidated balance sheets)
From the year ended March 31, 2015, “Receivables: Other,” which had been separately listed, has been included in “Prepaid expenses and other current assets.” It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.
As a result, in the consolidated balance sheets for the year ended March 31, 2014, “Receivables: Other” of ¥179 million and “Prepaid expenses and other current assets” of ¥223 million were reclassified as “Prepaid expenses and other current assets” of ¥402 million.

From the year ended March 31, 2015, “Payables: Other,” which had been separately listed, has been included in “Other current liabilities.” It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.
As a result, in the consolidated balance sheets for the year ended March 31, 2014, “Payables: Other” of ¥248 million and “Other current liabilities” of ¥4,893 million were reclassified as “Other current liabilities” of ¥5,141 million.

(Consolidated statements of income)
From the year ended March 31, 2015, “Rent income (expenses) on facilities,” “Dividend income of insurance” and “Gain (loss) on sales and retirement of non-current assets,” which had been included in “Other-net” under “OTHER INCOME (EXPENSES),” has been separately listed. It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.
As a result, in the consolidated statements of income for the year ended March 31, 2014, “Other-net” of ¥266 million was reclassified as “Rent income (expenses) on facilities” of ¥113 million, “Dividend income of insurance” of ¥135 million, “Gain (loss) on sales and retirement of non-current assets” of ¥(168) million, and “Other-net” of ¥185 million.

(Consolidated statements of cash flows)

From the year ended March 31, 2015, “Increase (Decrease) in accrued consumption tax,” which had been included in “Other-net” under “OPERATING ACTIVITIES,” has been separately listed. It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2014, “Other-net” of ¥(259) million was reclassified as “Increase (Decrease) in accrued consumption tax” of ¥99 million and “Other-net” of ¥(358) million.

From the year ended March 31, 2015, “Proceeds from sales of property, plant and equipment,” which had been included in “Other-net” under “INVESTING ACTIVITIES,” has been separately listed. It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2014, “Other-net” of ¥(67) million was reclassified as “Proceeds from sales of property, plant and equipment” of ¥32 million and “Other-net” of ¥(100) million.

From the year ended March 31, 2015, “Purchase of treasury stock” under “FINANCING ACTIVITIES,” which had been separately listed, has been included in “Other-net.” In addition, “Repayment of lease obligations,” which had been included in “Other-net” under “FINANCING ACTIVITIES,” has been included in “Repayments of long-term debt.” It has been reclassified in the consolidated financial statements for the year ended March 31, 2014 to reflect this change in presentation method.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2014, “Repayments of long-term debt” of ¥(3,208) million, “Purchase of treasury stock” of ¥(0) million and “Other-net” of ¥(233) million were reclassified as “Repayments of long-term debt” of ¥(3,442) million and “Other-net” of ¥(0) million.

(Retirement and pension plans)

With the revision of Retirement Benefit Guidance, presentation method for notes relating to multiemployer type contributory employee pension fund plans were changed and notes to consolidated financial statements for the year ended March 31, 2014 were reclassified.

Content of reclassification and the amount of major items for the previous year were disclosed in Note 9.

5. SUPPLEMENTARY CASH FLOW INFORMATION

Components of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and time deposits	¥ 15,652	¥ 13,552	$ 130,140
Time deposits exceeding three months to maturity	(283)	(280)	(2,353)
Cash and cash equivalents	¥ 15,368	¥ 13,271	$ 127,779

Increase in Assets and Liabilities due to Consolidation of Subsidiary Previously Unconsolidated

From the year ended March 31, 2014, Digital Catapult Inc. was newly consolidated as a result of acquisition of additional shares. The following represents its assets and liabilities at the date of initial consolidation and reconciliation with acquisition cost and net proceeds from the acquisition.

	Millions of Yen
Current assets	¥ 119
Non-current assets	79
Goodwill	0
Current liabilities	(125)
Long-term liabilities	(64)
Minority interests	(2)
Carrying value under the equity method of accounting before acquisition of control	(3)
Acquisition cost	¥ 2
Cash and cash equivalents from the acquisition	(59)
Net proceeds from the acquisition	¥ 56

Significant Noncash Transactions

Assets and liabilities under finance leases newly recognized for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease assets	¥ 510	¥ 429	$ 4,240
Lease obligations	551	451	4,581

6. INVENTORIES

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise and finished products	¥ 2,725	¥ 2,006	$ 22,657
Work in process	2,261	2,187	18,799
Raw materials and supplies	977	760	8,123
Total	¥ 5,964	¥ 4,955	$ 49,588

7. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Short-term investments:			
Time deposits exceeding three months to maturity	¥ 283	¥ 280	$ 2,353
Unlisted debt securities	-	7	-
Total	¥ 283	¥ 288	$ 2,353
Investment securities:			
Marketable equity securities	¥ 15,703	¥ 9,268	$ 130,564
Unlisted equity securities	409	522	3,400
Unlisted debt securities	7	-	58
Other	-	20	-
Total	¥ 16,120	¥ 9,811	$ 134,031

The acquisition costs and aggregate fair values of marketable and investment securities as of March 31, 2015 and 2014 were as follows:

	Millions of Yen			
March 31, 2015	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 5,311	¥ 10,480	¥ 88	¥ 15,703
March 31, 2014				
Equity securities	¥ 5,146	¥ 4,201	¥ 79	¥ 9,268

	Thousands of U.S. Dollars			
March 31, 2015	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 44,158	$ 87,137	$ 731	$ 130,564

The information for available-for-sale securities which were sold during the years ended March 31, 2015 and 2014 is as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 123	¥ 61	¥ -
March 31, 2014			
Equity securities	¥ 28	¥ 10	¥ -

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 1,022	$ 507	$ -

Loss on valuation of investment securities for the years ended March 31, 2015 and 2014 were ¥20 million ($166 thousand) and ¥1 million, respectively.

8. LONG-TERM DEBT

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unsecured 1.77% bonds, due 2014	¥ -	¥ 2,000	$ -
Unsecured 1.37% bonds, due 2016	5,000	5,000	41,573
Unsecured bonds with subscription rights to shares, due 2019	5,000	-	41,573
Loans from banks, due through 2018 with a weighted-average rate of 1.25% in 2015 and 1.31% in 2014:			
Unsecured	2,931	5,181	24,370
Lease obligations	1,174	946	9,761
Total	¥ 14,105	¥ 13,128	$ 117,277
Less current portion	(2,043)	(4,525)	(16,986)
Long-term debt, less current portion	¥ 12,061	¥ 8,602	$ 100,282

Description of unsecured bonds with subscription rights to shares is as follows:

Name of bond	JPY 5,000,000,000 zero coupon JPY convertible notes (notes with stock acquisition rights, *tekanshasaigata shinkabu yoyakuken-tsuki shasai*) due December 12, 2019
Stock to be issued	Common stock
Issue price of subscription rights to shares	None
Issue price of stock	¥437 ($3.63)
Total issue amount	¥5,000 million ($41,573 thousand)
Total amount of new stock issued by exercising subscription rights to shares	-
Allotment ratio of subscription rights to shares	100%
Exercise period	From December 24, 2014 to November 28, 2019

Note: Contributions upon exercise of subscription rights to shares are to be in this bond and amount of such bond is equal to face value of the bond.

Annual maturities of long-term debt as of March 31, 2015, were as follows:

Year Ending March 31	Bonds Millions of Yen	Bonds Thousands of U.S. Dollars	Loans Millions of Yen	Loans Thousands of U.S. Dollars	Lease obligations Millions of Yen	Lease obligations Thousands of U.S. Dollars
2016	¥ -	$ -	¥ 1,731	$ 14,392	¥ 312	$ 2,594
2017	5,000	41,573	600	4,988	277	2,303
2018	-	-	600	4,988	197	1,637
2019	-	-	-	-	135	1,122
2020	5,000	41,573	-	-	88	731
2021 and thereafter	-	-	-	-	162	1,371
Total	¥ 10,000	$ 83,146	¥ 2,931	$ 24,370	¥ 1,174	$ 9,761

Annual maturities of long-term debt as of March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen Bonds	Millions of Yen Loans	Millions of Yen Lease Obligations
2015	¥ 2,000	¥ 2,250	¥ 275
2016	-	1,731	238
2017	5,000	600	200
2018	-	600	123
2019	-	-	72
2020 and thereafter	-	-	36
Total	¥ 7,000	¥ 5,181	¥ 946

9. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have defined benefit pension plans and lump-sum retirement payment plans.

In addition to defined contribution plans, certain consolidated subsidiaries participate in multiemployer type contributory pension fund plans for employees in the same industry. Such plans are accounted for same as defined contribution plans, since the amount of plan assets corresponding to each subsidiary cannot be reasonably calculated. In this case, a contribution to the plan is expensed as retirement benefit costs and liability for retirement benefits is not recognized.

Simplified method is applied by certain consolidated subsidiaries in calculating the projected benefit obligations.

Defined Benefit Plans

(1) The changes in projected benefit obligations for the year ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 10,950	¥10,959	$ 91,045
Cumulative effects of changes in accounting policies	(266)	-	(2,211)
Restated balance	10,683	10,959	88,825
Service cost	641	485	5,329
Interest cost	85	175	706
Actuarial gains (losses)	126	(46)	1,047
Benefits paid	(525)	(623)	(4,365)
Balance at end of year	¥ 11,011	¥ 10,950	$ 91,552

Note: The plans accounted for using a simplified method are not included in the above table.

(2) The changes in plan assets for the year ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 5,194	4,495	$ 43,186
Expected return on plan assets	155	-	1,288
Actuarial gains (losses)	636	630	5,288
Contributions from the employer	419	379	3,483
Benefits paid	(307)	(311)	(2,552)
Balance at end of year	¥ 6,097	5,194	$ 50,694

Note: The plans accounted for using a simplified method are not included in the above table.

(3) The changes in liability for retirement benefits for defined benefit plans accounted for using a simplified method for the year ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 347	¥ 380	$ 2,885
Retirement benefit costs	48	23	399
Benefits paid	(16)	(47)	(133)
Contributions to plans	(7)	(7)	(58)
Balance at end of year	¥ 372	¥ 347	$ 3,093

(4) Reconciliation between asset and liability for retirement benefits recorded in the consolidated balance sheets and the balances of projected benefit obligations and plan assets as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded projected benefit obligations	¥ 5,874	¥ 5,729	$ 48,840
Plan assets	(6,178)	(5,277)	(51,367)
	¥ (304)	¥ 451	$ (2,527)
Unfunded projected benefit obligations	5,590	5,652	46,478
Net liability recorded in the consolidated balance sheets	¥ 5,286	¥ 6,104	$ 43,951
Liability for retirement benefits	¥ 5,286	¥ 6,104	$ 43,951
Net liability recorded in the consolidated balance sheets	¥ 5,286	¥ 6,104	$ 43,951

(5) The components of retirement benefit costs for the year ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 641	¥ 485	$ 5,329
Interest cost	85	175	706
Expected return on plan assets	(155)	-	(1,288)
Recognized actuarial (gains) losses	292	283	2,427
Amortization of past service costs	1	1	8
Retirement benefit costs calculated under a simplified method	48	23	399
Retirement benefit costs	¥ 913	¥ 969	$ 7,591

(6) Other comprehensive income on remeasurement of defined benefit plans, before income tax effect, for the year ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Past service costs	¥ 1	¥ -	$ 8
Actuarial gains (losses)	802	-	6,668
Total	¥ 803	¥ -	$ 6,676

(7) Accumulated other comprehensive income on remeasurement of defined benefit plans, before income tax effect, as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized past service costs	¥ 3	¥ 4	$ 24
Unrecognized actuarial gains (losses)	(189)	612	(1,571)
Total	¥ (186)	¥ 617	$ (1,546)

(8) Plan assets as of March 31, 2015 and 2014

(a) Components of plan assets

Major items and component proportion ratio of plan assets were as follows:

	2015	2014
Equity investments	52.1%	52.8%
Debt investments	34.7	32.7
General accounts	9.8	12.2
Other	3.4	2.3
Total	100.0%	100.0%

(b) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Principal actuarial assumptions used for the year ended March 31, 2015 and 2014

	2015	2014
Discount rate	0.8%	1.6%
Long-term expected rate of return on plan assets	3.0%	0.0%
Expected rate of pay raises	1.6%	1.6%

Defined Contribution Plans

The required contribution amount to the defined contribution plans, including the multiemployer plans which are accounted for as same as the defined contribution plans, was ¥13 million ($108 thousand) for the year ended March 31, 2015 and ¥12 million for the year ended March 31, 2014.

Multiemployer Plans

Certain consolidated subsidiaries participate in multiemployer type contributory employee pension fund plans which are accounted for as same as the defined contribution plans in accordance with paragraph 33. (2) of ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" which allows the consolidated subsidiaries to recognize contributions to the plans as retirement benefit costs. Information on such plans available as of March 31, 2015 and 2014 are as follows:

(1) Status of overall plan assets

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2014	March 31, 2013	March 31, 2014
Plan assets	¥ 14,161	¥ 14,008	$ 117,743
Total amount of actuarial obligation of pension plan finance calculation and minimum actuarial reserve (Note)	17,698	17,604	147,152
Net balance	¥ (3,536)	¥ (3,596)	$ (29,400)

Note: This item was disclosed as "Projected benefit obligation" for the year ended March 31, 2014.

(2) Contribution ratio of the Group as a proportion to the entire plan

	Period from April 1, 2013 to March 31, 2014	Period from April 1, 2012 to March 31, 2013
Contribution ratio	1.49%	1.62%

(3) Supplemental information

For the years ended March 31, 2014 and 2013, the net balance presented in (1) above is mainly composed of unamortized past service costs in the pension plan finance calculation of ¥2,671 million ($22,208 thousand) and ¥2,884 million as well as pension shortfall of ¥1,035 million ($8,605 thousand) and ¥ 858 million, respectively. Past service costs are amortized through amortization of principal and interest using the straight-line method over 20 years.

The contribution ratio of the Group as a proportion to the entire plan presented in (2) above is not consistent with the actual contribution ratio of the Group.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal retained earnings (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal retained earnings and legal capital surplus equals 25% of the common stock. Under the Companies Act, the total amount of legal retained earnings and legal capital surplus may be reversed without limitation. The Companies Act also provides that common stock, legal retained earnings, legal capital surplus, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Purchase of Treasury Stock

Increase in treasury stock for the year ended March 31, 2015 and 2014 resulted from purchase of 3,704 and 2,200 shares of less than standard unit, respectively.

11. GAIN (LOSS) ON SALES AND RETIREMENT OF NON-CURRENT ASSETS

Gain (loss) on sales and retirement of non-current assets for the year ended March 31, 2015 and 2014 consisted of the following:

Gain on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Land	¥ 10	¥ -	$ 83
Machinery and vehicles	5	21	41
Other facilities	-	0	-
Total	¥ 16	¥ 21	$ 133

Loss on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Machinery and vehicles	¥ (17)	¥ (1)	$ (141)

Loss on retirement of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Buildings and structures	¥ (94)	¥ (80)	$ (781)
Machinery and vehicles	(130)	(103)	(1,080)
Other facilities	(9)	(3)	(74)
Software	(0)	(1)	(0)
Telephone subscription right	(0)	-	(0)
Total	¥ (235)	¥ (187)	$ (1,953)

12. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38.0% for the year ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets – current:			
Accrued bonuses	¥ 364	¥ 385	$ 3,026
Tax loss carryforwards	22	46	182
Other	235	229	1,953
Offset against deferred tax liabilities – current	(1)	(1)	(8)
Total deferred tax assets – current	¥ 620	¥ 660	$ 5,155
Deferred tax liabilities – current:			
Other	(1)	(1)	(8)
Offset against deferred tax assets – current	1	1	8
Total deferred tax liabilities – current	¥ -	¥ -	$ -
Deferred tax assets – non-current:			
Allowance for doubtful accounts	66	84	548
Liability for retirement benefits	1,754	2,210	14,583
Provision for directors' retirement benefits	20	29	166
Impairment loss	300	352	2,494
Tax loss carryforwards	332	386	2,760
Loss on valuation of investment securities	150	160	1,247
Other	707	747	5,878
Valuation allowance	(686)	(730)	(5,703)
Offset against deferred tax liabilities – non-current	(2,531)	(2,828)	(21,044)
Total deferred tax assets – non-current	¥ 113	¥ 412	$ 939
Deferred tax liabilities – non-current:			
Reserve for advanced depreciation of property, plant and equipment	(1,477)	(1,642)	(12,280)
Unrealized gain (loss) on available-for-sale securities	(3,275)	(1,361)	(27,230)
Other	(13)	(7)	(108)
Offset against deferred tax assets – non-current	2,531	2,828	21,044
Total deferred tax liabilities – non-current	¥ (2,235)	¥ (184)	$ (18,583)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2015 and 2014 are as follows.

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Expenses not deductible for income tax purposes	1.8	2.1
Revenues not reportable for income tax purposes	(1.3)	(1.4)
Per capita inhabitants' tax	1.7	1.4
Accrued bonuses for directors	0.9	0.8
Effect of valuation allowance	(0.8)	(0.0)
Equity in earnings of affiliates accounted for by the equity method	(0.1)	(0.1)
Decrease in deferred tax assets and liabilities due to tax rate changes	9.6	1.8
Special deduction for research and development costs	(4.6)	(3.4)
Other—net	(3.9)	1.1
Actual effective tax rate	38.9%	40.3%

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act on Partial Revision of Local Tax Act, etc." (Act No. 2 of 2015) was promulgated on March 31, 2015 and the corporate income tax rates were lowered from the fiscal year beginning on and after April 1, 2015. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from 35.6% to 33.1% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2015 and to 32.3% for temporary differences which are expected to reverse in the fiscal year beginning on and after April 1, 2016. The effect of this change for the year ended March 31, 2015 was to decrease deferred tax liabilities (net of deferred tax assets) by ¥176 million ($1,463 thousand), to increase income taxes – deferred by ¥160 million ($1,330 thousand), to increase unrealized gain (loss) on available-for-sale securities by ¥330 million ($2,743 thousand), and to increase remeasurement of defined benefit plans by ¥ 6 million ($49 thousand) for the year ended March 31, 2015.

13. LEASES

Finance Leases—Lessee

The Group leases certain printmaking equipment and software.

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased property is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2015 and 2014 are as follows:

Amount of lease payments, depreciation expense and interest expense were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease payments	¥ -	¥ 40	$ -
Depreciation expense	-	37	-
Interest expense	-	0	-

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method over the lease term with no residual value and interest method, respectively.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group's policy is to invest its cash surpluses mainly in short-term deposits and raise funds through loans from banks and other financial institutions as well as through issuance of bonds. In principle, the Group utilizes derivative transactions to control risks from fluctuation in interest rates for loans and bonds and in foreign currency exchange rates for receivables and payables denominated in foreign currencies. Those transactions are conducted within actual demand and are not entered into for speculative trading purposes.

(2) *Nature and Extent of Risks Arising from Financial Instruments as well as Risk Management for Financial Instruments*

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. The Group manages the risk on the basis of its sales management rules (setting standards for payment terms and credit limits), which include monthly controls on due dates and balances of each customer and monitoring of customers' credit condition on a regular basis.

Equity securities, as investment securities, are exposed to market price fluctuation risk. They are mainly composed of shares of companies with which the Group has a business relationship. The Group monitors the fair values and financial position of issuers on a regular basis and continuously evaluates whether the securities should be maintained in consideration of the relationship with the issuer.

Trade payables, such as trade notes and accounts payable, are mostly due within six months.

Short-term borrowings are mainly intended to finance operating transactions and bonds, bonds with subscription rights to shares, long-term bank loans (generally, due within five years) and obligations under finance leases are mainly intended to raise necessary funds for capital investments. Certain long-term bank loans are exposed to interest rate fluctuation risk. The Group utilizes derivative transactions (interest rate swap contracts) as hedging instruments on an individual contract basis, in order to avoid fluctuation risk in interest payments and fix interest expenses. Hedge effectiveness is not assessed because these interest rate swap contracts meet specific matching criteria and qualify for the accounting referred to as an exceptional treatment.

The Group executes and controls derivative transactions in accordance with its internal rules which regulate the authorization of derivative transactions and they are reported to the board of directors on a quarterly basis. The Group enters into derivative transactions only with financial institutions which have a certain level of credit rating in order to mitigate the credit risk.

Trade payables and loans payable are exposed to liquidity risk. The Group manages its liquidity risk through cash management plans which each company prepares on a monthly basis.

(**3**) ***Fair Value of Financial Instruments***

Fair value of financial instruments is based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. The calculated values may fluctuate in case different assumptions are applied.

(*a*) *Fair value of financial instruments*

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 15,368	¥ 15,368	¥ -
Trade notes and accounts receivable	25,611	25,611	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	283	283	-
– available-for-sale securities	15,703	15,703	-
Total	¥ 56,967	¥ 56,967	¥ -
Trade notes and accounts payable	¥ 18,427	¥ 18,427	¥ -
Bonds	5,000	5,032	32
Bonds with subscription rights to shares	5,000	5,175	175
Long-term bank loans	2,931	2,934	3
Total	¥ 31,358	¥ 31,569	¥ 211
March 31, 2014			
Cash and cash equivalents	¥ 13,271	¥ 13,271	¥ -
Trade notes and accounts receivable	26,511	26,511	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	280	280	-
– available-for-sale securities	9,268	9,268	-
Total	¥ 49,331	¥ 49,331	¥ -
Trade notes and accounts payable	¥ 18,656	¥ 18,656	¥ -
Bonds	7,000	7,004	4
Long-term bank loans	5,181	5,194	13
Total	¥ 30,837	¥ 30,854	¥ 17

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 127,779	$ 127,779	$ -
Trade notes and accounts receivable	212,945	212,945	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	2,353	2,353	-
– available-for-sale securities	130,564	130,564	-
Total	$ 473,659	$ 473,659	$ -
Trade notes and accounts payable	$ 153,213	$ 153,213	$ -
Bonds	41,573	41,839	266
Bonds with subscription rights to shares	41,573	43,028	1,455
Long-term bank loans	24,370	24,395	24
Total	$ 260,730	$ 262,484	$ 1,754

Cash and Cash Equivalents, Trade Notes and Accounts Receivable

The carrying values approximate fair value because of their short maturities.

Short-Term Investments and Investment Securities

For time deposits exceeding three months to maturity, the carrying values approximate fair value because of their short maturities. The fair values of equity securities are measured at the quoted market price of the stock exchange. Fair value information on marketable and investment securities by classification is included in Note 7.

Trade Notes and Accounts Payable

The carrying values approximate fair value because of their short maturities.

Bonds (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the rate which reflects the remaining period and credit risk.

Bonds with Subscription Rights to Shares

The fair values are measured by the price obtained from the partner financial institutions.

Long-Term Bank Loans (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new loan were entered into.

(*b*) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unlisted equity securities	¥ 673	¥ 781	$ 5,595
Unlisted debt securities	7	7	58
Other	-	20	-

These are not included in (3)(a) Short-term investments and investment securities as it is extremely difficult to determine their fair value since there is no market price.

(4) ***Maturity Analysis for Financial Assets and Securities with Contractual Maturities***

	Millions of Yen			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 15,368	¥ -	¥ -	¥ -
Trade notes and accounts receivable	25,611	-	-	-
Short-term investments and investment securities:				
Time deposits	283	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	7	-
Total	¥ 41,263	¥ -	¥ 7	¥ -
March 31, 2014				
Cash and cash equivalents	¥ 13,271	¥ -	¥ -	¥ -
Trade notes and accounts receivable	26,511	-	-	-
Short-term investments and investment securities:				
Time deposits	280	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	7	-	-	-
Total	¥ 40,070	¥ -	¥ -	¥ -

	Thousands of U.S. Dollars			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 127,779	$ -	$ -	$ -
Trade notes and accounts receivable	212,945	-	-	-
Short-term investments and investment securities:				
Time deposits	2,353	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	58	-
Total	$ 343,086	$ -	$ 58	$ -

Please see Note 8 for annual maturities of long-term debt including lease obligations.

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 6,331	¥ 1,118	$ 52,639
Reclassification adjustments to profit or loss	(61)	(7)	(507)
Amount before income tax effect	¥ 6,270	¥ 1,110	$ 52,132
Income tax effect	(1,913)	(390)	(15,905)
Total	¥ 4,356	¥ 720	$ 36,218
Foreign currency translation adjustments:			
Gain (loss) arising during the year	172	13	1,430
Remeasurement of defined benefit plans:			
Gain (loss) arising during the year	509	-	4,232
Reclassification adjustments to profit and loss	293	-	2,436
Amount before income tax effect	¥ 803	¥ -	$ 6,676
Income tax effect	(279)	-	(2,319)
Total	¥ 523	¥ -	$ 4,348
Share of other comprehensive income in associate accounted for using the equity method:			
Gain (loss) arising during the year	(0)	2	(0)
Total other comprehensive income	¥ 5,051	¥ 736	$ 41,997

16. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2015, was approved at the Company's shareholders meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 ($0.03) per share	¥ 351	$ 2,918

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Segment Information

(1) Description of reportable segments

The Group consists of various divisions classified by products and services. Each division designs its comprehensive strategy for the products and services and operates business. For those divisions, separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how to allocate resources and to assess performance.

As reportable segments, those divisions which cover similar products and services are integrated into three reportable segments; that is “Publications and commercial printing,” “Business media” and “Living and industrial materials.” “Publications and commercial printing” mainly covers periodicals, books, general commercial printing and related services. “Business media” mainly covers business forms, securities printing, cards and related services. “Living and industrial materials” mainly covers metal printing, tubes, paper containers, flexible packaging and construction materials.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2 “Summary of Significant Accounting Policies,” except for the valuation method for inventories.

Inventories are stated at cost.

Segment profits correspond to operating income. Intersegment revenues and transfers are based on prices which are set taking into account market prices and manufacturing costs.

(3) Information about sales, profit (loss), assets, liabilities and other items

	Millions of Yen			
	Reportable Segment			
March 31, 2015	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 44,003	¥ 27,090	¥ 19,596	¥ 90,690
Intersegment sales or transfers	1,933	1,135	386	3,455
Total	¥ 45,936	¥ 28,226	¥ 19,982	¥ 94,145
Segment profit	¥ 572	¥ 920	¥ 283	¥ 1,776
Segment assets	27,331	17,859	19,128	64,319
Other (*4):				
Depreciation and amortization	1,193	1,223	1,271	3,689
Increase in property, plant and equipment and intangible assets	493	961	1,722	3,177

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 1,793	¥ 92,483	¥ -	¥ 92,483
Intersegment sales or transfers	8,570	12,026	(12,026)	-
Total	¥ 10,364	¥ 104,510	¥ (12,026)	¥ 92,483
Segment profit	¥ 384	¥ 2,160	¥ (388)	¥ 1,772
Segment assets	3,038	67,357	36,752	104,110
Other (*4):				
Depreciation and amortization	138	3,827	494	4,322
Increase in property, plant and equipment and intangible assets	131	3,309	969	4,278

March 31, 2014	Millions of Yen			
	Reportable Segment			
	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 45,555	¥ 27,610	¥ 19,614	¥ 92,781
Intersegment sales or transfers	1,928	1,093	361	3,383
Total	¥ 47,484	¥ 28,703	¥ 19,976	¥ 96,164
Segment profit	¥ 961	¥ 719	¥ 375	¥ 2,056
Segment assets	28,626	18,288	18,542	65,457
Other (*4):				
Depreciation and amortization	1,373	1,275	1,195	3,844
Increase in property, plant and equipment and intangible assets	529	1,166	1,673	3,369

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 1,698	¥ 94,479	¥ -	¥ 94,479
Intersegment sales or transfers	8,220	11,604	(11,604)	-
Total	¥ 9,919	¥ 106,083	¥ (11,604)	¥ 94,479
Segment profit	¥ 374	¥ 2,430	¥ (330)	¥ 2,100
Segment assets	3,133	68,591	27,413	96,004
Other (*4):				
Depreciation and amortization	116	3,961	463	4,424
Increase in property, plant and equipment and intangible assets	107	3,477	535	4,013

March 31, 2015	Thousands of U.S. Dollars			
	Reportable Segment			
	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	$ 365,868	$ 225,243	$ 162,933	$ 754,053
Intersegment sales or transfers	16,072	9,437	3,209	28,727
Total	$ 381,940	$ 234,688	$ 166,142	$ 782,780
Segment profit	$ 4,755	$ 7,649	$ 2,353	$ 14,766
Segment assets	227,247	148,490	159,042	534,788
Other (*4):				
Depreciation and amortization	9,919	10,168	10,567	30,672
Increase in property, plant and equipment and intangible assets	4,099	7,990	14,317	26,415

	Thousands of U.S. Dollars			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	$ 14,908	$ 768,961	$ -	$ 768,961
Intersegment sales or transfers	71,256	99,991	(99,991)	-
Total	$ 86,172	$ 868,961	$ (99,991)	$ 768,961
Segment profit	$ 3,192	$ 17,959	$ (3,226)	$ 14,733
Segment assets	25,259	560,048	305,579	865,635
Other (*4):				
Depreciation and amortization	1,147	31,820	4,107	35,935
Increase in property, plant and equipment and intangible assets	1,089	27,513	8,056	35,569

Notes: (*1) "Other" refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(*2) Reconciliations for segment profit refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments. Reconciliations for segment assets refer to corporate assets and primarily consist of financial assets (cash and cash equivalents and investment securities) and assets for control functions. Reconciliations for depreciation and amortization as well as increase in property, plant and equipment and intangible assets are those for corporate assets.

(*3) Segment profits are adjusted to the operating income stated in the consolidated statements of income.

(*4) "Increase in property, plant and equipment and intangible assets" includes long-term prepaid expenses and "Depreciation and amortization" includes amortization of long-term prepaid expenses.

b.   Related Information

(1) Information by product and service

Information by product and service for the years ended March 31, 2015 and 2014 has been omitted because it is identical to segment classification.

(2) Information by geographical area

(a) Sales

Sales information by geographical area for the years ended March 31, 2015 and 2014 has been omitted because sales in Japan accounted for more than 90% of consolidated net sales of the Group.

(b) Property, plant and equipment

Information about property, plant and equipment by geographical area for the years ended March 31, 2015 and 2014 has been omitted because property, plant and equipment in Japan accounted for more than 90% of consolidated property, plant and equipment of the Group.

(3) Information by major customer

Information by major customer for the years ended March 31, 2015 and 2014 has been omitted because no single customer accounts for more than 10% of consolidated net sales of the Group.

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