TOKYO OHKA KOGYO CO., LTD. and Subsidiaries

Consolidated financial statements,
Notes to the consolidated financial statements

TOKYO OHKA KOGYO 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 (Note 6 and Note 19)	¥ 39,565	¥ 39,157	$ 329,716
Time deposits (Note 19)	14,401	14,213	120,010
Receivables:			
Trade notes and accounts (Note 19)	19,422	16,623	161,850
Securities (Note 6)	2,000	—	16,666
Other	1,089	526	9,079
Allowance for doubtful accounts	(35)	(154)	(292)
Inventories (Note 8)	11,555	10,446	96,296
Deferred tax assets (Note 16)	1,821	1,563	15,182
Prepaid expenses and other current assets	1,232	871	10,274
Total current assets	91,054	83,247	758,783
PROPERTY, PLANT AND EQUIPMENT (Note 9):			
Land	9,205	9,014	76,716
Buildings and structures	55,881	52,936	465,679
Machinery and equipment	55,382	42,519	461,522
Furniture and fixtures	16,531	15,687	137,765
Leased assets	0	—	4
Construction in progress	5,420	13,892	45,172
Total	142,423	134,049	1,186,860
Accumulated depreciation	(93,051)	(89,472)	(775,431)
Net property, plant and equipment	49,371	44,577	411,429
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 19)	10,808	6,635	90,069
Investments in and advanced to an unconsolidated subsidiary and associated companies	789	920	6,576
Net defined benefit asset (Note 11)	2,964	896	24,701
Long-term time deposits (Note 19)	18,000	18,000	150,000
Deferred tax assets (Note 16)	60	424	507
Other assets	1,815	1,157	15,126
Total investments and other assets	34,437	28,034	286,981
TOTAL	¥ 174,863	¥ 155,859	$ 1,457,194

See notes to consolidated financial statements.

(Continued)

LIABILITIES AND EQUITY	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
CURRENT LIABILITIES:			
Payables:			
Trade notes and accounts (Note 19)	¥ 9,797	¥ 5,744	$ 81,648
Construction and other	3,051	2,600	25,428
Income taxes payable	2,176	1,988	18,135
Accrued expenses	3,633	3,018	30,280
Advances from customers	14	706	120
Deferred tax liabilities (Note 16)	40	4	336
Other current liabilities (Notes 10 and 19)	581	314	4,844
Total current liabilities	19,295	14,377	160,793
LONG-TERM LIABILITIES:			
Long-term loans payable (Notes 10 and 19)	549	244	4,579
Allowance for retirement benefits (Note 11)	7	8	61
Deferred tax liabilities (Note 16)	2,036	1,034	16,972
Net defined benefit liability (Note 11)	134	93	1,119
Other long-term liabilities	841	138	7,009
Total long-term liabilities	3,569	1,518	29,742
EQUITY (Notes 14 and 22):			
Common stock—authorized, 197,000,000 shares; issued, 46,600,000 shares	14,640	14,640	122,003
Capital surplus	15,207	15,207	126,732
Retained earnings	109,500	103,162	912,506
Treasury stock—at cost, 1,598,326 shares in 2015 and 1,597,486 shares in 2014	(3,183)	(3,280)	(26,529)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,877	2,406	32,311
Foreign currency translation adjustments	5,813	2,936	48,449
Remeasurements of defined benefit plans	1,590	1,380	13,255
Total	147,447	136,453	1,228,729
Stock acquisition rights	191	83	1,593
Minority interests	4,360	3,425	36,335
Total equity	151,999	139,962	1,266,658
TOTAL	¥ 174,863	¥ 155,859	$ 1,457,194

(Concluded)

TOKYO OHKA KOGYO 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	¥ 88,086	¥ 75,269	$ 734,055
COST OF SALES (Notes 11 and 17)	55,101	46,550	459,181
Gross profit	32,984	28,718	274,873
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 17)	19,731	18,693	164,431
Operating income	13,253	10,025	110,442
OTHER INCOME (EXPENSES):			
Interest and dividend income	229	309	1,913
Foreign exchange gain—net	1,459	1,391	12,160
Insurance payment and dividend income	85	279	709
Loss on valuation of derivatives	(460)	—	(3,835)
Loss related to a new factory	(496)	—	(4,140)
Loss on impairment of long-lived assets (Note 9)	(665)	(856)	(5,545)
Gain on revision of retirement benefit plan	622	—	5,189
Other—net	274	516	2,286
Other income (expenses)—net	1,048	1,640	8,737
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,301	11,666	119,180
INCOME TAXES (Note 16):			
Current	4,161	3,148	34,680
Prior years	40	75	334
Deferred	663	333	5,532
Total income taxes	4,865	3,557	40,547
NET INCOME BEFORE MINORITY INTERESTS	9,435	8,108	78,632
MINORITY INTERESTS IN NET INCOME	(617)	(559)	(5,144)
NET INCOME	¥ 8,818	¥ 7,549	$ 73,487

(Continued)

TOKYO OHKA KOGYO 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 15 and 22):			
Basic net income	¥ 196.11	¥ 168.54	$ 1.63
Diluted net income	195.71	168.41	1.63
Cash dividends applicable to the year	60.00	52.00	0.50

See notes to consolidated financial statements.

(Concluded)

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 9,435	¥ 8,108	$ 78,632
OTHER COMPREHENSIVE INCOME (Note 21):			
Unrealized loss on available-for-sale securities	1,471	288	12,259
Foreign currency translation adjustments	3,168	4,544	26,400
Remeasurements of defined benefit plans	210	―	1,752
Share of other comprehensive income in associates	72	107	601
Total other comprehensive income	4,921	4,941	41,013
COMPREHENSIVE INCOME (Note 21)	¥ 14,357	¥ 13,050	$ 119,645
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 21):			
Owners of the parent	¥13,377	¥ 11,943	$ 111,476
Minority interests	980	1,106	8,169

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

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

	Thousands	Millions of yen										
						Accumulated other comprehensive income (loss)						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Subscription rights to shares	Minority interests	Total equity
BALANCE, APRIL 1, 2013	44,762	¥ 14,640	¥ 15,207	¥ 97,773	¥ (3,398)	¥ 2,117	¥ (1,168)	¥ —	¥ 125,172	¥ 17	¥ 2,649	¥ 127,838
Net income	—	—	—	7,549	—	—	—	—	7,549	—	—	7,549
Cash dividends paid:												
Final for prior year, ¥24.0 per share	—	—	—	(1,080)	—	—	—	—	(1,080)	—	—	(1,080)
Interim for current year, ¥24.0 per share	—	—	—	(1,080)	—	—	—	—	(1,080)	—	—	(1,080)
Purchase of treasury stock	(0)	—	—	—	(1)	—	—	—	(1)	—	—	(1)
Disposal of treasury stock	62	—	—	—	120	—	—	—	120	—	—	120
Net change in the year	—	—	—	—	—	288	4,104	1,380	5,774	65	776	6,616
BALANCE, MARCH 31, 2014	44,823	14,640	15,207	103,162	(3,280)	2,406	2,936	1,380	136,453	83	3,425	139,962
Cumulative effect of changes in accounting policy				129					129			129
Beginning balance reflecting defined contribution pension plan	44,823	14,640	15,207	103,292	(3,280)	2,406	2,936	1,380	136,583	83	3,425	140,092
Net income	—	—	—	8,818	—	—	—	—	8,818	—	—	8,818
Cash dividends paid:												
Final for prior year, ¥28.0 per share	—	—	—	(1,260)	—	—	—	—	(1,260)	—	—	(1,260)
Interim for current year, ¥30.0 per share	—	—	—	(1,350)	—	—	—	—	(1,350)	—	—	(1,350)
Purchase of treasury stock	(0)	—	—	—	(2)	—	—	—	(2)	—	—	(2)
Disposal of treasury stock	51	—	—	—	99	—	—	—	99	—	—	99
Net change in the year	—	—	—	—	—	1,471	2,877	210	4,558	108	934	5,601
BALANCE, MARCH 31, 2015	44,873	¥ 14,640	¥ 15,207	¥ 109,500	¥ (3,183)	¥ 3,877	¥ 5,813	¥ 1,590	¥ 147,447	¥ 191	¥ 4,360	¥ 151,999

(Continued)

TOKYO OHKA KOGYO 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)										
					Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Subscription rights to shares	Minority interests	Total equity
BALANCE, MARCH 31, 2014	$ 122,003	$ 126,732	$ 859,687	$ (27,335)	$ 20,052	$ 24,472	$ 11,502	$ 1,137,115	$ 693	$ 28,548	$ 1,166,357
Cumulative effect of changes in accounting policy			1,083					1,083			1,083
Beginning balance reflecting defined contribution pension plan	122,003	126,732	860,770	(27,335)	20,052	24,472	11,502	1,138,198	693	28,548	1,167,440
Net income	—	—	73,487	—	—	—	—	73,487	—	—	73,487
Cash dividends paid:											
		—		—	—	—	—		—	—	
Final for prior year, $0.23 per share	—		(10,500)					(10,500)			(10,500)
Interim for current year, $0.25 per share	—	—	(11,250)	—	—	—	—	(11,250)	—	—	(11,250)
Purchase of treasury stock	—	—	—	(22)	—	—	—	(22)	—	—	(22)
Disposal of treasury stock	—	—	—	827	—	—	—	827	—	—	827
Net change in the year	—	—	—	—	12,259	23,976	1,752	37,988	900	7,787	46,676
BALANCE, MARCH 31, 2015	$ 122,003	$ 126,732	$ 912,506	$ (26,529)	$ 32,311	$ 48,449	$ 13,255	$ 1,228,729	$ 1,593	$ 36,335	$ 1,266,658

See notes to consolidated financial statements.

TOKYO OHKA KOGYO 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	¥ 14,301	¥ 11,666	$ 119,180
Adjustments for:			
Income taxes paid	(3,935)	(2,583)	(32,796)
Depreciation and amortization	4,276	2,672	35,641
Provision for doubtful accounts	(94)	(925)	(785)
Foreign exchange (gain) loss —net	(1,423)	(970)	(11,858)
Loss on impairment of long-lived assets	665	856	5,545
Loss on valuation of derivatives	460	—	3,835
Increase in net defined benefit asset	(1,855)	(297)	(15,462)
Increase in net defined benefit liability	39	21	330
(Increase) decrease in trade notes and accounts receivable	(2,119)	720	(17,658)
(Increase) decrease in inventories	(368)	1,018	(3,073)
Increase (decrease) in trade notes and accounts payable	3,121	(449)	26,009
Decrease in advances from customers	(692)	(652)	(5,768)
Other—net	1,200	804	10,008
Net cash provided by operating activities	13,577	11,881	113,148
INVESTING ACTIVITIES:			
(Deposit) disbursements for time deposits—net	(70)	(157)	(585)
Purchases of property, plant and equipment	(7,052)	(14,616)	(58,770)
Purchases of intangible assets	(456)	(424)	(3,803)
Payments into long-term time deposits	(13,000)	(13,000)	(108,333)
Withdrawal of long-term time deposits	13,000	13,000	108,333
Purchases of investment securities	(2,284)	—	(19,039)
Proceeds from sales of investment securities	—	382	—
Other—net	(333)	323	(2,779)
Net cash used in investing activities	(10,197)	(14,491)	(84,977)
FINANCING ACTIVITIES:			
Proceeds of long-term loans payable	523	—	4,362
Repayments of long-term loans payable	(122)	(122)	(1,016)
Dividends paid	(2,605)	(2,155)	(21,712)
Dividends paid for minority shareholder	(45)	(330)	(382)
Disposal of treasury stock	148	133	1,239
Purchases of treasury stock	(2)	(1)	(22)
Other—net	(6)	4	(57)
Net cash used in financing activities	(2,110)	(2,471)	(17,589)

(Continued)

TOKYO OHKA KOGYO 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
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,138	1,058	9,487
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,408	(4,023)	20,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,157	43,181	326,313
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 41,565	¥ 39,157	$ 346,382

See notes to consolidated financial statements.

(Concluded)

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

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

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to 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. In addition, certain amounts reported in prior years have been reclassified to conform to the current year's presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKYO OHKA KOGYO CO., LTD. (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 to $1, the approximate rate of exchange at 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.

Amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its eight significant subsidiaries (together, the "Group").

Under the control or 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 associated company is accounted for by the equity method. Investments in the remaining one unconsolidated subsidiary and another associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 eliminated.

b. Cash Equivalents— Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less that are readily convertible into cash and exposed to insignificant risk of changes in value.

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

d. Inventories— Merchandise, work in process, raw materials and supplies are stated at the lower of cost, determined by the first-in, first-out method, or net selling value. Finished products are stated at the lower of cost, determined by the average method, or net selling value. Inventories of manufacturing equipment are stated at the lower of cost, determined by the specific identification method, or net selling value, which are included in raw materials, work in process and finished products.

e. ***Investment Securities***— Investment securities are classified and accounted for, depending on management's intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at cost and (ii) available-for-sale securities, other than (i), are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable 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.

f. ***Property, Plant and Equipment***— Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, except for lease assets, of the Company and its consolidated domestic subsidiaries is computed by the straight-line method. The range of useful lives is principally from 10 to 50 years for buildings and structures, and from 3 to 8 years for machinery and equipment, and furniture and fixtures.

g. ***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.

h. ***Other Assets*— **Intangible assets are stated at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years.

i. ***Retirement Benefits***

Retirement benefits to employees (including officers)— The Company and its certain consolidated subsidiaries have funded defined benefit pension plans and lump-sum retirement payment plans.

The companies principally accounted for the retirement benefit obligations based on the projected benefit obligations and plan assets at each balance sheet date.

Prior service cost is amortized by the straight-line method over 10 years. Actuarial gains and losses are amortized by the straight-line method over 10 years from the next period in which they arise.

The Company and certain consolidated subsidiaries terminated their unfunded retirement allowance plan for officers on June 26, 2008. Accordingly, allowance is provided in the amount payable to the eligible officers as of the termination date of the plans for the payment upon their retirement.

Retirement benefits to directors and corporate auditors— Retirement benefits to directors and corporate auditors are provided to state the liability at the amount that would be required if all of them retired at the balance sheet date.

The Company and certain consolidated subsidiaries terminated their unfunded retirement allowance plans for directors and corporate auditors on June 26, 2008. Accordingly, allowance is provided in the amount payable to the eligible directors and corporate auditors as of the termination date of the plans for the payment upon their retirement.

j. ***Asset Retirement Obligations***— The Group recognizes assets retirement obligation for buildings and sub stations in the domestic offices in accordance with the relevant laws. The amount of the asset retirement obligations is calculated with the estimated usable years of eight to 50 years from the acquisition and the discount rate ranging from 0.4% to 2.3%.

k. ***Research and Development Costs*— **Research and development costs are charged to income as incurred.

l. ***Leases*** **—** Leased assets under the finance lease arrangements where the ownership is not transferred to lessees at the end of lease terms are capitalized to recognize lease assets and lease obligations in the balance sheet, except for leases which existed at April 1, 2008 and do not transfer ownership of the leased property to the lessee which are accounted for as operating lease transactions.

All other leases are accounted for as operating leases.

m. ***Bonuses to Directors and Corporate Auditors*****—** Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

n. ***Income Taxes*****—** The 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 tax laws to the temporary differences.

o. ***Foreign Currency Transactions***— All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements*****—** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the period. Differences arising from such translation were recorded in “Foreign currency translation adjustments” and “Minority interests” in Equity.

q. ***Derivative and Hedging Activities***— The Group uses derivative financial instruments to manage its exposures to the fluctuation in foreign currency exchange. Foreign currency forward contracts are utilized by the Group to hedge foreign exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Trade receivables and payables denominated in foreign currencies for which foreign currency forward contracts are used to hedge foreign exchange risk are translated at the contracted rate if the forward contracts qualify for hedge accounting.

r. ***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 shares outstanding during the period.

Diluted net income per share reflects the potential dilution that could occur if securities with dilutive effects were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants at the beginning of the year.

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

3. CHANGES IN ACCOUNTING POLICIES

(Adoption of accounting standard for retirement benefits)
Effective April 1, 2014, the Company adopted ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” issued on May 17, 2012 and ASBJ Guidance No. 25 “Guidance on Accounting Standard for Retirement Benefits” issued on March 26, 2015, with respect to provisions described in Article 35 of Accounting Standard for Retirement Benefits and Article 67 of Guidance on Accounting Standard for Retirement Benefits.
As a result of applying these accounting standards, the Company has reviewed the calculation method of retirement benefit obligations and service costs and changed the method of attributing expected retirement benefit to service periods from the straight-line basis to the benefit formula basis. The Company has also changed the method of determining the discount rate from the use of the period approximate to the average remaining service period of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of retirement benefit payments.

The Company applied the transitional treatment provided in Article 37 of Accounting Standard for Retirement Benefits, and any impact as a result of these changes are adjusted in the beginning balance of retained earnings as of April 1, 2014.

As a result, the beginning balance of net defined benefit asset increased by ¥200 million ($1,673 thousand) and the beginning balance of retained earnings increased by ¥129 million ($1,083 thousand). The impact of these changes on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2015 was immaterial.
Also, the impact of these changes on net assets per share as of March 31, 2015, and basic and diluted net income per share for the year ended March 31, 2015 was immaterial.

(Adoption of practical treatment for transactions to issue own shares to employees through trusts)
Effective April 1, 2014, the Company adopted Practical Issue Task Force (“PITF”) No. 30 “Practical Treatment for Transactions to Issue Own Shares to Employees through Trusts” issued on March 26, 2015. However, pursuant to Article 20 of PITF No. 30, the Company continues to account for “Employee Stock Ownership Plan (ESOP) Trust” of the Company which was established prior to April 1, 2014 under the previous method instead of the method provided in PITF No. 30.
There was no impact of these changes on operating income, ordinary income or income before income taxes and minority interests for the year ended March 31, 2015.
Also, there was no impact of these changes on net assets per share as of March 31, 2015, or basic and diluted net income per share for the year ended March 31, 2015.

4. ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

・ASBJ Statement No. 21, “Accounting Standard for Business Combinations” (September 13, 2013)
・ASBJ Statement No.22, “Accounting Standard for Consolidated Financial Statements” (September 13, 2013)
・ASBJ Statement No.7, “Accounting Standard for Business Divestitures” (September 13, 2013)
・ASBJ Statement No.2, “Accounting Standard for Earnings Per Share” (September 13, 2013)
・ASBJ Guidance No.10, “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (September 13, 2013)
・ASBJ Guidance No.4, “Guidance on Accounting Standard for Earnings Per Share” (September 13, 2013)

(1) Outline
These pronouncements amended mainly (a) treatment of changes in a parent’s ownership interest in a subsidiary due to additional purchase of subsidiary’s shares that do not result in loss of control, (b) treatment of expenses related to acquisition, (c) presentation of net income and change from minority interests to non-controlling interests and (d) treatment of finalizing transitional accounting treatment.

(2) Scheduled date of application
The Company expects to adopt these pronouncements effective April 1, 2016
The treatment of finalizing transitional accounting treatment will be applied to business combinations to be executed after April 1, 2015.

(3) Impact of adoption of the revised accounting standard

The Company is currently evaluating the amount of impact of amendments to "Accounting Standard for Business Combination" etc., on the consolidated financial statements.

5. ADDITIONAL INFORMATION

(1) Transition to defined contribution pension plan

Effective April 1, 2014, a part of the Company's corporate pension plans was transferred to defined contribution pension plan, and ASBJ Guidance No. 1, "Accounting for transfers between retirement benefit plans" was applied. Extraordinary gains of ¥622 million ($5,189 thousand) arising from reduction in retirement benefit obligations due to this transfer was recorded for the year ended March 31, 2015.

6. CASH AND CASH EQUIVALENTS

The balances of cash and deposits reflected in the consolidated balance sheets at March 31, 2015 and 2014 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statements of cash flows for the years then ended as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and deposits	¥ 39,565	¥ 39,157	$ 329,716
Securities	2,000	—	16,666
Cash and cash equivalents	¥ 41,565	¥ 39,157	$ 346,382

7. INVESTMENT SECURITIES

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current:			
Negotiable certificate of deposits	¥ 2,000	¥ —	$ 16,666
Total	¥ 2,000	¥ —	$ 16,666
Non-current:			
Marketable equity securities	¥10,766	¥ 6,594	$ 89,724
Total	¥10,766	¥ 6,594	$ 89,724

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

	Millions of yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Held to maturity	¥ 2,000	¥ —	¥ —	¥ 2,000
Available-for-sale	¥ 5,307	¥ 5,459	¥ —	¥ 10,766
March 31, 2014				
Securities classified as:				
Available-for-sale	¥ 3,022	¥ 3,571	¥ 0	¥ 6,594

March 31, 2015	Thousands of U.S. dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Held to maturity	$ 16,666	$ —	$ —	$ 16,666
Available-for-sale	$ 44,226	$ 45,498	$ —	$ 89,724

The difference between the sum of the above fair values of the available-for-sale securities and cost of the held-to-maturity securities, and the amounts shown in the accompanying consolidated balance sheets consists of nonmarketable securities whose fair values are not readily determinable.

Available-for-sale securities sold during the year ended march 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amount sold	¥ —	¥ 212	$ —
Total gains	—	87	—
Total losses	—	(8)	—

8. INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished products	¥ 5,342	¥ 5,038	$ 44,520
Work in process	2,508	2,057	20,907
Raw materials and supplies	3,704	3,350	30,869
Total	¥ 11,555	¥ 10,446	$ 96,296

9. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2015 and 2014, and recognized impairment losses of ¥665 million ($5,545 thousand) and ¥856 million, respectively for the following assets. The carrying amount of those assets was written down to the recoverable amount.

For the year ended March 31, 2015

Use	Type of assets	Location (Prefecture/Country)	Amount: Millions of yen	Amount: Thousands of U.S. dollars
Idle assets	Buildings and structures, Machinery and equipment, Furniture and fixtures	Kanagawa	¥222	$1,851
Idle assets	Buildings and structures, Furniture and fixtures	Kumamoto	126	1,050
Idle assets	Buildings and structures, Furniture and fixtures, Land	Kumamoto	76	636
Idle assets	Buildings and structures	Kumamoto	12	107
Idle assets	Buildings and structures, Machinery and equipment, Furniture and fixtures	U.S.A.	227	1,899
Total			¥665	$5,545

For the year ended March 31, 2014

Use	Type of assets	Location (Prefecture)	Amount: Millions of yen
Idle assets	Buildings and structures, Land	Kumamoto	¥71
Idle assets	Buildings and structures, Land	Kanagawa	507
Idle assets	Buildings and structures, Land	Hokkaido	38
Idle assets	Machinery and equipment	Kanagawa	41
Idle assets	Land	Hyogo	169
Idle assets	Furniture and fixtures	Taiwan	28
Total			¥856

For the purpose of evaluating and measuring impairment, assets used for business are considered to constitute a group by each business unit. Idle properties are individually evaluated.

The recoverable amount of land was measured by their net selling price based on estimated selling price or appraised value used in calculation of inheritance tax. The recoverable amount of the other assets was measured at their value in use based on reminder price.

10. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

Short-term loans payable, included in “Other current liabilities” in the consolidated balance sheets, at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured loan from a bank, with average interest rate of 1.20% and 0.56% for the years ended March 31, 2015 and 2014, respectively	¥ 264	¥ 122	$ 2,204
Total	¥ 264	¥ 122	$ 2,204

Long-term loans payable at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured loan from a bank, with average interest rate of 1.51% and 0.56% for the years ended March 31, 2015 and 2014, respectively	¥ 549	¥ 244	$ 4,579
Total	¥ 244	¥ 244	$ 4,579

The aggregate annual maturities of long-term loans payable during the next five years are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 407	$ 3,391
2017	142	1,187
2018	—	—
2019	—	—
2020	—	—

11. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have funded defined benefit pension plans and lump-sum retirement payment plans.
The defined benefit corporate pension plans provide lump-sum payment or pension based on salary and service period.
The lump-sum retirement payment plans provide lump-sum payment as retirement benefit based on factors such as service period.
The details of the plans are as follows:

1. Defined benefit pension plans
(1) Retirement benefit obligations

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Beginning balance	¥	15,786	¥	17,934	$	131,554
Effect of transfer to defined contribution pension plan		(2,236)		―		(18,639)
Cumulative effect due to changes in accounting policy		(200)		―		(1,673)
Beginning balance reflecting changes in accounting policy		13,348		17,934		111,240
Service cost		530		757		4,424
Interest cost		198		258		1,655
Actuarial differences incurred during the year		183		169		1,528
Payment of retirement benefit		(370)		(448)		(3,089)
Prior service cost incurred during the year		―		(2,884)		―
Ending balance	¥	13,891	¥	15,786	$	115,759

Note: Certain consolidated subsidiaries apply a simplified method to calculate retirement benefit obligations.

(2) Pension assets

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Beginning balance	¥	11,487	¥	10,081	$	95,730
Effect of transfer to defined contribution pension plan		(1,453)		―		(12,109)
Beginning balance reflecting defined contribution pension plan		10,034		10,081		83,621
Expected return on plan assets		326		251		2,717
Actuarial differences incurred during the year		878		712		7,320
Contributions from employer		642		815		5,352
Payment of retirement benefit		(306)		(372)		(2,551)
Ending balance	¥	11,575	¥	11,487	$	96,459

(3) Employee retirement benefit trust

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Beginning balance	¥	5,101	¥	5,095	$	42,511
Expected return on plan assets		25		25		212
Actuarial differences incurred during the year		18		(19)		157
Ending balance	¥	5,145	¥	5,101	$	42,882

(4) Reconciliation between ending balance of retirement benefit obligations and pension assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations under the funded plan	¥ 13,790	¥ 15,692	$ 114,919
Pension assets	(11,575)	(11,487)	(96,459)
Employee retirement benefit trust	(5,145)	(5,101)	(42,882)
	(2,930)	(896)	(24,421)
Retirement benefit obligations under the unfunded plan	100	93	839
Net liabilities or assets recorded on the consolidated balance sheet	(2,829)	(802)	(23,581)
Net defined benefit liabilities	134	93	1,119
Net defined benefit assets	(2,964)	(896)	(24,701)
Net liabilities or assets recorded on the consolidated balance sheet	¥ (2,829)	¥ (802)	$ (23,581)

(5) Net periodic benefit cost and its components

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 530	¥ 757	$ 4,424
Interest cost	198	258	1,655
Expected return on plan assets	(351)	(276)	(2,930)
Amortized actuarial differences	91	87	765
Amortized prior service cost	(343)	(209)	(2,862)
Net periodic benefit cost of defined benefit plan	126	616	1,053
Gain on revision of retirement benefit plan	¥ 622	¥ –	$ 5,189

Note: Net periodic benefit cost of consolidated subsidiaries applying the simplified method is recorded as "Service cost."

(6) Remeasurements of defined benefit plans (Other comprehensive income)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (672)	¥ –	$ (5,602)
Actuarial differences	884	–	7,371
Total	¥ 212	¥ –	$ 1,769

(7) Remeasurements of defined benefit plans (Accumulated other comprehensive income)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 2,243	¥ 2,915	$ 18,695
Unrecognized actuarial differences	95	(788)	797
Total	¥ 2,339	¥ 2,126	$ 19,492

(8) Plan assets and employee retirement benefit trust

(a) Components of plan assets

	2015	2014
Debt securities	38%	31%
Equity securities	37%	46%
Other	25%	23%
Total	100%	100%

(b) Components of employee retirement benefit trust

	2015	2014
Debt securities	99%	95%
Other	1%	5%
Total	100%	100%

(c) Long-term rate of return

Long-term rate of return on plan assets and employee retirement benefit trust is determined based on the current and expected allocation of plan assets and employee retirement benefit trust and current and expected long-term rate of return of various assets composing plan assets and employee retirement benefit trust.

(9) Basis for calculation of actuarial differences

	2015	2014
Discount rate	Mainly 1.5%	1.5%
Long-term expected rate of return		
Defined benefit corporate pension plan	3.25%	2.5%
Employee retirement benefit trust	0.5%	0.5%

2. Defined contribution plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

Millions of yen		Thousands of U.S. dollars
2015	2014	2015
¥ 154	¥ —	$ 1,288

3. Other

Assets of ¥410 million ($3,424 thousand) will be transferred to defined contribution pension plan over four years as a result of partial transfer of funded defined benefit plan to defined contribution pension plan. The remaining balance to be transferred as of March 31, 2015 of ¥304 million ($2,537 thousand) is included in other payables and long-term other payables (in “Other long-term liabilities” in Long-term liabilities).

12. EMPLOYEE STOCK OWNERSHIP PLAN TRUST

Pursuant to the resolution by the meeting of the Board of Directors held on January 11, 2012, the Company has introduced an employee incentive plan, “Employee Stock Ownership Plan (ESOP) Trust (“Plan”)” for the purpose of enhancing benefit programs for the employees who will support future growth of the Company as well as increasing employees’ incentive to work and awareness of management participation through granting incentive to raise stock price and improving corporate value for the medium and long-term perspective.

(1) Outline

Under the Plan, the Company will establish a trust (“Trust”) for certain employees who participate in the “Tokyo Ohka Employee Stock Ownership Plan (“Company’s ESOP”)” and meet certain requirements as its beneficiaries. The Trust will acquire the total number of the Company’s shares expected to be acquired by the Company’s ESOP over five years in advance, and subsequently sell these shares to the Company’s ESOP on a certain date of every

month.
Acquisition and sales of the Company's shares are accounted for under the assumption that the Company and the Trust are the same entity.
Accordingly, assets, including the Company's shares owned by the Trust, and liabilities, and profits and loss of the Trust are included in the Company's consolidated balance sheet, consolidated statement of income and consolidated statement of changes in equity.

(2) The Company's shares held by ESOP trust
Carrying amount of the Company's shares held by Trust is ¥247 million ($2,060 thousand) and 346 million as of March 31, 2015 and 2014, respectively, and is included in treasury stock. Also, the number of the Company's shares held by Trust as of March 31, 2015 and 2014 is 127 thousand shares and 179 thousand shares, respectively.

13. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 88	¥ 86	$ 740
Adjustments associated with passage of time	1	1	9
Others	(2)	1	(17)
Balance at end of year	¥ 87	¥ 88	$ 731

14. 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 such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, 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) 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 (non-cash 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 reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, 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.

The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥30 ($0.25) per share approved at the general shareholders' meeting held on June 26, 2015, aggregating ¥1,350 million ($11,250 thousand) in respect of the year ended March 31, 2015.

15. STOCK OPTIONS

(1) Share-based compensation expenses which were accounted for as cost of sales and selling, general and administrative expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cost of sales	¥ 22	¥ 17	$ 191
Selling, general and administrative expenses	85	48	709

(2) Outline, number and changes of stock options

(a) Outline of stock options

Stock options outstanding as of March 31, 2015 were as follows:

Stock option	2014 Stock option	2013 Stock option
Category and number of eligible person	1 representative director of the Company 5 directors of the Company 7 executive officers of the Company	2 representative directors of the Company 4 directors of the Company 7 executive officers of the Company 200 employees of the Company
Number of options granted	Common stock: 31,500 shares	Common stock: 484,000 shares
Date of Grant	August 5, 2014	January 10, 2013
Service period	Not specified	From January 10, 2013 to May 31, 2016
Exercise period	From August 6, 2014 to August 5, 2044	From June 1, 2016 to May 31, 2019

(b) Number and price of stock options

Movement in stock options during the fiscal year ended March 31, 2015 was as follows:

	Number of shares			
	2014		2013	
Unvested stock options:				
As of March 31, 2014		—		482,500
Granted		31,500		—
Forfeited		—		4,000
Vested		31,500		—
Unvested options as of March 31, 2015		—		478,500
Vested stock options:				
As of March 31, 2014		—		—
Vested		31,500		—
Exercised		—		—
Forfeited		—		—
Unexercised options as of March 31, 2015		31,500		—
	Yen			
Exercise price	¥	1	¥	1,759
Average share price at the time of exercise	¥	—	¥	—
Fair value per share at grant date	¥	2,292	¥	417
	U.S. dollars			
Exercise price	$	0.01	$	14.66
Average share price at the time of exercise	$	—	$	—
Fair value per share at grant date	$	19.1	$	3.48

(3) Method of estimating the fair value of stock options vested

The fair value price is estimated using the Black-Scholes option pricing model with the following assumptions:

	2014
Volatility of stock price	30.678%
Estimated remaining outstanding period	5.8 years
Estimated dividend per share	¥ 52 ($ 0.43)
Risk-free interest rate	0.175%

(4) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of future forfeitures.

16. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.3% and 38.1% for the years ended March 31, 2015 and 2014, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets:			
Deferred tax assets:			
Accrued bonuses for employees	¥ 589	¥ 571	$ 4,910
Unrealized gains on finished goods	668	597	5,574
Loss on valuation of inventories	170	122	1,417
Other	454	312	3,785
Less valuation allowance	(2)	(5)	(519)
Total	1,880	1,597	15,667
Deferred tax liabilities—other	(58)	(34)	(485)
Total	(58)	(34)	(485)
Net deferred tax assets	¥ 1,822	¥ 1,563	$ 15,182
Non-current assets:			
Deferred tax assets:			
Net defined benefit liability and asset	809	1,489	14,601
Tax loss carryforwards	113	24	241
Loss on devaluation of investment securities	304	336	3,296
Subsidy income	82	136	1,342
Allowance for doubtful accounts	66	76	745
Loss on impairment of long-lived assets	427	340	3,340
Other	898	230	2,258
Less valuation allowance	(641)	(707)	(6,939)
Total	2,061	1,926	18,886
Deferred tax liabilities:			
Reserve for advanced depreciation	(285)	331	3,247
Unrealized gain on available-for-sale securities	(1,582)	1,165	11,426
Other	(132)	5	54
Total	(2,000)	1,502	14,727
Net deferred tax assets	¥ 61	¥ 424	$ 4,158
Current liabilities—Deferred tax liabilities	¥ (40)	¥ (4)	$ (336)
Non-current liabilities:			
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	¥(1,352)	¥ (983)	$ (11,267)
Accelerated depreciation	(302)	(175)	(2,518)
Other	(627)	—	(5,230)
Total	(2,281)	(1,158)	(19,015)
Deferred tax assets—other	245	124	2,043
Net deferred tax liabilities	¥(2,036)	¥(1,034)	$ (16,972)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Normal effective statutory tax rate	35.3%	38.1%
Adjustments:		
Non-taxable dividend income	(0.5)	(6.3)
Different income tax rates applicable to income in certain foreign countries	(1.5)	(6.0)
Dividends from consolidated foreign subsidiaries eliminated for consolidation purposes	0.3	5.8
Tax credit for research and development costs	(5.0)	(4.1)
Effect of tax reform promulgated on March 31, 2015	1.6	0.7
Other—net	3.8	2.1
Actual effective tax rate	34.0%	30.5%

At March 31, 2015, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥63 million ($531 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	—	—
2017	52	439
2018	4	38
2019	—	—
2020	—	—
2021 and thereafter	6	53
Total	¥ 63	$ 531

“Act for Partial Amendment of the Income Tax Law (Law No. 9/2015)” and “Act for Partial Amendment of the Local Tax Law (Law No. 2/2015) were promulgated on March 31, 2015. As a result, the normal effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 35.3% to 32.8% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on April 1, 2015, and to 32.0% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on or after April 1, 2016.

As a result of this change, deferred tax assets and deferred tax liabilities decreased by ¥92 million ($767 thousand) and ¥99 million ($826 thousand), respectively, and income tax –deferred, unrealized gain on available-for-sale securities, remeasurements of defined benefit plans increased by ¥233 million ($1,944 thousand), ¥163 million ($1,359 thousand) and ¥77 million ($643 thousand), respectively, as of and for the year ended March, 2015.

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Selling, general and administrative expenses	¥ 6,763	¥ 6,261	$ 56,365
Cost of sales	140	127	1,166
Total	¥ 6,903	¥ 6,389	$ 57,532

18. LEASES

The Group leases certain buildings and structures, machinery, computer hardware, software and other assets.

The minimum rental commitments under non-cancelable operating leases at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 107	¥ 79	$ 893
Due after one year	569	163	4,747
Total	¥ 676	¥243	$ 5,641

19. FINANCIAL INSTRUMENTS

(1) ***Group Policy for Financial Instruments***

The Group invests cash surpluses in low risk financial assets. Such surpluses are generated from the Group's own operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) ***Nature and Extent of Risks Arising from Financial Instruments***

Receivables such as trade notes and accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts. Securities are negotiable certificate of deposit which is expected to be settled with short term and investment securities, mainly equity instruments of customers and suppliers of the Group are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and accounts, are less than one year.

Derivatives mainly include foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign exchange rates of receivables and payables. Please see Note 20 for more detail about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

The Group manages its credit risk from receivables in accordance with internal guidelines, which include monitoring of payment terms and balances of major customers by the credit administration department to identify the default risk of customers in the early stages. With respect to held-to-maturity securities, the Group manages its exposure to credit risk by limiting its holdings to high credit rating bonds. With respect to derivatives, the Group manages its exposure to credit risk by limiting its counterparties to major and creditworthy international financial institutions.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2015.

Market risk management (foreign exchange risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk, which is managed monthly by currency, is hedged principally by foreign currency forward contracts. In addition, foreign currency forward contracts may be used at the maximum of expected amounts of foreign currency trade receivables and payables.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted price in active markets. When quoted price is not available, other values calculated using reasonable valuation techniques are used. Please see Note 20 for the detail of fair value for derivatives.

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

	Millions of yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 39,565	¥ 39,565	¥ —
Time deposits	14,401	14,401	—
Receivables—Trade notes and accounts	19,422	19,422	—
Securities and Investment securities:			
Held to maturity	2,000	2,000	—
Available-for-sale securities	10,766	10,766	—
Long-term time deposits	18,000	17,997	(2)
Total	¥104,156	¥ 104,154	¥ (2)
Payables—Trade notes and accounts	¥ 9,797	¥ 9,797	¥ —
Short-term loans payable	264	264	—
Long-term loans payable	549	549	—
Total	¥ 10,610	¥ 10,610	¥ —
Derivative transactions	¥ 499	¥ 499	¥ —

March 31, 2014	Millions of yen Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 39,157	¥ 39,157	¥ —
Time deposits	14,213	14,213	—
Receivables—Trade notes and accounts	16,623	16,623	—
Investment securities:			
Available-for-sale securities	6,594	6,594	—
Long-term time deposits	18,000	17,994	(5)
Total	¥ 94,589	¥ 94,583	¥ (5)
Payables—Trade notes and accounts	¥ 5,744	¥ 5,744	¥ —
Short-term loans payable	122	122	—
Long-term loans payable	244	244	—
Total	¥ 6,110	¥ 6,110	¥ —
Derivative transactions	¥ —	¥ —	¥ —

March 31, 2015	Thousands of U.S. dollars Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 329,716	$ 329,716	$ —
Time deposits	120,010	120,010	—
Receivables—Trade notes and accounts	161,850	161,850	—
Securities and Investment securities:			
Held to maturity	16,666	16,666	—
Available-for-sale securities	89,724	89,724	—
Long-term time deposits	150,000	149,982	(17)
Total	$ 867,967	$ 867,950	$ (17)
Payables—Trade notes and accounts	$ 81,648	$ 81,648	$ —
Short-term loans payable	2,204	2,204	—
Long-term loans payable	4,579	4,579	—
Total	$ 88,431	$ 88,431	$ —
Derivative transactions	$ 4,163	$ 4,163	$ —

Cash and Cash Equivalents, and Time Deposits
The carrying values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.

Receivables—Trade Notes and Accounts
The carrying values of receivables—trade notes and accounts approximate fair value because of their short maturities.

Securities and Investment Securities
The carrying value of securities, approximate fair value because of their short maturities. the fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

The information of the fair value for the marketable and investment securities by classification is included in Note 7.

Long-Term Time Deposits
Long-term time deposits are measured at fair value using the discounted cash flow on deposits held at banks. The discounted rate used is the deposit interest rate assuming the same period.

Payables—Trade Notes and Accounts
The carrying values of payables—trade notes and accounts approximate fair value because of their short maturities.

Short-term Loans Payable
The carrying values of short-term loans payables approximate fair value because of their short maturities.

Long-term Loans payable
As long-term loans payable bears floating interest, the carrying values approximate fair value.

Derivatives
The information of the fair value for derivatives is included in Note 20.

(*b*) *Financial instruments whose fair value cannot be reliably determined*

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥830	¥657	$6,921

(5) *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
Cash and cash equivalents	¥ 39,565	¥ —	¥ —
Time deposits	14,401	—	—
Receivables—Trade notes and accounts	19,422	—	—
Securities and Investment securities:			
Held to maturity			
Negotiable certificate of deposit	2,000	—	—
Long-term time deposits	—	18,000	—
Total	¥ 75,389	¥ 18,000	¥ —

March 31, 2014	Millions of yen Due in 1 year or less	 Due after 1 year through 5 years	 Due after 5 years through 10 years
Cash and cash equivalents	¥ 39,157	¥ —	¥ —
Time deposits	14,213	—	—
Receivables—Trade notes and accounts	16,623	—	—
Long-term time deposits	—	18,000	—
Total	¥ 69,994	¥ 18,000	¥ —

March 31, 2015	Thousands of U.S. dollars Due in 1 year or less	 Due after 1 year through 5 years	 Due after 5 years through 10 years
Cash and cash equivalents	$ 329,716	$ —	$ —
Time deposits	120,010	—	—
Receivables—Trade notes and accounts	161,850	—	—
Securities and Investment securities:			
Held to maturity			
Negotiable certificate of deposit	16,666	—	—
Long-term time deposits	—	150,000	—
Total	$ 628,243	$ 150,000	$ —

20. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Derivative Transactions to Which Hedge Accounting is not Applied

	Millions of yen							
	2015				2014			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:								
Sell:								
NT$	¥ 977	¥ 321	¥ (24)	¥ (24)	¥ —	¥ —	¥ —	¥ —
KRW	5,400	4,800	(475)	(475)	—	—	—	—
Total	¥ 6,377	¥ 5,121	¥ (499)	¥ (499)	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2015			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Sell:				
NT$	$ 977	$ 321	$ (24)	$ (24)
KRW	5,400	4,800	(475)	(475)
Total	$ 6,377	$ 5,121	$ (499)	$ (499)

* The fair value is based on prices provided by financial institutions.

Derivative Transactions to Which Hedge Accounting is Applied

		Millions of yen		
March 31, 2015	Hedged Item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Selling U.S.$	Receivables—Trade accounts	¥ 3,913	¥ —	*
Selling EUR	Receivables—Trade accounts	202	—	*
Selling NT$	Receivables—Trade accounts	501	—	*

March 31, 2014	Hedged Item	Millions of yen Contract amount	 Contract amount due after one year	 Fair value
Foreign currency forward contracts:				
Selling U.S.$	Receivables—Trade accounts	¥ 3,127	¥ —	*
Selling EUR	Receivables—Trade accounts	189	—	*
Selling NT$	Receivables—Trade accounts	371	—	*

March 31, 2015	Hedged Item	Thousands of U.S. dollars Contract amount	 Contract amount due after one year	 Fair value
Foreign currency forward contracts:				
Selling U.S.$	Receivables—Trade accounts	$ 32,609	$ —	*
Selling EUR	Receivables—Trade accounts	1,688	—	*
Selling NT$	Receivables—Trade accounts	4,180	—	*

* The fair value of such foreign currency forward contracts is included in that of the hedged items (i.e., receivables—trade accounts).

21. COMPREHENSIVE INCOME

Reclassification adjustments and tax effects regarding 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 on available-for-sale securities:			
Recognized during the year	¥ 1,888	¥ 514	$ 15,733
Reclassification adjustments	—	(78)	—
Before tax effects adjustment	1,888	435	15,733
Tax effects	(416)	(147)	(3,474)
Unrealized gain on available-for-sale securities	1,471	288	12,259
Foreign currency translation adjustments:			
Recognized during the year	3,168	4,716	26,400
Reclassification adjustments	—	(172)	—
Foreign currency translation adjustments	3,168	4,544	26,400
Remeasurements of defined benefit plans:			
Recognized during the year	713	—	5,947
Reclassification adjustments	(501)	—	(4,177)
Before tax effects adjustment	212	—	1,769
Tax effects	(2)	—	(16)
Remeasurements of defined benefit plans	210	—	1,752
Share of other comprehensive income in companies accounted for by the equity method:			
Recognized during the year	72	107	1,058
Total other comprehensive income	¥ 4,921	¥ 4,941	$ 41,013

22. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2015 and 2014 is as follows:

	Yen		U.S. dollars
	2015	2014	2015
Basic EPS	¥ 196.61	¥ 168.54	$ 1.63
Diluted EPS	195.71	168.41	1.63

Basis for the calculation of basic and diluted net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income attributable to common stock	¥ 8,818	¥ 7,549	$ 74,012

	Thousands of shares	
	2015	2014
Earnings per share:		
Weighted-average number of shares*	44,850	44,791
Diluted earnings per share:		
Increase in number of common stock	206	33
(Of those, new share subscription rights)	206	33

* Weighted-average shares for the years ended March 31, 2015 and 2014 excluded the Company's shares held by the Employee Stock Ownership Plan Trust.

23. SEGMENT INFORMATION

For the Years Ended March 31, 2015 and 2014

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide resources allocation within the Group and to evaluate performance. Therefore, the Group consists of the Material Business and Equipment Business. The Material Business consists of photoresists and related materials and specialty chemicals. The Equipment Business consists of semiconductor manufacturing equipment and LCD manufacturing equipment.

(2) Methods of measurement for the amounts of sales, profit (loss), assets 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."

(3) Information about sales, profit (loss), assets and other items is as follows:

	Millions of yen				
	2015				
	Reportable segment				
	Material business	Equipment business	Total	Reconciliations	Consolidated
Sales:					
Sales to customers	¥ 84,611	¥ 3,475	¥ 88,086	¥ ―	¥ 88,086
Intersegment sales or transfers	―	105	105	(105)	―
Total sales	¥ 84,611	¥ 3,581	¥ 88,192	¥ (105)	¥ 88,086
Segment income	¥ 16,355	¥ 20	¥ 16,376	¥ (3,122)	¥ 13,253
Segment assets	92,440	3,694	96,134	78,728	174,863
Other:					
Depreciation	3,894	167	4,061	215	4,276
Increase in property, plant and equipment and intangible assets	7,276	342	7,618	105	7,723

Note: Reconciliations to

— Segment income (loss) amounting to ¥(3,122) million ($(26,024) thousand) includes common costs of ¥(3,122) million ($(26,024) thousand), which are not allocated to reportable segments.

— Segment assets amounting to ¥78,728 million ($656,071 thousand) include working capital (the Company's cash, deposits, and long-term time deposits) and investment securities of ¥69,822 million ($581,850 thousand), which are not allocated to reportable segments.

— Increase in property, plant and equipment and intangible assets of ¥105 million ($880 thousand) is related to common assets.

	Millions of yen				
	2014				
	Reportable segment				
	Material business	Equipment business s	Total	Reconciliations	Consolidated
Sales:					
Sales to customers	¥ 72,866	¥ 2,402	¥ 75,269	¥ —	¥ 75,269
Intersegment sales or transfers	—	81	81	(81)	—
Total sales	¥ 72,866	¥ 2,484	¥ 75,351	¥ (81)	¥ 75,269
Segment income (loss)	¥ 14,086	¥ (889)	¥ 13,197	¥ (3,171)	¥ 10,025
Segment assets	79,147	4,168	83,316	72,542	155,859
Other:					
Depreciation	2,241	204	2,445	226	2,672
Increase in property, plant and equipment and intangible assets	14,720	174	14,895	105	15,001

Note: Reconciliations to

—Segment income amounting to ¥(3,171) million includes common costs of ¥(3,171) million, which are not allocated to reportable segments.

—Segment assets amounting to ¥72,542 million include working capital (the Company's cash, deposits, and long-term time deposits) and investment securities of ¥66,098 million, which are not allocated to reportable segments.

—Increase in property, plant and equipment and intangible assets of ¥105 million is related to common assets.

	Thousands of U.S. dollars				
	2015				
	Reportable segment				
	Material business	Equipment business	Total	Reconciliations	Consolidated
Sales:					
Sales to customers	$ 705,093	$ 28,962	$ 734,055	$ —	$ 734,055
Intersegment sales or transfers	—	880	880	(880)	—
Total sales	$ 705,093	$ 28,962	$ 734,055	$ (880)	$ 734,055
Segment income (loss)	$ 136,298	$ 168	$ 136,466	$ (26,024)	$ 110,442
Segment assets	770,339	30,783	801,123	656,071	1,457,194
Other:					
Depreciation	32,453	1,393	33,847	1,794	35,641
Increase in property, plant and equipment and intangible assets	60,638	2,852	63,491	875	64,366

Related Information

For the Years Ended March 31, 2015 and 2014

(1) *Information about geographical areas*

(a) Sales

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 21,481	¥ 21,427	$ 179,009
Taiwan	29,928	23,196	249,401
Korea	14,430	11,129	120,256
U.S.A.	10,478	8,812	87,324
Other areas	11,767	10,703	98,063
Total	¥ 88,086	¥ 75,269	$ 734,055

Note: Sales are classified in countries or regions based on location of customers.

(b) Property, Plant and Equipment

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 22,372	¥ 23,677	$ 186,435
Taiwan	5,204	—	43,368
Korea	18,376	16,614	153,137
U.S.A.	3,220	3,169	26,837
Other areas	198	1,115	1,650
Total	¥ 49,371	¥ 44,577	$ 411,429

(2) *Information about major customers*

For the Years Ended March 31, 2015 and 2014

		Sales amount		
Name of customers	Relevant segment	Millions of yen		Thousands of U.S. dollars
		2015	2014	2015
Taiwan Semiconductor Manufacturing Company, Ltd.	Material Business	¥ 16,220	¥ 9,934	$ 135,168

24. SUBSEQUENT EVENT

Repurchase and cancellation of treasury stock

The Board of Directors of the Company has resolved at the meeting held on May 8, 2015 to repurchase treasury stock in accordance with Article 156 of the Companies Act ("Act"), replace by Article 165, Paragraph 3 of the Act, and to cancel treasury stock in accordance with Article 178 of the Act.

1. Reason for the repurchase and cancellation of treasury stock

   To carry out agile capital policy and return profits to shareholders, responding to changes in management environment.

2. Details of the repurchase

(1) Method of the repurchase

Market purchase through discretionary trading

(2) Type of shares to be repurchased

Common stock

(3) Number of shares to be repurchased

1,750,000 shares (maximum)

(4) Total purchase price for repurchase of shares
¥7,000 million ($ 58,333 thousand) (maximum)
(5) Period of repurchase
From May 11, 2015 to September 10, 2015
(6) Status of the repurchase of the shares as of May 31, 2015
(i) Type of shares repurchased
Common stock
(ii) Total number of shares repurchased
361,000 shares
(iii) Total purchase price for shares repurchased
¥1,325 million ($11,046 thousand)

3. Details of the cancellation
(1) Type of shares to be cancelled
Common stock
(2) Number of shares to be cancelled
1,500,000 shares
(3) Method of cancellation
Reduction from retained earnings
(4) Scheduled date of cancellation
September 16, 2015
(5) Total number of shares issued and outstanding after the cancellation
45,100,000 shares

CAUTIONARY STATEMENT
The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors.