KYODO PRINTING CO., LTD.
and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2016 and 2015,
and Independent Auditor's Report

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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, 2016, 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.

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, 2016, 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 29, 2016

Gyosei & Co.

GYOSEI & Co.
Certified Public Accountants

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2016 and 2015

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 15)	¥ 14,234	¥ 15,368	$ 126,311
Receivables (Note 15):			
Trade notes	6,007	5,533	53,305
Trade accounts	20,118	20,077	178,525
Allowance for doubtful accounts	(62)	(61)	(550)
Short-term investments (Notes 8 and 15)	376	283	3,336
Inventories (Note 7)	6,470	5,964	57,414
Deferred tax assets (Note 13)	625	620	5,546
Prepaid expenses and other current assets	582	512	5,164
Total current assets	48,353	48,299	429,079
PROPERTY, PLANT AND EQUIPMENT			
Land	15,327	15,476	136,010
Buildings and structures	43,190	42,594	383,263
Machinery and vehicles	48,313	50,358	428,724
Furniture and fixtures	6,037	5,819	53,571
Lease assets (Notes 6 and 14)	2,393	1,782	21,235
Construction in progress	401	849	3,558
Total	115,665	116,880	1,026,399
Accumulated depreciation	(77,368)	(80,099)	(686,556)
Net property, plant and equipment	38,296	36,780	339,834
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 8 and 15)	15,975	16,120	141,760
Investments in associated companies	232	264	2,058
Intangible assets	1,324	1,364	11,749
Deferred tax assets (Note 13)	210	113	1,863
Other long-term assets	1,207	1,384	10,710
Allowance for doubtful accounts	(284)	(217)	(2,520)
Total investments and other assets	18,666	19,030	165,640
TOTAL	¥ 105,315	¥ 104,110	$ 934,554

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2016 and 2015

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 9 and 15)	¥ 6,046	¥ 2,043	$ 53,651
Payables (Note 15):			
Trade notes	8,577	8,423	76,111
Trade accounts	10,119	10,004	89,795
Income taxes payable	1,040	498	9,228
Accrued bonuses	1,199	1,143	10,639
Other current liabilities	5,253	5,199	46,614
Total current liabilities	32,238	27,312	286,076
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 15)	6,834	12,061	60,644
Liability for retirement benefits (Note 10)	5,853	5,286	51,938
Deferred tax liabilities (Note 13)	1,881	2,235	16,691
Other long-term liabilities	238	202	2,111
Total long-term liabilities	14,808	19,786	131,404
EQUITY (Notes 11 and 18):			
Common stock—authorized, 360,800,000 shares; issued, 90,200,000 shares as of March 31, 2016 and 2015	4,510	4,510	40,021
Capital surplus	1,742	1,742	15,458
Retained earnings	45,473	43,963	403,522
Treasury stock—at cost, 2,415,160 shares as of March 31, 2016 and 2,414,256 shares as of March 31, 2015	(547)	(547)	(4,854)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	7,091	7,021	62,924
Foreign currency translation adjustments	143	188	1,268
Remeasurement of defined benefit plans	(154)	126	(1,366)
Total	58,259	57,004	516,984
Non-controlling interests	9	7	79
Total equity	58,269	57,012	517,073
TOTAL	¥ 105,315	¥ 104,110	$ 934,554

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES (Note 19)	¥ 95,097	¥ 92,483	$ 843,881
COST OF SALES (Note 2.l)	78,420	77,160	695,891
Gross profit	16,677	15,323	147,990
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2.l, 10 and 19):			
Delivery expenses	4,271	4,319	37,900
Travel and communication expense	351	345	3,114
Provision of allowance for doubtful accounts	103	(24)	914
Salaries and allowances	5,194	5,072	46,091
Provision for employees' bonuses	380	333	3,372
Provision for directors' bonuses	66	60	585
Retirement benefit expenses	349	384	3,096
Employee benefits	1,234	1,167	10,950
Depreciation	286	254	2,537
Other	1,813	1,638	16,088
Total selling, general and administrative expenses	14,051	13,551	124,687
Operating income (Note 19)	2,625	1,772	23,293
OTHER INCOME (EXPENSES):			
Interest and dividend income	276	219	2,449
Interest expenses	(119)	(155)	(1,055)
Gain on sales of goods	294	319	2,608
Rent income (expenses) on facilities	120	117	1,064
Dividend income of insurance	141	131	1,251
Gain (loss) on sales and retirement of non-current assets (Note 12)	(35)	(236)	(310)
Other—net	193	154	1,712
Other income—net	872	549	7,738
INCOME BEFORE INCOME TAXES	3,498	2,321	31,040
INCOME TAXES (Note 13):			
Current	1,364	801	12,104
Deferred	(81)	102	(718)
Total income taxes	1,283	904	11,385
NET INCOME	2,214	1,417	19,646
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2	1	17
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 2,212	¥ 1,415	$ 19,629

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2016 and 2015

	Yen				U.S. Dollars	
	2016		2015		2016	
PER SHARE OF COMMON STOCK (Notes 2.o and 11):						
Basic net income	¥	25.20	¥	16.13	$	0.22
Diluted net income		22.29		15.51		0.19
Cash dividends applicable to the year		8.00		8.00		0.07

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 2,214	¥ 1,417	$ 19,646
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain (loss) on available-for-sale securities	67	4,356	594
Foreign currency translation adjustments	(44)	172	(390)
Remeasurement of defined benefit plans	(280)	523	(2,484)
Share of other comprehensive income in associate accounted for using the equity method	2	(0)	17
Total other comprehensive income	(254)	5,051	(2,253)
COMPREHENSIVE INCOME	¥ 1,960	¥ 6,469	$ 17,392
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥ 1,957	¥ 6,467	$ 17,366
Non-controlling interests	2	1	17

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2016 and 2015

	Number of Shares of		Millions of Yen				
	Common Stock Issued	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 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 attributable to owners of parent					1,415		1,415
Cash dividends, ¥8.00 per share					(702)		(702)
Purchase of treasury stock (Note 11)		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
Cumulative effects of changes in accounting policies							-
Restated balance	90,200,000	2,414,256	4,510	1,742	43,963	(547)	49,669
Net income attributable to owners of parent					2,212		2,212
Cash dividends, ¥8.00 per share					(702)		(702)
Purchase of treasury stock (Note 11)		904				(0)	(0)
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2016	90,200,000	2,415,160	¥ 4,510	¥ 1,742	¥ 45,473	¥ (547)	¥ 51,178

	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	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 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 attributable to owners of parent						1,415
Cash dividends, ¥8.00 per share						(702)
Purchase of treasury stock (Note 11)						(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
Cumulative effects of changes in accounting policies						-
Restated balance	7,021	188	126	7,335	7	57,012
Net income attributable to owners of parent						2,212
Cash dividends, ¥8.00 per share						(702)
Purchase of treasury stock (Note 11)						(0)
Net change in the item other than those in shareholder's equity	70	(44)	(280)	(254)	2	(251)
BALANCE, MARCH 31, 2016	¥ 7,091	¥ 143	¥ (154)	¥ 7,080	¥ 9	¥ 58,269

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2016 and 2015

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2015	$ 40,021	$ 15,458	$ 390,123	$ (4,854)	$ 440,757
Cumulative effects of changes in accounting policies					-
Restated balance	40,021	15,458	390,123	(4,854)	440,757
Net income attributable to owners of parent			19,629		19,629
Cash dividends, $0.07 per share			(6,229)		(6,229)
Purchase of treasury stock (Note 11)				(0)	(0)
Net change in the item other than those in shareholder’s equity					
BALANCE, MARCH 31, 2016	$ 40,021	$ 15,458	$ 403,522	$ (4,854)	$ 454,148

	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	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2015	$ 62,303	$ 1,668	$ 1,118	$ 65,090	$ 62	$ 505,918
Cumulative effects of changes in accounting policies						-
Restated balance	62,303	1,668	1,118	65,090	62	505,918
Net income attributable to owners of parent						19,629
Cash dividends, $0.07 per share						(6,229)
Purchase of treasury stock (Note 11)						(0)
Net change in items other than those in shareholders’ equity	621	(390)	(2,484)	(2,253)	17	(2,227)
BALANCE, MARCH 31, 2016	$ 62,924	$ 1,268	$ (1,366)	$ 62,827	$ 79	$ 517,073

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,498	¥ 2,321	$ 31,040
Adjustments for:			
Income taxes—paid	(860)	(670)	(7,631)
Depreciation and amortization	4,820	4,322	42,772
(Gain) Loss on sales and retirement of property, plant and equipment	35	235	310
(Gain) Loss on sales of investment securities	(47)	(61)	(417)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	(515)	901	(4,570)
(Increase) Decrease in inventories	(507)	(1,009)	(4,499)
Increase (Decrease) in trade payables	271	(229)	2,404
Increase (Decrease) in liability for retirement benefits	159	252	1,410
Increase (Decrease) in accrued consumption tax	(548)	571	(4,862)
(Increase) Decrease in claims provable in bankruptcy, claims provable in rehabilitation (Note 5)	(107)	42	(949)
Other—net (Note 5)	500	(20)	4,436
Total adjustments	3,200	4,333	28,396
Net cash provided by operating activities	6,698	6,655	59,437
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(5,185)	(3,590)	(46,011)
Purchases of intangible assets	(378)	(546)	(3,354)
Proceeds from sales of property, plant and equipment	555	41	4,925
Purchases of investment securities	(72)	(124)	(638)
Proceeds from sales of investment securities	65	123	576
Other—net	(12)	(364)	(106)
Net cash used in investing activities	(5,027)	(4,460)	(44,609)
FORWARD	¥ 1,670	¥ 2,194	$ 14,819

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
FORWARD	¥ 1,670	¥ 2,194	$ 14,819
FINANCING ACTIVITIES:			
Repayments of long-term debt	(2,090)	(4,526)	(18,546)
Proceeds from issuance of bonds with subscription rights to shares	-	4,982	-
Dividends paid	(702)	(702)	(6,229)
Other—net	(0)	(1)	(0)
Net cash used in financing activities	(2,793)	(248)	(24,784)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(11)	151	(97)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,134)	2,097	(10,063)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,368	13,271	136,374
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 6)	¥ 14,234	¥ 15,368	$ 126,311

See notes to consolidated financial statements.

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 ¥112.69 to $1, the approximate rate of exchange as of March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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, 2016, include the accounts of the Company and all its 12 (12 in 2015) 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.

Investment in one (one in 2015) associated company is accounted for by the equity method for the year ended March 31, 2016.

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 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, 2015 and 2014 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***—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.).

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 straight-line basis over eight years within the average remaining service period from the fiscal year following the respective fiscal year in which the gains or losses are recognized. 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, 2016 and 2015 were ¥1,365 million ($12,112 thousand) and ¥1,442 million, respectively.

m. 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.

n. Derivatives and Hedging Activities—The Group uses foreign currency forward contracts to manage its exposures to fluctuations in foreign currency exchange rates in accordance with its internal policies. These contracts are used for monetary receivables and payables denominated in foreign currencies. 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.

Foreign currency forward contracts are used to hedge changes in foreign currency exchange rates of transactions denominated in foreign currencies. Hedged items are identified on an individual basis. Monetary receivables and payables denominated in foreign currencies hedged by foreign currency forward contracts are accounted for using the allocation method. In principle, the value and maturity of the hedged items are matched with the contracted amount denominated in foreign currencies and the corresponding maturity pursuant to the Group's internal policies, etc. Accordingly, an assessment of hedge effectiveness at the end of the year is omitted since there is a complete correlation with subsequent fluctuations in foreign currency exchange rates.

Foreign currency forward contracts used for intercompany transactions as hedged items are measured at fair value and differences between carrying amount and fair value are charged to income.

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

The net income attributable to common shareholders of parent and weighted-average number of common stock used in the computation were ¥2,212 million ($19,629 thousand) and 87,785 thousand shares for the year ended March 31, 2016 and ¥1,415 million and 87,787 thousand shares for the year ended March 31, 2015, 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 per share for the years ended March 31, 2016 and 2015, adjustment to net income attributable to owners of parent is null and number of common stock increased is 11,441 thousand shares and 3,520 thousand shares, respectively. 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 Revised Accounting Standard for Business Combinations, etc.

Effective from the year ended March 31, 2016, the Group applied "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (the "ASBJ") Statement No. 21, September 13, 2013; hereinafter, the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter, the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter, the "Business Divestitures Accounting Standard"), and other pronouncements. Accordingly, the Group recorded changes in the Company's ownership interest in a subsidiary in the case where the parent retains control over the subsidiary as capital surplus, and changed to the method where acquisition-related costs are recorded as expenses in the fiscal year of incurrence. With respect to business combinations to be implemented after the beginning of the year ended March 31, 2016, the Group changed to the method where revisions to the allocation of acquisition costs due to finalizing amounts from the provisional accounting treatments are reflected in the consolidated financial statements for the period in which the business combination was carried out. In addition, the change in the presentation method of net income and other accounts and the change in the presentation method of minority interests to non-controlling interests were made. The consolidated financial statements for the year ended March 31, 2015 were reclassified to reflect such changes in presentation method.

The Business Combinations Accounting Standard and other pronouncements are applied transitionally as provided for in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and are applied prospectively from the beginning of the year ended March 31, 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows arising from purchase or sales of investments in subsidiaries not resulting in change of scope of consolidation were recorded under "FINANCING ACTIVITIES," and cash flows relating to acquisition-related costs of investments in subsidiaries resulting in change of scope of consolidation and costs arising from purchase or sales of investments in subsidiaries not resulting in change of scope of consolidation were recorded under "OPERATING ACTIVITIES."

There were no effects of this change on profit or loss.

4. NEW ACCOUNTING STANDARDS YET TO BE APPLIED

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

The ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" as a guidance of application of "Accounting Standard for Tax Effect Accounting" (the Business Accounting Council), which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). The guidance in principle continues to apply the framework outlined in the JICPA Audit Committee Report No. 66 "Auditing Treatment of Determining the Recoverability of Deferred Tax Assets," in which entities are classified into five categories, and the amount of deferred tax assets are assessed according to such categories. However, necessary revisions are made to the treatment of the requirements for categorization and amount of deferred tax assets.

The Group expects to apply the new guidance on recoverability of deferred tax assets from the beginning of the year beginning April 1, 2016, and is in process of measuring the effects of applying the new guidance in future applicable periods.

5. CHANGES IN METHOD OF PRESENTATION

(Consolidated statements of cash flows)

From the year ended March 31, 2016, "(Increase) Decrease in claims provable in bankruptcy, claims provable in rehabilitation," which had been included in "Other-net" under "OPERATING ACTIVITIES," has been separately listed. In addition, "Increase (Decrease) in allowance for doubtful accounts," which had been separately listed, has been included in "Other-net" under "OPERATING ACTIVITIES." They have been reclassified in the consolidated financial statements for the year ended March 31, 2015 to reflect this change in presentation method.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2015, "Increase (Decrease) in allowance for doubtful accounts" of ¥(30) million and "Other-net" of ¥51 million were reclassified as "(Increase) Decrease in claims provable in bankruptcy, claims provable in rehabilitation" of ¥42 million and "Other-net" of ¥(20) million.

6. SUPPLEMENTARY CASH FLOW INFORMATION

Components of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and time deposits	¥ 14,611	¥ 15,652	$ 129,656
Time deposits exceeding three months to maturity	(376)	(283)	(3,336)
Cash and cash equivalents	¥ 14,234	¥ 15,368	$ 126,311

Significant Noncash Transactions

Assets and liabilities under finance leases newly recognized for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Lease assets	¥ 867	¥ 510	$ 7,693
Lease obligations	950	551	8,430

7. INVENTORIES

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise and finished products	¥ 2,726	¥ 2,725	$ 24,190
Work in process	2,612	2,261	23,178
Raw materials and supplies	1,131	977	10,036
Total	¥ 6,470	¥ 5,964	$ 57,414

8. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Short-term investments:			
Time deposits exceeding three months to maturity	¥ 376	¥ 283	$ 3,336
Total	¥ 376	¥ 283	$ 3,336
Investment securities:			
Marketable equity securities	¥ 15,749	¥ 15,703	$ 139,755
Unlisted equity securities	218	409	1,934
Unlisted debt securities	7	7	62
Total	¥ 15,975	¥ 16,120	$ 141,760

The acquisition costs and aggregate fair values of marketable and investment securities as of March 31, 2016 and 2015 were as follows:

	Millions of Yen			
March 31, 2016	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 5,536	¥ 10,346	¥ 132	¥ 15,749
March 31, 2015				
Equity securities	¥ 5,311	¥ 10,480	¥ 88	¥ 15,703

	Thousands of U.S. Dollars			
March 31, 2016	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 49,125	$ 91,809	$ 1,171	$ 139,755

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		
		Realized	Realized
March 31, 2016	Proceeds	Gains	Losses
Equity securities	¥ 65	¥ 47	¥ -
March 31, 2015			
Equity securities	¥ 123	¥ 61	¥ -

	Thousands of U.S. Dollars		
		Realized	Realized
March 31, 2016	Proceeds	Gains	Losses
Equity securities	$ 576	$ 417	$ -

Loss on valuation of investment securities were ¥19 million ($168 thousand) for available-for-sale securities for the year ended March 31, 2016 and ¥0 million for available-for-sale securities and ¥20 million for other securities for the year ended March 31, 2015.

9. LONG-TERM DEBT

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured 1.37% bonds, due 2016	¥ 5,000	¥ 5,000	$ 44,369
Unsecured bonds with subscription rights to shares, due 2019	5,000	5,000	44,369
Loans from banks, due through 2018 with a weighted-average rate of 1.11% in 2016 and 1.25% in 2015:			
Unsecured	1,200	2,931	10,648
Lease obligations	1,680	1,174	14,908
Total	¥ 12,880	¥ 14,105	$ 114,295
Less current portion	(6,046)	(2,043)	(53,651)
Long-term debt, less current portion	¥ 6,834	¥ 12,061	$ 60,644

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 subscription rights to shares, *tenkanshasaigata 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 ($3.87)
Total issue amount	¥5,000 million ($44,369 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, 2016, were as follows:

Year Ending March 31	Bonds		Loans		Lease obligations	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 5,000	$ 44,369	¥ 600	$ 5,324	¥ 446	$ 3,957
2018	-	-	600	5,324	359	3,185
2019	-	-	-	-	315	2,795
2020	5,000	44,369	-	-	230	2,040
2021	-	-	-	-	127	1,126
2022 and thereafter	-	-	-	-	203	1,801
Total	¥ 10,000	$ 88,739	¥ 1,200	$ 10,648	¥ 1,680	$ 14,908

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

Year Ending March 31	Millions of Yen		
	Bonds	Loans	Lease Obligations
2016	¥ -	¥ 1,731	¥ 312
2017	5,000	600	277
2018	-	600	197
2019	-	-	135
2020	5,000	-	88
2021 and thereafter	-	-	162
Total	¥ 10,000	¥ 2,931	¥ 1,174

10. 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 years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 11,011	¥ 10,950	$ 97,710
Cumulative effects of changes in accounting policies	-	(266)	-
Restated balance	11,011	10,683	97,710
Service cost	645	641	5,723
Interest cost	88	85	780
Actuarial gains (losses)	248	126	2,200
Benefits paid	(501)	(525)	(4,445)
Balance at end of year	¥ 11,492	¥ 11,011	$ 101,978

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

(2) The changes in plan assets for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 6,097	¥ 5,194	$ 54,104
Expected return on plan assets	182	155	1,615
Actuarial gains (losses)	(408)	636	(3,620)
Contributions from the employer	430	419	3,815
Benefits paid	(314)	(307)	(2,786)
Balance at end of year	¥ 5,988	¥ 6,097	$ 53,136

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 years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 372	¥ 347	$ 3,301
Retirement benefit costs	36	48	319
Benefits paid	(44)	(16)	(390)
Contributions to plans	(14)	(7)	(124)
Other	0	-	0
Balance at end of year	¥ 349	¥ 372	$ 3,096

(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, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded projected benefit obligations	¥ 6,041	¥ 5,874	$ 53,607
Plan assets	(6,074)	(6,178)	(53,900)
	¥ (33)	¥ (304)	$ (292)
Unfunded projected benefit obligations	5,887	5,590	52,240
Net liability recorded in the consolidated balance sheets	¥ 5,853	¥ 5,286	$ 51,938
Liability for retirement benefits	¥ 5,853	¥ 5,286	$ 51,938
Net liability recorded in the consolidated balance sheets	¥ 5,853	¥ 5,286	$ 51,938

(5) The components of retirement benefit costs for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 645	¥ 641	$ 5,723
Interest cost	88	85	780
Expected return on plan assets	(182)	(155)	(1,615)
Recognized actuarial (gains) losses	248	292	2,200
Amortization of past service costs	1	1	8
Retirement benefit costs calculated under a simplified method	36	48	319
Retirement benefit costs	¥ 835	¥ 913	$ 7,409

(6) Other comprehensive income on remeasurement of defined benefit plans, before income tax effect, for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Past service costs	¥ 1	¥ 1	$ 8
Actuarial gains (losses)	(409)	802	(3,629)
Total	¥ (408)	¥ 803	$ (3,620)

(7) Accumulated other comprehensive income on remeasurement of defined benefit plans, before income tax effect, as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized past service costs	¥ 2	¥ 3	$ 17
Unrecognized actuarial gains (losses)	219	(189)	1,943
Total	¥ 222	¥ (186)	$ 1,970

(8) Plan assets as of March 31, 2016 and 2015

(a) Components of plan assets

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

	2016	2015
Equity investments	48.2%	52.1%
Debt investments	38.5	34.7
General accounts	10.4	9.8
Other	2.9	3.4
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 years ended March 31, 2016 and 2015

	2016	2015
Discount rate	0.8%	0.8%
Long-term expected rate of return on plan assets	3.0%	3.0%
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 ¥8 million ($70 thousand) for the year ended March 31, 2016 and ¥13 million for the year ended March 31, 2015.

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 Statement No. 26, "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, 2016 and 2015 are as follows:

(1) Status of overall plan assets

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2014	March 31, 2015
Plan assets	¥ 14,742	¥ 14,161	$ 130,819
Total amount of actuarial obligation of pension plan finance calculation and minimum actuarial reserve	18,110	17,698	160,706
Net balance	¥ (3,367)	¥ (3,536)	$ (29,878)

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

	Period from April 1, 2014 to March 31, 2015	Period from April 1, 2013 to March 31, 2014
Contribution ratio	1.63%	1.49%

(3) Supplemental information

For the years ended March 31, 2015 and 2014, the net balance presented in (1) above is mainly composed of unamortized past service costs in the pension plan finance calculation of ¥2,510 million ($22,273 thousand) and ¥2,671 million as well as pension shortfall of ¥1,004 million ($8,909 thousand) and ¥ 1,035 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.

11. 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 Subscription Rights to Shares

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, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury stock. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

d. Purchase of Treasury Stock

Increase in treasury stock for the years ended March 31, 2016 and 2015 resulted from purchase of 904 and 3,704 shares of less than standard unit, respectively.

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

Gain (loss) on sales and retirement of non-current assets for the years ended March 31, 2016 and 2015 consisted of the following:

Gain on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥ 331	¥ 10	$ 2,937
Machinery and vehicles	16	5	141
Other facilities	24	-	212
Total	¥ 372	¥ 16	$ 3,301

Loss on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings and structures	¥ (0)	¥ -	$ (0)
Machinery and vehicles	(22)	(17)	(195)
Other facilities	(0)	-	(0)
Software	(0)	-	(0)
Total	¥ (22)	¥ (17)	$ (195)

Loss on retirement of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings and structures	¥ (102)	¥ (94)	$ (905)
Machinery and vehicles	(235)	(130)	(2,085)
Other facilities	(47)	(9)	(417)
Software	(0)	(0)	(0)
Telephone subscription right	-	(0)	-
Total	¥ (385)	¥ (235)	$ (3,416)

13. 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 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets – current:			
Accrued bonuses	¥ 359	¥ 364	$ 3,185
Tax loss carryforwards	22	22	195
Other	245	235	2,174
Offset against deferred tax liabilities – current	(1)	(1)	(8)
Total deferred tax assets – current	¥ 625	¥ 620	$ 5,546
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	87	66	772
Liability for retirement benefits	1,846	1,754	16,381
Provision for directors' retirement benefits	18	20	159
Impairment loss	261	300	2,316
Tax loss carryforwards	364	332	3,230
Loss on valuation of investment securities	120	150	1,064
Other	777	707	6,895
Valuation allowance	(684)	(686)	(6,069)
Offset against deferred tax liabilities – non-current	(2,583)	(2,531)	(22,921)
Total deferred tax assets – non-current	¥ 210	¥ 113	$ 1,863
Deferred tax liabilities – non-current:			
Reserve for advanced depreciation of property, plant and equipment	(1,424)	(1,477)	(12,636)
Unrealized gain (loss) on available-for-sale securities	(3,029)	(3,275)	(26,879)
Other	(11)	(13)	(97)
Offset against deferred tax assets – non-current	2,583	2,531	22,921
Total deferred tax liabilities – non-current	¥ (1,881)	¥ (2,235)	$ (16,691)

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 years ended March 31, 2016 and 2015 are as follows.

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	1.2	1.8
Revenues not reportable for income tax purposes	(2.2)	(1.3)
Per capita inhabitants' tax	1.1	1.7
Accrued bonuses for directors	0.6	0.9
Effect of valuation allowance	0.4	(0.8)
Equity in earnings of affiliates accounted for by the equity method	0.3	(0.1)
Decrease in deferred tax assets and liabilities due to tax rate changes	3.5	9.6
Special deduction for research and development costs	(2.7)	(4.6)
Other—net	1.4	(3.9)
Actual effective tax rate	36.7%	38.9%

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted at the Diet on March 29, 2016 and the corporate income tax rates were lowered from the fiscal year beginning on and after April 1, 2016. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from 32.3% to 30.9% for temporary differences which are expected to reverse in the fiscal years beginning on April 1, 2016 and 2017 and to 30.6% for temporary differences which are expected to reverse in the fiscal years beginning on and after April 1, 2018. The effect of this change was to decrease deferred tax liabilities (net of deferred tax assets) by ¥70 million ($621 thousand), to decrease remeasurement of defined benefit plans by ¥ 3 million ($26 thousand), to increase income taxes – deferred by ¥91 million ($807 thousand), and to increase unrealized gain (loss) on available-for-sale securities by ¥166 million ($1,473 thousand) for the year ended March 31, 2016.

14. LEASES

Finance Leases—Lessee

The Group leases certain printmaking equipment and software.

The depreciation method for lease assets is included in Note 2. i.

15. 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.
Receivables and payables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk. Derivative transactions (foreign currency forward contracts) are utilized as hedging instruments within actual demand. Please see Note 2, n. for details on hedge accounting such as hedging instruments, hedged items, hedging policies and assessment method of hedge effectiveness.

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.

The contract amounts of derivatives presented in Note 16 do not measure the exposure to market risks.

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

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 14,234	¥ 14,234	¥ -
Trade notes and accounts receivable	26,126	26,126	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	376	376	-
– available-for-sale securities	15,749	15,749	-
Derivatives (*)	11	11	-
Total	¥ 56,498	¥ 56,498	¥ -
Trade notes and accounts payable	¥ 18,697	¥ 18,697	¥ -
Bonds	5,000	5,020	20
Bonds with subscription rights to shares	5,000	5,175	175
Long-term bank loans	1,200	1,219	19
Total	¥ 29,897	¥ 30,111	¥ 214

March 31, 2015			
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, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 126,311	$ 126,311	$ -
Trade notes and accounts receivable	231,839	231,839	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	3,336	3,336	-
– available-for-sale securities	139,755	139,755	-
Derivatives (*)	97	97	-
Total	$ 501,357	$ 501,357	$ -
Trade notes and accounts payable	$ 165,915	$ 165,915	$ -
Bonds	44,369	44,546	177
Bonds with subscription rights to shares	44,369	45,922	1,552
Long-term bank loans	10,648	10,817	168
Total	$ 265,303	$ 267,202	$ 1,899

Note: (*) Net receivables and payables arising from derivative transactions are stated at net values.

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 8.

Derivatives

Fair value information for derivatives is included in Note 16.

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
	2016	2015	2016
Unlisted equity securities	¥ 450	¥ 673	$ 3,993
Unlisted debt securities	7	7	62

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, 2016	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	¥ 14,234	¥ -	¥ -	¥ -
Trade notes and accounts receivable	26,126	-	-	-
Short-term investments and investment securities:				
Time deposits	376	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	7	-
Total	¥ 40,737	¥ -	¥ 7	¥ -
March 31, 2015				
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	¥ -

	Thousands of U.S. Dollars			
March 31, 2016	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	$ 126,311	$ -	$ -	$ -
Trade notes and accounts receivable	231,839	-	-	-
Short-term investments and investment securities:				
Time deposits	3,336	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	62	-
Total	$ 361,496	$ -	$ 62	$ -

Please see Note 9 for annual maturities of long-term debt including lease obligations.

16. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

Currency-related transactions

March 31, 2016	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.$	¥ 284	¥ -	¥ 11	¥ 11
Total	¥ 284	¥ -	¥ 11	¥ 11

There were no items to be reported for the year ended March 31, 2015.

March 31, 2016	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.$	$ 2,520	$ -	$ 97	$ 97
Total	$ 2,520	$ -	$ 97	$ 97

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from counterparty financial institutions, etc.

2. The above foreign currency forward contracts, which are used for intercompany transactions accompanied by loans to the Company's subsidiary as hedged items, have applied hedge accounting in the non-consolidated financial statements. However, hedge accounting has not been applied to them in the consolidated financial statements because such intercompany transactions have been eliminated in consolidation.

Derivative Transactions to Which Hedge Accounting Is Applied

There were no items to be reported for the years ended March 31, 2016 and 2015.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (164)	¥ 6,331	$ (1,455)
Reclassification adjustments to profit or loss	(13)	(61)	(115)
Amount before income tax effect	¥ (178)	¥ 6,270	$ (1,579)
Income tax effect	246	(1,913)	2,182
Total	¥ 67	¥ 4,356	$ 594
Foreign currency translation adjustments:			
Gain (loss) arising during the year	(44)	172	(390)
Remeasurement of defined benefit plans:			
Gain (loss) arising during the year	(657)	509	(5,830)
Reclassification adjustments to profit and loss	249	293	2,209
Amount before income tax effect	¥ (408)	¥ 803	$ (3,620)
Income tax effect	128	(279)	1,135
Total	¥ (280)	¥ 523	$ (2,484)
Share of other comprehensive income in associate accounted for using the equity method:			
Gain (loss) arising during the year	2	(0)	17
Total other comprehensive income	¥ (254)	¥ 5,051	$ (2,253)

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2016, was approved at the Company's shareholders meeting held on June 29, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 ($0.03) per share	¥ 351	$ 3,114

19. 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, 2016	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 43,216	¥ 29,947	¥ 19,987	¥ 93,151
Intersegment sales or transfers	1,856	1,294	172	3,323
Total	¥ 45,072	¥ 31,242	¥ 20,159	¥ 96,474
Segment profit (loss)	¥ (41)	¥ 2,433	¥ 246	¥ 2,637
Segment assets	27,220	19,290	19,743	66,254
Other (*4):				
Depreciation and amortization	1,199	1,619	1,279	4,098
Increase in property, plant and equipment and intangible assets	1,568	2,411	1,797	5,777

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 1,946	¥ 95,097	¥ -	¥ 95,097
Intersegment sales or transfers	8,050	11,373	(11,373)	-
Total	¥ 9,996	¥ 106,471	¥ (11,373)	¥ 95,097
Segment profit (loss)	¥ 493	¥ 3,131	¥ (505)	¥ 2,625
Segment assets	3,165	69,420	35,895	105,315
Other (*4):				
Depreciation and amortization	151	4,249	570	4,820
Increase in property, plant and equipment and intangible assets	196	5,973	700	6,674

March 31, 2015	Millions of Yen Reportable Segment 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, 2016	Thousands of U.S. Dollars Reportable Segment Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	$ 383,494	$ 265,746	$ 177,362	$ 826,612
Intersegment sales or transfers	16,469	11,482	1,526	29,487
Total	$ 399,964	$ 277,238	$ 178,888	$ 856,100
Segment profit (loss)	$ (363)	$ 21,590	$ 2,182	$ 23,400
Segment assets	241,547	171,177	175,197	587,931
Other (*4):				
Depreciation and amortization	10,639	14,366	11,349	36,365
Increase in property, plant and equipment and intangible assets	13,914	21,394	15,946	51,264

	Thousands of U.S. Dollars Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	$ 17,268	$ 843,881	$ -	$ 843,881
Intersegment sales or transfers	71,434	100,922	(100,922)	-
Total	$ 88,703	$ 944,813	$ (100,922)	$ 843,881
Segment profit (loss)	$ 4,374	$ 27,784	$ (4,481)	$ 23,293
Segment assets	28,085	616,026	318,528	934,554
Other (*4):				
Depreciation and amortization	1,339	37,705	5,058	42,772
Increase in property, plant and equipment and intangible assets	1,739	53,003	6,211	59,224

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 (loss) 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, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015 has been omitted because no single customer accounts for more than 10% of consolidated net sales of the Group.

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