KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

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Independent Auditor's Report

To the Board of Directors of
Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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, while the purpose of the financial statement audit is not to express 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 consolidated subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter

We draw attention to Note 36 to these consolidated financial statements, which refers to that as a subsequent event, Kanematsu Telecom Investment Co., Ltd, a wholly owned subsidiary of the Company merged Diamondtelecom Inc, a wholly owned subsidiary of Mitsubishi Electric Corporation on April 1, 2016. Our opinion is not qualified in respect of this matter.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

August 10, 2016

KANEMATSU CORPORATION

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For the fiscal year ended March 31, 2016

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KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

Consolidated Statement of Financial Position

	JPY			USD (Note 2)
	2016	2015	2014 (Transition Date)	2016
(Assets)				
I. Current assets				
1. Cash and cash equivalents (Note 27)	87,466	66,485	73,978	776,234
2. Trade and other receivables (Notes 7)	163,540	186,486	182,627	1,451,367
3. Inventories (Note 8)	80,195	91,844	66,514	711,706
4. Other financial assets (Note 30)	2,596	6,792	3,675	23,039
5. Other current assets (Note 13)	12,776	16,054	14,268	113,383
Total current assets	346,574	367,664	341,065	3,075,737
II. Non-current assets				
1. Property, plant and equipment (Note 9)	26,883	28,966	24,179	238,578
2. Goodwill (Note 10)	4,631	4,493	2,329	41,099
3. Intangible assets (Note 10)	8,083	8,641	8,298	71,734
4. Investments accounted for using the equity method (Note 11)	7,420	5,385	5,536	65,850
5. Trade and other receivables (Note 7)	460	388	135	4,082
6. Other investments (Note 12)	31,535	33,049	26,727	279,863
7. Other financial assets (Note 30)	5,441	5,481	4,484	48,287
8. Deferred tax assets (Note 29)	9,084	10,557	15,702	80,618
9. Other non-current assets (Note 13)	3,477	1,686	1,764	30,857
Total non-current assets	97,017	98,650	89,158	860,996
Total assets	443,592	466,314	430,224	3,936,741

(Notes) Presentation of fiscal year and amount (Japanese Yen and U.S. dollars)

1. "JPY" means millions of Yen and "USD" means thousands of U.S. dollars.
2. "2016" refers to the Company's consolidated fiscal year ended March 31, 2016 and the other fiscal years are referred to in the corresponding manner.

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KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

	JPY			USD (Note 2)
	2016	2015	2014 (Transition Date)	2016
(Liabilities)				
I. Current liabilities				
1. Trade and other payables (Note 14)	142,143	159,522	150,518	1,261,475
2. Bonds and borrowings (Note 15)	61,989	65,305	79,852	550,133
3. Other financial liabilities (Note 30)	7,129	5,828	5,023	63,268
4. Income taxes payable	2,274	2,561	1,962	20,181
5. Provisions (Note 16)	31	300	92	275
6. Other current liabilities (Note 17)	19,465	24,736	20,870	172,746
Total current liabilities	233,034	258,255	258,319	2,068,104
II. Non-current liabilities				
1. Bonds and borrowings (Note 15)	74,877	74,426	61,113	664,510
2. Other financial liabilities (Note 30)	6,679	6,620	6,376	59,274
3. Retirement benefits liabilities (Note 28)	6,024	5,581	5,906	53,461
4. Provisions (Note 16)	1,272	1,098	804	11,289
5. Deferred tax liabilities (Note 29)	297	313	283	2,636
6. Other non-current liabilities (Note 17)	699	1,002	692	6,203
Total non-current liabilities	89,851	89,043	75,177	797,400
Total liabilities	322,885	347,298	333,496	2,865,504
(Equity)				
1. Share capital (Note 18)	27,781	27,781	27,781	246,548
2. Capital surplus (Note 18)	26,463	26,621	27,494	234,851
3. Retained earnings (Note 18)	29,103	21,879	12,414	258,280
4. Treasury stock (Note 18)	(235)	(222)	(321)	(2,086)
5. Other components of equity (Note 26)				
1) Exchange differences on translation of foreign operations	2,912	5,258	―	25,843
2) Financial assets measured at fair value through other comprehensive income	6,967	8,784	5,113	61,830
3) Cash flow hedges	(1,393)	142	(297)	(12,362)
Total other components of equity	8,486	14,185	4,816	75,311
Total equity attributable to owners of the Parent	91,599	90,244	72,185	812,913
6. Non-controlling interests	29,107	28,771	24,541	258,316
Total equity	120,706	119,015	96,727	1,071,228
Total liabilities and equity	443,592	466,314	430,224	3,936,741

The accompanying notes are an integral part of these consolidated financial statements

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income:

(a) Consolidated Statement of Income

	JPY		USD (Note 2)
	2016	2015	2016
I. Revenue (Notes 6 & 19)	668,374	704,211	5,931,612
II. Cost of sales	(582,135)	(616,331)	(5,166,267)
Gross profit	86,238	87,880	765,335
III. Selling, general and administrative expenses (Note 20)	(68,577)	(66,245)	(608,600)
IV. Other income (expenses)			
1. Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net (Note 21)	(311)	(63)	(2,760)
2. Impairment loss on property, plant and equipment and intangible assets (Note 22)	(94)	(580)	(834)
3. Other income	2,596	4,146	23,039
4. Other expenses	(1,078)	(1,589)	(9,567)
Total other income (expenses)	1,111	1,912	9,860
Operating profit (Note 6)	18,772	23,547	166,596
V. Finance income			
1. Interest income (Note 24)	478	400	4,242
2. Dividend income (Note 24)	927	1,082	8,227
3. Other finance income (Notes 24 & 30)	―	18	―
Total finance income	1,405	1,501	12,469
VI. Finance costs			
1. Interest expenses (Note 24)	(2,407)	(2,910)	(21,361)
2. Other finance costs (Notes 24 & 30)	(323)	(908)	(2,867)
Total finance costs	(2,731)	(3,819)	(24,237)
VII. Share of profit (loss) of investments accounted for using the equity method (Note 11)	675	1,143	5,990
Profit before tax	18,122	22,373	160,827
Income tax expense (Note 29)	(7,313)	(9,238)	(64,901)
Profit for the year	10,808	13,135	95,918
Profit for the year attributable to:			
Owners of the Parent	8,959	10,546	79,508
Non-controlling interests	1,848	2,588	16,400
Total	10,808	13,135	95,918

	Yen		U.S. dollars
Earnings per share attributable to owners of the Parent:			
Basic earnings per share (Note 25)	21.29	25.10	0.19
Diluted earnings per share (Note 25)	21.29	25.10	0.19

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(b) Consolidated Statement of Comprehensive Income

	JPY		USD (Note 2)
	2016	2015	2016
I. Profit for the year	10,808	13,135	95,918
II. Other comprehensive income			
Items that will not be reclassified to profit and loss:			
1. Financial assets measured at fair value through other comprehensive income (Note 26)	(1,580)	3,762	(14,022)
2. Remeasurement of retirement benefits liabilities defined benefit pension plans (Note 26)	(426)	492	(3,781)
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	(14)	7	(124)
Total items that will not be reclassified to profit and loss	(2,021)	4,263	(17,936)
Items that may be reclassified to profit and loss:			
1. Exchange differences on translation of foreign operations (Note 26)	(2,894)	6,564	(25,683)
2. Cash flow hedges (Notes 26 & 30)	(1,511)	435	(13,410)
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	(127)	106	(1,127)
Total items that may be reclassified to profit and loss	(4,532)	7,106	(40,220)
Other comprehensive income for the year, net of tax	(6,554)	11,369	(58,165)
Total comprehensive income for the year	4,253	24,504	37,744
Total comprehensive income for the year attributable to:			
Owners of the Parent	3,248	20,467	28,825
Non-controlling interests	1,005	4,037	8,919
Total	4,253	24,504	37,744

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity:

	JPY		USD (Note 2)
	2016	2015	2016
Equity			
1. Share capital (Note 18)			
Balance at the beginning of the year	27,781	27,781	246,548
Balance at the end of the year	27,781	27,781	246,548
2. Capital surplus (Note 18)			
Balance at the beginning of the year	26,621	27,494	236,253
Acquisition of treasury stock	—	—	—
Disposition of treasury stock	0	8	0
Equity transactions with non-controlling interests	(158)	(899)	(1,402)
Changes due to business combinations	—	16	—
Balance at the end of the year	26,463	26,621	234,851
3. Retained earnings (Note 18)			
Balance at the beginning of the year	21,879	12,414	194,169
Dividends	(1,683)	(1,680)	(14,936)
Profit for the year attributable to owners of the Parent	8,959	10,546	79,508
Reclassification from other components of equity	(11)	551	(98)
Other changes	(40)	46	(355)
Balance at the end of the year	29,103	21,879	258,280
4. Other components of equity (Note 26)			
Balance at the beginning of the year	14,185	4,816	125,887
Exchange differences on translation of foreign operations	(2,346)	5,258	(20,820)
Financial assets measured at fair value through other comprehensive income	(1,542)	3,747	(13,685)
Cash flow hedges	(1,535)	439	(13,623)
Remeasurement of defined benefit pension plans	(286)	474	(2,538)
Reclassification to retained earnings	11	(551)	98
Balance at the end of the year	8,486	14,185	75,311
5. Treasury stock (Note 18)			
Balance at the beginning of the year	(222)	(321)	(1,970)
Acquisition of treasury stock	(12)	(13)	(106)
Disposition of treasury stock	0	155	0
Acquisition through business combinations	—	(42)	—
Balance at the end of the year	(235)	(222)	(2,086)
Total equity attributable to owners of the Parent	91,599	90,244	812,913

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KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

	JPY		USD (Note 2)
	2016	2015	2016
6. Non-controlling interests			
Balance at the beginning of the year	28,771	24,541	255,334
Dividends to non-controlling interests	(891)	(1,275)	(7,907)
Equity transactions with non-controlling interests	222	(1,119)	1,970
Changes due to business combinations	―	2,586	―
Profit for the year attributable to non-controlling interests	1,848	2,588	16,400
Other components of equity	(843)	1,449	(7,481)
Exchange differences on translation of foreign operations	(650)	1,410	(5,769)
Financial assets measured at fair value through other comprehensive income	(53)	22	(470)
Cash flow hedges	(0)	(2)	(0)
Remeasurement of defined benefit pension plans	(139)	17	(1,234)
Balance at the end of the year	29,107	28,771	258,316
Total equity	120,706	119,015	1,071,228
Comprehensive income for the year attributable to:			
Owners of the Parent	3,248	20,467	28,825
Non-controlling interests	1,005	4,037	8,919
Total comprehensive income for the year	4,253	24,504	37,744

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

	JPY		USD (Note 2)
	2016	2015	2016
I. Cash flows from operating activities			
Profit for the year	10,808	13,135	95,918
Depreciation and amortization	3,082	2,996	27,352
Impairment loss of property, plant and equipment and intangible assets	94	580	834
Finance income and costs	1,326	2,317	11,768
Share of (profit) loss of investments accounted for using the equity method	(675)	(1,143)	(5,990)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets	311	63	2,760
Income tax expense	7,313	9,238	64,901
(Increase) decrease in trade and other receivables	19,262	6,100	170,944
(Increase) decrease in inventories	10,664	(21,048)	94,640
Increase (decrease) in trade and other payables	(17,662)	3,260	(156,745)
Increase (decrease) in retirement benefits liabilities	274	(356)	2,432
Other	3,812	(2,257)	33,830
Sub total	38,613	12,887	342,678
Interest received	491	402	4,357
Dividends received	1,193	864	10,588
Interest paid	(2,414)	(2,915)	(21,424)
Income taxes paid	(4,860)	(4,480)	(43,131)
Net cash provided by (used in) operating activities	33,024	6,758	293,078
II. Cash flows from investing activities			
Payments for property, plant and equipment	(1,982)	(3,628)	(17,590)
Proceeds from sale of property, plant and equipment	572	851	5,076
Payments for intangible assets	(496)	(651)	(4,402)
Purchases of other investments	(5,054)	(1,050)	(44,853)
Proceeds from sale of other investments	502	49	4,455
Proceeds from (payments for) acquisition of subsidiaries (Note 27)	1,178	(97)	10,454
Proceeds from (payments for) sale of subsidiaries (Note 27)	(165)	—	(1,464)
Increase in loans receivable	(917)	(437)	(8,138)
Proceeds from collection of loans receivable	1,005	630	8,919
Other	1,142	(2,317)	10,135
Net cash provided by (used in) investing activities	(4,214)	(6,649)	(37,398)

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KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2016

	JPY		USD (Note 2)
	2016	2015	2016
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	(9,718)	4,188	(86,244)
Proceeds from long-term borrowings	18,687	38,511	165,841
Repayment of long-term borrowings	(22,231)	(47,756)	(197,293)
Proceeds from issuance of bonds	9,923	―	88,064
Dividends paid	(1,678)	(1,675)	(14,892)
Proceeds from sale of shares of the Parent held by subsidiaries	―	355	―
Payments for acquisition of subsidiaries' interests from non-controlling interests	(328)	(2,030)	(2,911)
Dividends paid to non-controlling interests	(897)	(1,300)	(7,961)
Other	(485)	(338)	(4,304)
Net cash provided by (used in) financing activities	(6,729)	(10,046)	(59,718)
IV. Increase (decrease) in cash and cash equivalents, net	22,081	(9,937)	195,962
V. Cash and cash equivalents at the beginning of the year	66,485	73,978	590,034
VI. Effect of exchange rate changes on cash and cash equivalents	(1,100)	2,444	(9,762)
VII. Cash and cash equivalents at the end of the year (Note 27)	87,466	66,485	776,234

The accompanying notes are an integral part of these consolidated financial statements

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2016

1. Reporting Entity

Kanematsu Corporation (the "Company") is a company located in Japan. The addresses of the Company's registered headquarters and main offices are available on its corporate website (http://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2016 comprise the Company and its subsidiaries (collectively, the "Consolidated Group"), and the Consolidated Group's interests in associates. The Consolidated Group operates its businesses as an integrated trading company by providing a broad array of products and services through the organic integration of domestic and international business networks; expertise acquired in various fields; and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution. Detailed information on the business operations for each reportable segment are provided in *Note 6 Segment Information*.

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of *the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Ordinance of the Ministry of Finance No. 28 of 1976) as all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance have been fulfilled. The Consolidated Group has adopted IFRSs for the first time in preparing its consolidated financial statements for the fiscal year ended March 31, 2016 and the date of transition to IFRSs was April 1, 2014 (the "transition date"). These consolidated financial statements have been prepared in accordance with IFRSs for the first time and has also applied IFRS 1 *First Time Adoption of International Financial Reporting Standards*. An explanation regarding how the transition has affected the Consolidated Group's financial position, results of operations and cash flows as reported by the Company is provided in *Note 37 Disclosures regarding transition to IFRSs*.

The consolidated financial statements were authorized for issue by Masayuki Shimojima, President and CEO, on August 10, 2016.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statements of financial position:

- Financial assets and liabilities measured at fair value through profit or loss, which are measured at fair value;
- Financial assets measured at fair value through other comprehensive income, which are measured at fair value; and
- Defined benefit assets or liabilities, which are measured at the present value of the defined benefit obligations less the fair value of plan assets.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million.

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥112.68 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2016. The translation of such dollar amounts is solely for convenience of the readers outside Japan and should not be construed as a representation that the Japanese yen amounts have been, or could be readily converted, realized or settled in dollars at the above, or any other rate.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods. The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

- Note 3 Significant Accounting Policies: (1) Basis of consolidation
- Note 3 Significant Accounting Policies: (11) Revenue

The following notes include information on uncertainties of assumptions and estimates that have a significant risk to cause material revisions in the next fiscal year:

- Note 22 Impairment loss
- Note 28 Employee benefits
- Note 29 Deferred taxes and income tax expenses
- Note 30 Financial instruments: (6) Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Consolidated Group uses observable market data as far as available. Fair values are categorized into the following three levels based on the inputs to the valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Consolidated Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly; and
- Level 3: unobservable inputs.

Continued

The following notes include detailed information on assumptions made when measuring the fair value:

- Note 22 Impairment loss
- Note 30 Financial instruments: (6) Fair value of financial instruments

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Consolidated Group.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities which are controlled by the Consolidated Group. The Consolidated Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Consolidated Group holds more than half of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group as it is determined that control exists, unless it can be clearly demonstrated that such ownership does not constitute control. In addition, even when the Consolidated Group holds only half or less of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group if it is determined through agreements with other investors that the Consolidated Group has control over such entity's financial and operating policies and thus has the ability to affect returns from such entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Consolidated Group from the date the Consolidated Group obtains control of the subsidiaries until the date it loses such control of the subsidiaries. When the accounting policies adopted by the subsidiaries are different from those adopted by the Consolidated Group and the difference is considered material, the financial statements of the subsidiaries are adjusted as necessary.

Changes in the Consolidated Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

If the Consolidated Group loses control of a subsidiary, the Consolidated Group derecognizes the assets and liabilities of the former subsidiary, and any non-controlling interests and other components of equity related to the former subsidiary. Any gains or losses arising from such loss of control are recognized in profit or loss. If the Consolidated Group retains any interest in the former subsidiary after the control is lost, such interest is measured at fair value at the date that control is lost.

2) Associates

Associates are those entities over which the Consolidated Group has significant influence, where significant influence is defined as the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those entities. If the Consolidated Group holds between 20 percent and 50 percent of the voting rights of each those entities, it is presumed that the Consolidated Group has significant influence over each of those entities.

Even if the Consolidated Group holds less than 20 percent of the voting rights of another entity, such entity is included in the associates of the Consolidated Group as long as it is determined that the Consolidated Group has significant influence over the entity through the dispatch of the board members, the shareholders' agreement or the like.

Except for those that are classified as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, an investment in an associate (an "equity method investee") is measured at the carrying amount following the application of the equity method (including goodwill recognized at the time of acquisition) less any accumulated impairment losses.

The consolidated financial statements include the Consolidated Group's share of profit or loss and other comprehensive income of the associates from the date the Consolidated Group obtains significant influence until the date it loses such significant influence. When the accounting policies adopted by the equity method investees are different from those adopted by the Consolidated Group, the financial statements of the equity method investees are adjusted as necessary.

3) Business combinations

Business combinations are accounted for using the acquisition method. The Consolidated Group recognizes goodwill as the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree measured at the acquisition date; less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value). When such difference results in a negative balance, it is immediately recognized in profit or loss. Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The measurement method to be applied at the acquisition date is determined on a transaction-by-transaction basis. Acquisition-related costs, which are costs that the Consolidated Group incurs to effect a business combination (excluding costs to issue debt or equity securities), are accounted for as expenses in the periods in which the costs are incurred, and thus not included in the cost of goodwill. In a business combination achieved in stages, the Consolidated Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes any gains or losses arising from such remeasurement in profit and loss. Changes in the value of the Consolidated Group's equity interest in the acquiree that had been recognized in other comprehensive income prior to the acquisition date are recognized in profit or loss, or other comprehensive income, on the same basis as would be required if the Consolidated Group had disposed of the previously held equity interest.

Continued

4) Transactions eliminated in consolidation
Intragroup balances and transactions, as well as any unrealized gains and losses arising from intragroup transactions, are eliminated when preparing the consolidated financial statements.

(2) Foreign currency translation

1) Translation of foreign currency transactions
Foreign currency transactions are translated into functional currencies of individual companies using the exchange rates at the dates of such transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured on a historical cost basis in a foreign currency are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was measured.

With respect to the exchange differences of a non-monetary item, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the Consolidated Group recognizes any exchange component of that gain or loss in other comprehensive income. Conversely, when a gain or loss on a non-monetary items is recognized in profit or loss, the Consolidated Group recognizes any exchange component of that gain or loss in profit or loss.

2) Translation of a foreign operation
The assets and liabilities of a foreign operation, including any goodwill and fair value adjustments arising on the acquisition of that foreign operation, are translated using the exchange rate at the end of the reporting period. In addition, income and expenses of foreign operations are translated using the average exchange rate for the reporting period unless exchange rates fluctuate significantly.

Exchange differences arising from the translation are recognized in other comprehensive income and the cumulative amount of the exchange differences is included in other components of equity. When the Consolidated Group’s foreign operation is disposed of, the cumulative amount of the exchange differences related to that foreign operation is reclassified to profit or loss when the gain or loss on disposal is recognized. Based on the application of the exemption clauses under IFRS 1, the Consolidated Group has reclassified the cumulative exchange differences that existed at the transition date to retained earnings.

(3) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(4) Inventories

Inventories are measured at the lower of cost determined by the moving-average method and net realizable value.

(5) Property, plant and equipment

The Consolidated Group uses the cost model to measure an item of property, plant and equipment after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment include the cost directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each component thereof. The ranges of principal estimated useful lives are presented as follows:

Buildings and structures:	3 to 50 years
Machinery, vehicles, tools, furniture & fixtures:	2 to 20 years

Leased assets are fully depreciated over the shorter of the lease term and their estimated useful lives if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term.

The depreciation method, useful life and residual value of an asset are reviewed at least at the end of each reporting period and amended as necessary.

(6) Goodwill and intangible assets

1) Goodwill
Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets
The Consolidated Group uses the cost model to measure an intangible asset after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses.

A separately acquired intangible asset is initially recognized and measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. With respect to an internally generated intangible asset that does not qualify for asset recognition, expenditure on such an internally generated intangible asset is recognized as expenses when they are incurred. Conversely,

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the cost of an internally generated intangible asset that qualifies for asset recognition is the sum of expenditure incurred from the date when it first meets the recognition criteria.

An intangible asset with finite useful life is amortized using the straight-line method over its estimated useful life. The Consolidated Group's intangible assets with finite useful life are comprised mainly of software whose estimated useful life is 5 years.

The depreciation method, useful life and residual value of an intangible asset with finite useful life are reviewed at the end of each reporting period and amended as necessary.

Certain intangible assets with indefinite useful lives such as carrier shop operating rights are not amortized, but instead tested for impairment based on the cash-generating unit at least once a year and whenever there is an indication that they may be impaired.

(7) Impairment of non-financial assets

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, it estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs. Goodwill and an intangible asset with indefinite useful life are tested for impairment annually and whenever there is an indication that such assets may be impaired. If the carrying amount of an individual asset or a cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior fiscal years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Consolidated Group will estimate the recoverable amount of that asset. If the recoverable amount exceeds the carrying amount of that asset or the cash-generating unit to which the asset belongs, the carrying amount is increased to its recoverable amount, which is, however, limited up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years; and that increase is recognized as a reversal of an impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In addition, because goodwill that forms part of the carrying amount of an investment in an equity method investee is not separately recognized, it is not tested for impairment separately. If it is indicated that the investment in an equity method investee may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount.

(8) Financial instruments

The Consolidated Group has early adopted IFRS 9 *Financial Instruments* (as amended in July 2014).

1) Financial assets
The Consolidated Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Consolidated Group initially recognizes financial assets measured at amortized cost on the date that they arise and the other financial assets on the transaction date.

The Consolidated Group derecognizes a financial asset when, and only when (i) the contractual rights to the cash flows from the financial asset expire, or (ii) it transfers the contractual rights to the cash flows and substantially all the risks and rewards of ownership of the financial asset.

(i) Financial assets measured at amortized cost
A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a financial asset measured at amortized cost at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income
A financial asset that meets both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income.

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When the financial asset is derecognized, the cumulative gain or loss is reclassified to profit or loss.

(iii) Equity instruments measured at fair value through other comprehensive income
With regard to a financial asset that has not been classified as either a financial asset measured at amortized cost or a financial asset measured at fair value through other comprehensive income, and classified as a financial asset measured at fair value through profit or loss, IFRS 9 permits an entity to make an irrevocable election to present in other comprehensive income changes in fair value of an investment in an equity instrument that is not held for trading. The Consolidated Group makes this election on an instrument-by-instrument basis.

The Consolidated Group initially recognizes and measures an equity instrument measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the equity instrument is derecognized, or its fair value substantially decreases, the Consolidated Group reclassifies the cumulative amount of other comprehensive income to retained earnings and not to profit or loss. Dividends are recognized in profit or loss.

(iv) Financial assets measured at fair value through profit or loss
A financial asset other than those classified as (a), (b) and (c) above is classified as a financial asset measured at fair value through profit or loss.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through profit or loss at its fair value and expenses the transaction costs as incurred that are directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value in profit or loss.

2) Impairment of financial assets
The Consolidated Group assesses impairment of financial assets measured at amortized cost and financial assets measured at fair value through other compressive income based on the expected credit loss approach.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the 12-month expected credit losses, i.e., the expected credit losses that result from default events on that financial instrument that are possible within the 12months after the reporting date. Conversely, if, at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses, i.e., the expected credit losses that result from all possible default events over the expected life of that financial instrument.

However, the Consolidated Group always measures the loss allowance for trade receivables that do not contain a significant financing component at an amount equal to the lifetime expected credit losses despite the above requirement.

Detailed information on the assessment of significant increases in credit risk and the measurement of expected credit losses is provided in *Note 30 Financial Instruments: (3) Credit risk management*.

3) Financial liabilities
The Consolidated Group classifies financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. The Consolidated Group initially recognizes financial liabilities measured at amortized cost on the date that they arise and the other financial liabilities on the transaction date.

The Consolidated Group derecognizes financial liabilities when they are extinguished, i.e., when obligations specified under a contract is discharged, cancelled or expires.

(i) Financial liabilities measured at amortized cost
The Consolidated Group classified financial liabilities, other than financial liabilities measured at fair value through profit or loss, as financial liabilities measured at amortized cost. The Consolidated Group initially recognizes and measures a financial liability measured at amortized cost at its fair value less any transaction costs directly attributable to incurring of the liability, and subsequently measures it at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss
The Consolidated Group initially recognizes and measures a financial liability measured at fair value through profit or loss at its fair value, and subsequently measures it at fair value and recognizes subsequent changes in fair value in profit or loss.

4) Derivatives and hedge accounting
In order to hedge the foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, the Consolidated Group enters into derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Consolidated Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis whether it was actually highly effective throughout the reporting periods for which such hedging was designated.

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The Consolidated Group initially recognizes and measures derivatives at fair value and subsequently measures them at fair value and accounts for subsequent changes in fair value as follows:

(i) Fair value hedge
The Consolidated Group recognizes the changes in fair value of a derivative used as a hedging instrument in profit or loss, and the changes in fair value of a hedged item attributable to the hedged risk in profit or loss by adjusting the carrying amount of the hedged item.

(ii) Cash flow hedge
Of the changes in fair value of a derivative used as a hedging instrument, the portion determined to be effective is recognized in other comprehensive income and the cumulative amount is included in other components of equity. Conversely, the portion determined to be ineffective is recognized in profit or loss. The amount accumulated in other components of equity is reclassified from other components of equity to profit or loss in the same period that the transaction of the hedged item affects profit or loss; provided, however, that if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amount accumulated in other components of equity is then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging instrument expires or is sold, terminated or exercised; or when the hedge no longer meets the criteria for the hedge accounting, the Consolidated Group discontinues the hedge accounting prospectively. If the forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is reclassified immediately from other components of equity to profit or loss.

(iii) Derivatives not designated as hedging instruments
The Consolidated Group recognizes the changes in fair value of derivatives not designated as hedging instruments in profit or loss.

5) Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Consolidated Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(9) Provisions

The Consolidated Group recognizes a provision when, only when (a) the Consolidated Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the Consolidated Group recognizes the provision by discounting it using a current pre-tax discount rate that reflects the risks specific to the liability.

(10) Equity

Treasury stock
When the Consolidated Group repurchases the shares of treasury stock, it is measured at cost and is presented as a deduction from equity. Transaction costs directly attributable to the repurchase of the shares of treasury stock are deducted from capital surplus. When the Consolidated Group sells the shares of treasury stock, the consideration received is recognized as an increase in equity.

(11) Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returned goods, discounts and rebates. If there are multiple identifiable components in a single transaction, such transaction is separated into components, and revenue is recognized per such component. Conversely, when the actual economic state cannot be expressed without treating multiple transactions as one unit, revenue is recognized by treating such multiple transactions as one unit. The recognition standards and presentation method with respect to revenue are presented as follows:

1) Revenue recognition criteria

(i) Sale of goods
Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

- the Consolidated Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Consolidated Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is possible that the economic benefits associated with the transaction will flow to the Consolidated Group; and,
- the costs incurred or to be incurred in respect to the transaction can be measured reliably.

(ii) Rendering of services
If results of revenue from the rendering of services can be reliably estimated, such revenue will be recognized in accordance with such transaction’s degree of progress as of the fiscal year end. If all of the following conditions are satisfied, it is determined that results of a transaction can be reliably estimated:

Continued

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Consolidated Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, the Consolidated Group recognizes revenue only to the extent of the expenses recognized that are recoverable.

2) Method of presenting revenue

When the Consolidated Group is acting as a principal in a transaction, revenue is presented in the gross amount received from a customer. Conversely, when the Consolidated Group is acting as an agent for a third party in a transaction, revenue is presented in the amount of commission, which is the gross amount received by a customer less the amount collected on behalf of the third party.

The following features are considered when determining whether the Consolidated Group is acting as a principal or as an agent in a transaction:

- whether the Consolidated Group has the primary responsibility for providing goods or services to the customer or for fulfilling the order;
- whether the Consolidated Group has inventory risk before or after receiving the customer order, during shipping or on return;
- whether the Consolidated Group has latitude in establishing prices, either directly or indirectly;
- whether the Consolidated Group bears the customer's credit risk for the amount receivable from the customer; and
- whether the amount the Consolidated Group earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

(12) Finance income and finance costs

Finance income comprises interest income, dividend income, gain on sale of financial instruments and gain arising from changes in fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Consolidated Group's right to receive payment is established. Finance costs comprise interest expenses, loss on sale of financial instruments and loss arising from changes in the fair value of financial instruments.

(13) Employee benefits

1) Post-retirement benefits

(i) Defined benefit plans

Defined benefit plans are retirement benefit plans other than defined contribution plans. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods, and discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have maturity terms that are approximately the same as those of the Consolidated Group's defined benefit obligations and use the same currencies as those used for future benefits payments.

When the retirement benefit plans are amended, the change in defined benefit obligations related to past service by employees is immediately recognized in profit or loss.
The Consolidated Group recognizes the changes in the net defined benefit liability (asset) due to remeasurements in other comprehensive income and immediately reclassifies them to retained earnings.

(ii) Defined contribution plans

Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees render the related services.

2) Other long-term employee benefits

The Consolidated Group recognizes obligations for long-term employee benefits other than post-employment benefits as a liability by estimating the amount as of the reporting date that will be paid to the employees in return for their services without discounting that amount unless it is material.

3) Short-term employee benefits

The Consolidated Group recognizes short-term employee benefits as a liability and an expense by estimating the amounts that will be paid to the employees in return for their services without discounting those amounts. The Consolidated Group recognizes bonuses to be paid pursuant to the bonus system as a liability when it has present legal or constructive obligations to pay as a result of past employee service, and when the amount of the obligations can be estimated reliably.

(14) Income taxes

Income tax expenses comprises current tax expense and deferred tax expense. The Consolidated Group recognizes them in profit or loss, except when they arise from items that are recognized in other comprehensive income or directly equity, and from business combinations.

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Current tax expense is measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax rates or tax laws that are used to calculate the tax amount are those that have been enacted or substantially enacted by the fiscal year-end.

The Consolidated Group recognizes deferred tax assets and deferred tax liabilities for temporary differences between the carrying amount of an asset and liability in the statements of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of deferred tax assets and deferred tax liabilities are calculated by applying the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities are settled in accordance with a statutory tax rate or a substantially enacted statutory tax rate and the tax law as of the fiscal year-end. The Consolidated Group does not recognize deferred tax assets and deferred tax liabilities in the following cases:

- when taxable temporary differences arise from the initial recognition of goodwill;
- when they arise from the initial recognition of an asset or a liability in a transaction which is not a business combination; and, on the transaction date, affects neither accounting profit nor taxable profit (tax loss); or,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, when the Consolidated Group is able to control the timing of the reversal of the temporary differences; and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset only when the Consolidated Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Consolidated Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously. Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets are reassessed at each fiscal year-end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized. Unrecognized deferred tax assets are also reassessed at the end of each reporting period and are recognized to the extent that it is probable that future taxable profit will be available to recover the deferred tax assets.

The Company and its wholly owned domestic subsidiaries apply the consolidated tax payment system, by which the Company and its wholly owned domestic subsidiaries are allowed to file a tax return and pay the corporation tax as a consolidated tax filing group.

(15) Lease

The Consolidated Group determines whether an agreement is, or contains, a lease based on the substance of the agreement at inception of the lease. The substance of an agreement is assessed based on (a) whether fulfillment of the arrangement is dependent on the use of a specified asset or assets; and (b) whether the agreement conveys a right to use the asset.

1) Finance lease
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The Consolidated Group initially recognizes a leased asset at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and subsequently accounts for the lease asset based on the applicable accounting policies. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2) Operating lease
An operating lease is a lease other than a finance lease. The Consolidated Group recognizes lease payments under an operating lease as an expense on a straight-line basis mainly over the lease term. When the Consolidated Group is the lessor of assets under an operating lease, it presents the assets subject to the operating lease in its consolidated statements of financial position.

4. Standards and interpretations issued but not yet adopted

The following are the major standards and interpretations that have been newly issued or amended prior to the date of authorization for issuance of the consolidated financial statements. The Consolidated Group has not yet adopted these standards for the fiscal year ended March 31, 2016. The effects of application of these standards on the Consolidated Group are currently under assessment and cannot be estimated as of the filing date.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Consolidated Group will apply the standard	Summary of new or amended standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Amendment of accounting treatment for and disclosure on revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting treatment for lease contracts

Continued

5. Business Combinations

The major business combination that occurred during the fiscal year ended March 31, 2015 is described as follows:

Business combination by means of acquisition

(1) Outline of the transaction

1) Name of the acquired company and its lines of business

Name of the acquired company: Kanematsu-NNK Corporation

Lines of business: Security equipment business, Geo-tech (Ground improvement) business, wood processing business and petroleum product business

2) Purpose of the business combination

The Company expected that through strengthening the capital relationship between Kanematsu-NNK Corporation (“KNN”) and the Company, it would accelerate decision-making and strategy execution as well as collaboration of security camera business of KNN and Electronics & Device Division of the Company. Thus the business combination would contribute to strengthening the business base further and enhancing the corporate value of KNN and the Consolidated Group.

3) Acquisition date

December 24, 2014 (Date of the acquisition of shares)

4) Legal form of the business combination

Acquisition of shares for cash consideration (through tender offer)

5) Company name after the combination

Kanematsu-NNK Corporation

6) Percentage of voting rights

Percentage of voting rights immediately before the acquisition date:	32.1%
Percentage of voting rights added on the acquisition date:	18.9%
Percentage of voting rights after the acquisition date:	51.0%

7) Basis for deciding the acquiring company

The Company has acquired the shares of KNN for cash consideration.

(2) Earnings since the acquisition date

Revenue:	¥2,759 million
Profit:	¥69 million

(3) Acquisition costs and the details

Consideration for acquisition	
Fair value of shares of KNN held before the date of the business combination:	¥2,661 million
Fair value of additional shares of KNN acquired at the date of the business combination:	¥1,567 million
Total costs	¥4,228 million

(4) The amount of costs directly attributable to the acquisition is ¥74 million, which is expensed and included in selling, general and administrative expenses.

(5) Difference between the costs of the acquired company and the sum of the costs of each transaction that has resulted in the acquisition

Gain on step acquisitions: ¥1,123 million

The above gain is included in “Other income”.

(6) Amount and cause of goodwill

1) Amount of goodwill: ¥1,526 million

2) Cause of goodwill

The excess of acquisition costs over the net of the assets acquired and liabilities assumed on the acquisition date. Goodwill consists primarily of future economic benefits and synergies with the Consolidated Group’s existing businesses. Goodwill is not tax deductible.

Continued

(7) Breakdown of assets acquired and liabilities assumed on the acquisition date

	(JPY)
Current assets	5,186
Cash and cash equivalents	1,469
Trade receivables	2,232
Inventories	1,080
Other	403
Non-current assets	3,260
Property, plant and equipment	2,722
Other	537
Total assets	8,446
Current liabilities	2,427
Trade payables	2,009
Other	417
Non-current liabilities	742
Total liabilities	3,169

(8) The carrying amount of non-controlling interests of the acquiree recognized on the acquisition date is ¥(2,586) million. This carrying amount is calculated by multiplying the identifiable net assets received on the acquisition date with the percentage of the non-controlling interests' proportionate share after the acquisition.

(9) The disclosure of pro forma information on the above business combination assuming that it occurred at the beginning of the period is omitted because the effect on the consolidated financial statements is immaterial.

There were no major business combinations that occurred during the fiscal year ended March 31, 2016.

6. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Consolidated Group are components of the Consolidated Group for which discrete financial information is available and are reviewed by the Board of Directors of the Company normally and regularly assesses its business performance and examines the allocation of management resources.
The Consolidated Group offers a broad array of merchandise and services, using expertise in each business field and trading function from Japan and its international network. Trading functions include commercial trade, information gathering, market development, business development and arrangement, risk management and logistics.
The Consolidated Group therefore consists of merchandise and service segments based on its business units: "Electronics & Devices", "Foods & Grain", "Steel, Materials & Plant", and "Motor Vehicles & Aerospace".
The principal merchandise and services handled by each segment are presented as follows:

(Electronics & Devices)
The Electronics & Devices segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, coupled with development and proposal services. This segment also conducts retail sales of electric cells, LED, etc. and deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and security equipment and services.

(Foods & Grain)
The Foods & Grain segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from sourcing raw materials reliably to providing food and foodstuffs, including high value-added products. Merchandise in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Steel, Materials & Plant)
The Steel, Materials & Plant segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of crude oil, petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also develops environmental materials such as heat shield paints and new technologies, and operates businesses related to emissions rights.

(Motor Vehicles & Aerospace)
The Motor Vehicles & Aerospace segment primarily operates international trade of aircrafts and aircraft parts, satellite- and aerospace-related products, automobiles, motorcycles and related parts, industrial vehicles, construction machinery, etc., and also provides products with added value based on demand or use.

Continued

(2) Information on reportable segments

The accounting methods for the reportable operating segments are largely consistent with those stated in “Note 3: Significant Accounting Policies”. Inter-segment revenue and transfers are based on the prevailing market prices or third-party transaction prices.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	235,028	222,577	135,269	63,792	656,667	11,706	―	668,374
Inter-segment	220	2	56	0	279	68	(347)	―
Total revenue	235,249	222,579	135,325	63,792	656,947	11,774	(347)	668,374
Segment profit	10,658	1,427	3,388	2,964	18,439	329	4	18,772
Other profit or loss:								
Depreciation and amortization	1,036	621	929	364	2,951	141	(10)	3,082
Share of profit (loss) of investments accounted for using the equity method	278	77	13	34	403	271	―	675
Segment assets	152,348	110,116	102,204	25,172	389,842	9,907	43,842	443,592
Other assets:								
Investments accounted for using the equity method	3,918	1,208	50	332	5,509	1,913	(2)	7,420
Capital expenditure	1,604	439	527	278	2,850	117	258	3,226

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(USD)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	2,085,800	1,975,302	1,200,470	566,134	5,827,716	103,887	―	5,931,612
Inter-segment	1,952	18	497	0	2,476	603	(3,080)	―
Total revenue	2,087,762	1,975,319	1,200,967	566,134	5,830,201	104,491	(3,080)	5,931,612
Segment profit	94,586	12,664	30,067	26,305	163,640	2,920	35	166,596
Other profit or loss:								
Depreciation and amortization	9,194	5,511	8,245	3,230	26,189	1,251	(89)	27,352
Share of profit (loss) of investments accounted for using the equity method	2,467	683	115	302	3,576	2,405	―	5,990
Segment assets	1,352,041	977,245	907,029	223,394	3,459,727	87,922	389,084	3,936,741
Other assets:								
Investments accounted for using the equity method	34,771	10,721	444	2,946	48,891	16,977	(18)	65,850
Capital expenditure	14,235	3,896	4,677	2,467	25,293	1,038	2,290	28,630

(Notes) 1 The “Others” column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.

2 Adjustments are presented as follows:

(1) Adjustment of ¥4 million ($35 thousand) for segment profit includes inter-segment elimination of ¥4 million ($35 thousand).

(2) Adjustment for segment assets of ¥43,842 million ($389,084 thousand) includes inter-segment elimination of ¥(11,964) million (($106,177) thousand) and corporate assets of ¥55,807 million ($495,270 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(3) Adjustment for depreciation and amortization of ¥(10) million ($(89) thousand) includes inter-segment elimination of ¥(10) million ($(89) thousand).

(4) Adjustment for investments accounted for using the equity method of ¥(2) million ($(18) thousand) includes inter-segment elimination of ¥(2) million ($(18) thousand).

(5) Adjustment for capital expenditure of ¥258 million ($2,290 thousand) includes inter-segment elimination of ¥(71) million ($(630) thousand) and corporate assets of ¥329 million ($2,920 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of software related to the information system of the Company.

Continued

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	231,230	213,720	201,957	52,396	699,304	4,906	―	704,211
Inter-segment	353	2	5	0	361	57	(419)	―
Total revenue	231,583	213,723	201,963	52,396	699,666	4,964	(419)	704,211
Segment profit	10,152	3,365	6,345	2,601	22,464	1,068	14	23,547
Other profit or loss:								
Depreciation and amortization	1,058	589	870	403	2,921	79	(4)	2,996
Share of profit (loss) of investments accounted for using the equity method	740	40	12	29	823	295	25	1,143
Segment assets	134,780	106,835	127,643	31,249	400,508	11,531	54,274	466,314
Other assets:								
Investments accounted for using the equity method	2,166	891	44	300	3,401	1,830	153	5,385
Capital expenditure	1,694	976	1,528	834	5,034	61	730	5,826

(Notes) 1 The “Others” column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.

2 Adjustments are presented as follows:

(1) Adjustment of ¥14 million for segment profit includes inter-segment elimination of ¥14 million.

(2) Adjustment for segment assets of ¥54,274 million includes inter-segment elimination of ¥(8,507) million and corporate assets of ¥62,781 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(3) Adjustment for depreciation and amortization of ¥(4) million includes inter-segment elimination of ¥(4) million.

(4) Adjustment for investments accounted for using the equity method of ¥153 million includes inter-segment elimination of ¥(0) million and the corporate assets of ¥154 million that are not allocated to any reportable segment.

(5) Adjustment for capital expenditure of ¥730 million includes inter-segment elimination of ¥(32) million and corporate assets of ¥763 million that are not allocated to any reportable segment. The corporate assets consist mainly of leased equipment related to the information system of the Company.

Transition date (April 1, 2014)

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Segment assets	130,978	89,173	123,539	26,797	370,489	7,395	52,339	430,224
(Other assets)								
Investments accounted for using the equity method	1,404	560	133	235	2,333	3,072	129	5,536

(Notes) 1 The “Others” column is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business.

2. Adjustment for segment assets of ¥52,339 million includes inter-segment elimination of ¥(9,800) million and corporate assets of ¥62,140 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

Continued

Adjustments from segment profit (operating profit) to profit before tax presented in the consolidated statements of income are presented as follows:

	JPY		USD
	2016	2015	2016
Segment profit	18,772	23,547	166,596
Finance income and finance costs	(1,326)	(2,317)	(11,768)
Share of profit (loss) of investments accounted for using the equity method	675	1,143	5,990
Profit before tax	18,122	22,373	160,827

(3) Information on products and services

The disclosure is omitted because the classification of products and services is the same as that of reportable segments.

(4) Geographic information

1) External revenue

	JPY		USD
	2016	2015	2016
Japan	542,333	538,466	4,813,037
Asia	62,185	85,093	551,873
North America	43,571	54,753	386,679
Europe	13,598	19,681	120,678
Others	6,685	6,217	59,327
Total	668,374	704,211	5,931,612

Revenue is classified by country or region based on the locations of customers.

2) Non-current assets (excluding financial assets and deferred tax assets)

	JPY			USD
	2016	2015	Transition date	2016
Japan	34,464	33,670	28,314	305,857
Asia	1,046	1,415	1,009	9,283
North America	5,432	6,263	4,941	48,207
Europe	2,092	2,425	2,297	18,566
Others	39	14	9	346
Total	43,076	43,788	36,571	382,286

(5) Information on major customers

There is no customer whose transaction volume is equal to or more than 10% of the Consolidated Group’s revenue for the fiscal years ended March 31, 2016 and March 31, 2015.

7. Trade and Other Receivables

The breakdown of trade and other receivables is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Notes and accounts receivable	159,173	183,422	179,286	1,412,611
Loans receivable	3,019	2,405	2,623	26,793
Other	4,190	3,718	3,564	37,185
Less: loss allowance	(2,383)	(2,671)	(2,710)	(21,148)
Total	164,001	186,874	182,763	1,455,458
Current assets	163,540	186,486	182,627	1,451,367
Non-current assets	460	388	135	4,082
Total	164,001	186,874	182,763	1,455,458

Information on changes in loss allowance is provided in *Note 30 Financial Instruments: (3) Credit risk management*.

Continued

8. Inventories

The breakdown of inventories is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Merchandise and finished goods	76,899	88,747	63,146	682,455
Real estate for sale	－	61	61	－
Raw materials and supplies	2,328	2,134	2,344	20,660
Work in progress	967	901	962	8,582
Total	80,195	91,844	66,514	711,706

The amounts of inventories that were recognized as expense during the fiscal years ended March 31, 2016 and March 31, 2015 are ¥561,989 million ($4,987,478 thousand) and ¥595,079 million, respectively.

The amounts written down on inventories that were recognized as expense during the fiscal years ended March 31, 2016 and March 31, 2015 are ¥820 million ($7,277 thousand) and ¥226 million, respectively.

9. Property, Plant and Equipment

Changes in costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment are presented as follows:

[Costs]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of the transition date (April 1, 2014)	15,464	24,959	11,909	190	52,523
Additions	655	3,316	155	775	4,903
Acquisitions through business combinations	344	360	2,141	－	2,846
Transfers from construction in progress	0	71	－	(71)	－
Disposals	(424)	(2,746)	(170)	－	(3,340)
Exchange differences	179	907	77	75	1,239
Increases (decreases) due to a change in the scope of consolidation	－	(18)	－	－	(18)
Other	151	(68)	－	16	99
As of March 31, 2015	16,371	26,781	14,114	985	58,253
Additions	652	1,380	－	309	2,342
Acquisitions through business combinations	419	3	326	－	749
Transfers from construction in progress	357	369	－	(727)	－
Disposals	(520)	(1,965)	(468)	－	(2,954)
Exchange differences	(96)	(456)	(54)	(39)	(647)
Increases (decreases) due to a change in the scope of consolidation	(594)	(214)	－	－	(808)
Other	(112)	60	(1,372)	(43)	(1,468)
As of March 31, 2016	16,476	25,959	12,545	484	55,466

Continued

[Accumulated depreciation and accumulated impairment losses]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of the transition date (April 1, 2014)	(9,530)	(18,814)	—	—	(28,344)
Depreciation	(489)	(1,569)	—	—	(2,059)
Impairment losses	(54)	(27)	(360)	—	(443)
Disposals	371	1,664	—	—	2,036
Exchange differences	(69)	(399)	—	—	(469)
Increases (decreases) due to a change in the scope of consolidation	—	17	—	—	17
Other	(87)	62	—	—	(24)
As of March 31, 2015	(9,860)	(19,065)	(360)	—	(29,287)
Depreciation	(547)	(1,652)	—	—	(2,199)
Impairment losses	(15)	(2)	(64)	—	(81)
Disposals	428	1,599	—	—	2,028
Exchange differences	23	224	—	—	247
Increases (decreases) due to a change in the scope of consolidation	321	208	—	—	529
Other	98	82	—	—	181
As of March 31, 2016	(9,551)	(18,605)	(425)	—	(28,582)

[Carrying amounts]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of the transition date (April 1, 2014)	5,933	6,145	11,909	190	24,179
As of March 31, 2015	6,511	7,716	13,753	985	28,966
As of March 31, 2016	6,924	7,354	12,119	484	26,883

[Costs]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2015	145,288	237,673	125,257	8,742	516,977
Additions	5,786	12,247	—	2,742	20,785
Acquisitions through business combinations	3,718	27	2,893	—	6,647
Transfers from construction in progress	3,168	3,275	—	(6,452)	—
Disposals	(4,615)	(17,439)	(4,153)	—	(26,216)
Exchange differences	(852)	(4,047)	(479)	(346)	(5,742)
Increases (decreases) due to a change in the scope of consolidation	(5,272)	(1,899)	—	—	(7,171)
Other	(994)	532	(12,176)	(382)	(13,028)
As of March 31, 2016	146,219	230,378	111,333	4,295	492,244

Continued

[Accumulated depreciation and accumulated impairment losses]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2015	(87,504)	(169,196)	(3,195)	―	(259,913)
Depreciation	(4,854)	(14,661)	―	―	(19,515)
Impairment losses	(133)	(18)	(568)	―	(719)
Disposals	3,798	14,191	―	―	17,998
Exchange differences	204	1,988	―	―	2,192
Increases (decreases) due to a change in the scope of consolidation	2,849	1,846	―	―	4,695
Other	870	728	―	―	1,606
As of March 31, 2016	(84,762)	(165,114)	(3,772)	―	(253,656)

[Carrying amounts]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2016	61,448	65,264	107,552	4,295	238,578

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as “Construction in progress”.

Depreciation for property, plant and equipment are included in “Cost of revenues” and “Selling, general and administrative expenses” in the consolidated statements of income.

10. Goodwill and Intangible Assets

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amount
Changes in costs, accumulated impairment losses and carrying amount of goodwill are presented as follows:

[Costs]

	JPY		USD
	2016	2015	2016
Beginning balance	5,249	3,086	46,583
Acquisitions through business combinations	277	1,817	2,458
Exchange differences	(139)	346	(1,234)
Ending balance	5,387	5,249	47,808

[Accumulated impairment losses]

	JPY		USD
	2016	2015	2016
Beginning balance	(756)	(756)	(6,709)
Impairment losses	―	―	―
Exchange differences	―	―	―
Ending balance	(756)	(756)	(6,709)

Continued

[Carrying amount]

	JPY			USD
	2016	2015	Transition date	2016
Carrying amount	4,631	4,493	2,329	41,099

The beginning balance of accumulated impairment losses of ¥(756) million represents an impairment loss recognized on the transition date on goodwill that arose upon acquisition of the mobile communication terminal distribution business in the Electronics & Devices segment.

2) Impairment test
Consolidated Groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the Consolidated Groups may be impaired. The carrying amounts of significant goodwill allocated to the Consolidated Groups of cash-generating units were as follows:

	JPY			USD
	2016	2015	Transition date	2016
Electronics & Devices segment				
Electronics business of the domestic subsidiaries	1,763	1,763	236	15,646
Foods & Grain segment				
Pet-related businesses of the domestic subsidiaries	569	291	—	5,050
Steel, Materials & Plant segment				
Oilfield tubing business of the foreign subsidiaries	2,300	2,433	2,084	20,412

The recoverable amount of the cash-generating unit Consolidated Groups to which significant goodwill has been allocated was calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on future plans reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rate of gross profits through such terms, such growth rate being consistent with the forecasts of the nominal GDP growth rate or the like of the countries in which such cash-generating unit of the Consolidated Groups are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the cash-generating units belong.

The discount rates before tax which were used in calculating the value in use of the Consolidated Groups of cash-generating units to which significant goodwill has been allocated were as follows:

	2016	2015	Transition date
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	3.4%	4.5%	4.2%
Foods & Grain segment			
Pet-related businesses of the domestic subsidiaries	6.3%	6.0%	—
Steel, Materials & Plant segment			
Oilfield tubing business of the foreign subsidiaries	12.0%	12.0%	12.6%

With respect to goodwill that has been allocated to the Consolidated Groups of cash-generating units, the recoverable amount of such goodwill largely exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amounts of the cash-generating units below the carrying amount.

Continued

(2) Intangible assets

Changes in costs, accumulated amortization and accumulated impairment losses of intangible assets are presented as follows:

[Costs]

(JPY)

	Software	Carrier shop operating rights	Other	Total
As of the transition date (April 1, 2014)	7,532	3,291	4,299	15,123
Additions	945	–	31	977
Acquisitions through business combinations	14	–	6	20
Disposals	(159)	–	(3)	(163)
Exchange differences	55	–	560	616
Other	(214)	–	74	(140)
As of March 31, 2015	8,174	3,291	4,968	16,434
Additions	656	–	37	693
Acquisitions through business combinations	4	–	9	14
Disposals	(161)	–	(45)	(207)
Exchange differences	(32)	–	(235)	(267)
Other	(4)	–	(242)	(246)
As of March 31, 2016	8,636	3,291	4,492	16,421

[Accumulated amortization and accumulated impairment losses]

(JPY)

	Software	Carrier shop operating rights	Other	Total
As of the transition date (April 1, 2014)	(5,860)	(234)	(729)	(6,824)
Amortization	(618)	–	(348)	(967)
Impairment losses	(24)	–	(26)	(50)
Disposals	114	–	1	115
Exchange differences	(48)	–	(93)	(141)
Other	76	–	(0)	75
As of March 31, 2015	(6,361)	(234)	(1,196)	(7,792)
Amortization	(571)	–	(373)	(944)
Impairment losses	–	–	(12)	(12)
Disposals	140	–	35	175
Exchange differences	25	–	57	82
Other	(4)	–	158	153
As of March 31, 2016	(6,771)	(234)	(1,331)	(8,337)

[Carrying amount]

(JPY)

	Software	Carrier shop operating rights	Other	Total
As of the transition date (April 1, 2014)	1,671	3,057	3,569	8,298
As of March 31, 2015	1,812	3,057	3,771	8,641
As of March 31, 2016	1,864	3,057	3,161	8,083

Continued

[Costs]

(USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2015	72,542	29,207	44,089	145,847
Additions	5,822	—	328	6,150
Acquisitions through business combinations	35	—	80	124
Disposals	(1,429)	—	(399)	(1,837)
Exchange differences	(284)	—	(2,086)	(2,370)
Other	(35)	—	(2,148)	(2,183)
As of March 31, 2016	76,642	29,207	39,865	145,731

[Accumulated amortization and accumulated impairment losses]

(USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2015	(56,452)	(2,077)	(10,614)	(69,152)
Amortization	(5,067)	—	(3,310)	(8,378)
Impairment losses	—	—	(106)	(106)
Disposals	1,242	—	311	1,553
Exchange differences	222	—	506	728
Other	(35)	—	1,402	1,358
As of March 31, 2016	(60,091)	(2,077)	(11,812)	(73,988)

[Carrying amount]

(USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2015	16,081	27,130	33,466	76,686
As of March 31, 2016	16,542	27,130	28,053	71,734

Carrier shop operating rights were recognized as intangible assets upon acquisition of the mobile communication terminal distribution business by a consolidated subsidiary of the Company. As the rights are expected to exist fundamentally as long as the business continues, they are determined to be classified as intangible assets with indefinite useful lives.

The recoverable amounts of the Consolidated Groups of cash-generating units including the carrier shop operating rights were calculated based on its five-year forecast's value in use that was approved by management. The five-year forecast of cash flows is based on the future plans anticipated based on past performance. In addition, the main assumption used to determine such forecast was the growth rate of gross profits through such terms, such growth rate being consistent with the forecasts of the nominal GDP growth rate or the like of the countries in which such cash-generating unit Consolidated Groups are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the cash-generating units belong.

There were no material internally-generated intangible assets as of March 31, 2016, March 31, 2015 and the transition date.
Amortization expenses are included in "Cost of revenues" and "Selling, general and administrative expenses" in the consolidated statements of income.

The discount rates before taxes used to determine the value in use of this cash-generating unit are presented as follows:

	2016	2015	Transition date
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	6.0%	6.4%	6.6%

With respect to the carrier shop operating rights, the recoverable amount of the cash-generating unit largely exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amount of the cash-generating units below the carrying amount.

Continued

11. Investments in Associates and Joint Ventures

There are no associates or joint ventures that are material to the Consolidated Group.
The aggregate amount of interests in individually immaterial associates and joint ventures that are accounted for using the equity method are presented as follows:

[Aggregate carrying amount]

	JPY			USD
	2016	2015	Transition date	2016
Associates	7,420	5,385	5,536	65,850
Joint ventures	─	─	─	─

[Profit or loss from continuing business]

	JPY		USD
	2016	2015	2016
Associates	675	1,143	5,990
Joint ventures	─	─	─

[Other comprehensive income]

	JPY		USD
	2016	2015	2016
Associates	(141)	114	(1,251)
Joint ventures	─	─	─

[Total comprehensive income]

	JPY		USD
	2016	2015	2016
Associates	533	1,258	4,730
Joint ventures	─	─	─

12. Other Investments

The breakdown of other investments is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Financial assets measured at fair value through profit or loss	5,637	6,425	6,341	50,027
Financial assets measured at fair value through other comprehensive income	24,897	25,623	19,386	220,953
Financial assets measured at amortized cost	1,000	1,000	1,000	8,875
Total	31,535	33,049	26,727	279,863

13. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Advance payments	5,739	8,336	7,416	50,932
Prepaid expenses	3,908	3,482	3,255	34,682
Other	6,606	5,922	5,361	58,626
Total	16,253	17,741	16,033	144,240
Current assets	12,776	16,054	14,268	113,383
Non-current assets	3,477	1,686	1,764	30,857
Total	16,253	17,741	16,033	144,240

Continued

14. Trade and Other Payables

The breakdown of trade and other payables is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Notes and accounts payable	102,276	116,649	114,694	907,668
Import bills payable	31,034	32,530	27,610	275,417
Accounts payable - commission	8,832	10,342	8,213	78,381
Total	142,143	159,522	150,518	1,261,475
Current liabilities	142,143	159,522	150,518	1,261,475
Non-current liabilities	—	—	—	—
Total	142,143	159,522	150,518	1,261,475

15. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

	2016		2015	Transition date	Average interest rate (Note)	Maturity date
	JPY	USD	JPY	JPY		
Short-term borrowings	33,374	296,184	43,433	35,446	0.86%	—
Current portion of long-term borrowing	28,615	253,949	21,871	44,405	1.34%	—
Bonds (excluding the current portion)	9,925	88,081	—	—	—	—
Long-term borrowings (excluding the current portion)	64,952	576,429	74,426	61,113	1.47%	July 2017 to October 2029
Total	136,867	1,214,652	139,731	140,965		
Current liabilities	61,989	550,133	65,305	79,852		
Non-current liabilities	74,877	664,510	74,426	61,113		
Total	136,867	1,214,652	139,731	140,965		

(Note) The "average interest rate" is presented as the weighted average interest rate against the borrowings outstanding at the end of the year. For the purpose of avoiding the interest rate fluctuation risk for borrowings hedged by derivative transactions, such as interest rate swaps, the average interest rate is calculated using the interest rate after hedging. The interest rate of bonds is presented in the "Details of bonds" below.

[Details of bonds]

Issuer	Bond Name	Issue date	2016		2015	Coupon rate	Collateral	Maturity date
			JPY	USD	JPY			
Kanematsu Corporation	Unsecured Straight Bonds No 1 (3-year bonds)	March 10, 2016	4,961	44,027	—	0.40% per annum	None	March 8, 2019
Kanematsu Corporation	Unsecured Straight Bonds No 2 (5-year bonds)	March 10, 2016	4,964	44,054	—	0.64% per annum	None	March 10, 2021

(Note) The maturity schedule of bonds (excluding the current portion) within 5 years after the end of the current fiscal year is presented as follows:

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Corporate bonds	—	—	4,961	44,027	—	—	4,964	44,054

Continued

16. Provisions

Changes in provisions are presented as follows:

(JPY)

	Asset retirement obligations	Other	Total
As of the transition date (April 1, 2014)	811	85	896
Acquisitions through business combinations	18	218	237
Provisions made	94	262	357
Provisions used	(4)	(69)	(74)
Provisions reversed	(17)	(16)	(33)
Unwinding of discount	15	—	15
Foreign exchange translation differences	—	0	0
Other	—	—	—
As of March 31, 2015	917	482	1,399
Acquisitions through business combinations	—	—	—
Provisions made	98	181	279
Provisions used	(108)	(206)	(314)
Provisions reversed	(2)	(7)	(10)
Unwinding of discount	18	—	18
Foreign exchange translation differences	—	(0)	(0)
Other	—	(67)	(67)
As of March 31, 2016	922	382	1,304

(USD)

	Asset retirement obligations	Other	Total
As of March 31, 2015	8,138	4,278	12,416
Acquisitions through business combinations	—	—	—
Provisions made	870	1,606	2,476
Provisions used	(958)	(1,828)	(2,787)
Provisions reversed	(18)	(62)	(89)
Unwinding of discount	160	—	160
Foreign exchange translation differences	—	(0)	(0)
Other	—	(595)	(595)
As of March 31, 2016	8,182	3,390	11,573

The current and non-current portions of provisions are presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Current liabilities	31	300	92	275
Non-current liabilities	1,272	1,098	804	11,289
Total	1,304	1,399	896	11,573

Asset retirement obligations are the obligations for restoring offices and shops in accordance with provisions of the property leasing contracts. While these expenditures will be made after at least one year has passed, the amounts may be affected by the future business plan and other factors.

17. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Advances received	6,515	10,991	8,787	57,819
Accrued expenses	3,351	3,363	2,625	29,739
Unearned revenue	2,958	2,841	2,991	26,251
Other	7,339	8,541	7,158	65,131
Total	20,164	25,739	21,562	178,949
Current liabilities	19,465	24,736	20,870	172,746
Non-current liabilities	699	1,002	692	6,203
Total	20,164	25,739	21,562	178,949

Continued

18. Equity

(1) Capital management

The Consolidated Group has a basic policy of increasing shareholders' equity (See Note 1) up to a certain level and strengthening its financial base to enhance its enterprise value through building new businesses and increasing revenues while maintaining a sound financial position. In addition, the Company uses net DER (See Note 2) as a key indicator for capital management.

The Consolidated Group will strive to expand its business to the extent allowed by its own financial strength with the target net DER to be kept under 1.0 time, as per the medium-term vision "VISION-130", for which the revision was made and announced on May 10, 2016. These indices are periodically reported to and monitored by management.

(Note 1) Shareholders' equity is defined as equity attributable to owners of the Parent.
(Note 2) Net DER is defined as a ratio of net interest-bearing debt to shareholders' equity, while net interest-bearing debt is the total amount of interest-bearing debt less cash and cash equivalents.

The figures of net DER as of the March 31, 2016, March 31, 2015 and transition date are presented as follows:

	2016	2015	Transition date
Net DER	0.5 times	0.8 times	0.9 times

The Consolidated Group is not subjected to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Number of shares authorized to be issued, issued shares and shares of treasury stock

(Unit: share)

	2016	2015
Shares authorized to be issued (No-par common stock)	1,016,653,604	1,016,653,604
Issued shares (No-par common stock)		
Beginning balance	422,501,010	422,501,010
Changes during the period	—	—
Ending balance	422,501,010	422,501,010
Treasury stock (No-par common stock)		
Beginning balance	2,893,263	5,111,537
Ending balance	2,953,939	2,893,263

The number of shares of treasury stock includes treasury stock held by the associates of the Company.

(3) Surplus

1) Capital surplus
Capital surplus mainly consists of legal capital surplus.

2) Retained earnings
Retained earnings consist of legal retained earnings and other retained earnings.
The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus for each fiscal year must be appropriated as legal capital surplus or legal retained earnings until the total aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital.

Under the Companies Act, the amount available for distribution is calculated based on the amount of capital surplus and retained earnings, exclusive of legal capital surplus and legal retained earnings, all of which are recorded in accordance with the accounting principles generally accepted in Japan.

Continued

(4) Dividends

1) Amount of dividends paid

Resolution	Type of stock	Source of dividends	Total amount of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 25, 2015 Board of Directors meeting	Common stock	Retained earnings	632	5,609	1.50	0.013	Mar. 31, 2015	Jun. 4, 2015
Nov. 5, 2015 Board of Directors meeting	Common stock	Retained earnings	1,053	9,345	2.50	0.022	Sep. 30, 2015	Dec. 4, 2015

Resolution	Type of stock	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
			JPY	Yen		
May 26, 2014 Board of Directors meeting	Common stock	Retained earnings	632	1.50	Mar. 31, 2014	Jun. 5, 2014
Oct. 31, 2014 Board of Directors meeting	Common stock	Retained earnings	1,053	2.50	Sep. 30, 2014	Dec. 2, 2014

2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of stock	Source of dividends	Total amount of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 23, 2016 Board of Directors meeting	Common stock	Retained earnings	1,053	9,345	2.50	0.022	Mar. 31, 2016	Jun. 6, 2016

19. Revenue

The breakdown of revenue is presented as follows:

	JPY		USD
	2016	2015	2016
Revenue from the sale of goods	646,004	679,743	5,733,085
Revenue from rendering of services and others	22,369	24,467	198,518
Total	668,374	704,211	5,931,612

20. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is presented as follows:

	JPY		USD
	2016	2015	2016
Depreciation and amortization	1,883	1,866	16,711
Personnel expenses	37,782	37,350	335,304
Outsourcing service charges	6,417	6,211	56,949
Rent expenses	5,351	5,069	47,488
Other	17,143	15,748	152,139
Total	68,577	66,245	608,600

Continued

21. Gain or Loss on Sale and Disposal of Fixed Assets

The breakdown of gain or loss on sale and disposal of fixed assets is presented as follows:

	JPY		USD
	2016	2015	2016
Gain on sale of property, plant and equipment	25	71	222
Gain on sales of intangible assets	14	0	124
Total gain on sale of fixed assets	40	71	355
Loss on sale of property, plant and equipment	(251)	(2)	(2,228)
Loss on sales of intangible assets	(0)	—	(0)
Total loss on sale of fixed assets	(252)	(2)	(2,236)
Loss on disposal of property, plant and equipment	(76)	(87)	(674)
Loss on disposal of intangible assets	(22)	(45)	(195)
Total loss on disposal of fixed assets	(99)	(132)	(879)
Gain (loss) on sale and disposal of fixed assets, net	(311)	(63)	(2,760)

22. Impairment Loss

(1) Breakdown of impairment loss by each class of assets

The breakdown of impairment losses for the fiscal year ended March 31, 2016 and March 31, 2015 for by class of assets is presented as follows. Impairment losses were included in “Impairment loss on fixed assets” in the consolidated statement of income.

	JPY		USD
	2016	2015	2016
Property, plant and equipment	(81)	(443)	(719)
Intangible assets	(12)	(50)	(106)
Other non-current assets	—	(86)	—
Total	(94)	(580)	(834)

(2) Breakdown by reportable segment

The breakdown of impairment losses for the fiscal year ended March 31, 2016 and March 31, 2015 by reportable segment is presented as follows:

	JPY		USD
	2016	2015	2016
Electronics & Devices	(13)	(144)	(115)
Foods & Grain	—	(1)	—
Steel, Materials & Plant	(79)	(438)	(701)
Motor Vehicles & Aerospace	—	(0)	—
Other/Adjustment and elimination	(1)	3	(9)
Total	(94)	(580)	(834)

For the fiscal year ended March 31, 2015, the impairment loss of ¥299 million was recognized as a result of reducing the carrying amount of property, plant and equipment related to LPG tanks, for which the Company determined to withdraw from the business due to deterioration of profitability, to the recoverable amount of ¥170 million. In addition, the impairment loss of ¥137 million was recognized as a result of reducing the carrying amount of property, plant and equipment related to several petrol service stations in Japan, for which the Company determined to withdraw from the business, to the recoverable amount of ¥35 million. The recoverable amount is based on fair value less costs of disposal and fair value is estimated mainly based on the real estate appraisal. The assets belong to the Steel, Materials & Plant segment.

Regarding the impairment of other non-current assets, the impairment loss of ¥86 million was recognized as the assets were evaluated to have a zero recoverable amount mainly because future cash flows could no longer be expected primarily due to termination of a license agreement. The assets belong to the Electronics & Devices segment.

For the fiscal year ended March 31, 2016, the impairment loss of ¥79 million ($701 thousand) was recognized as a result of reducing the carrying amount of property, plant and equipment related to several petrol service stations in Japan, for which the Company determined to withdraw from business, to the recoverable amount of ¥4 million ($35 thousand). The recoverable amount is based on fair value less costs of disposal and fair value is estimated mainly based on the real estate appraisal. The assets belong to the Steel, Materials & Plant segment.

While fair values are categorized into three levels depending on inputs to valuation techniques used, all the fair values above are categorized within Level 3 of the fair value hierarchy with its details described in “2. Basis of Preparing Consolidated Financial Statements, (4) Use of estimates and judgments”.

Continued

23. Exchange Differences

Exchange differences recognized in profit or loss for the fiscal years ended March 31, 2016 and March 31, 2015 were gains of ¥713 million ($6,328 thousand) and ¥1,713 million, respectively and are included in "Other income" in the consolidated statement of income. In addition, each amount includes gains or losses arising from currency-related derivative transactions that were entered into for the purpose of hedging the foreign currency risk. Gains and losses arising from translating assets and liabilities denominated in a currency other than the functional currency or from settling such items are included in profit or loss as they arise.

24. Finance Income and Finance Costs

The breakdown of finance income and finance costs is presented as follows:

	JPY		USD
	2016	2015	2016
Interest income			
Financial assets measured at amortized cost	478	400	4,242
Total interest income	478	400	4,242
Dividend income			
Financial assets measured at fair value through profit or loss	147	372	1,305
Financial assets measured at fair value through other comprehensive income	779	709	6,913
Total dividend income	927	1,082	8,227
Other finance income (Note)			
Other finance income	—	18	—
Total other finance income	—	18	—
Total finance income	1,405	1,501	12,469
Interest expenses			
Financial liabilities measured at amortized cost	(2,167)	(2,598)	(19,231)
Derivatives	(240)	(312)	(2,130)
Total interest expenses	(2,407)	(2,910)	(21,361)
Other finance costs (Note)			
Other finance costs	(323)	(908)	(2,867)
Total other finance costs	(323)	(908)	(2,867)
Total finance costs	(2,731)	(3,819)	(24,237)

(Note) The amounts of other finance income and other finance costs are those related to financial assets measured at fair value through profit or loss and the details are presented in *Note 30 Financial Instruments: (6)-3)-(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy*.

25. Earnings Per Share Attributable to Owners of the Parent

(1) Basic earnings per share

	Yen		U.S. dollar
	2016	2015	2016
Basic earnings per share	21.29	25.10	0.19

Diluted earnings per share is not presented as there are no share with dilutive effect.

(2) Bases for calculation of basic earnings per share

	JPY		USD
	2016	2015	2016
Profit attributable to owners of the Parent	8,959	10,546	79,508
Amount not attributable to common shareholders of the Parent	—	—	—
Profit used to calculate basic earnings per share	8,959	10,546	79,508
	Thousand shares		
Weighted average number of common shares	420,803	420,211	

Continued

26. Other Comprehensive Income

The breakdown for the amounts of reclassification adjustments and deferred tax in other comprehensive income is presented as follows:

	JPY		USD
	2016	2015	2016
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	(2,727)	5,164	(24,201)
Amount before deferred tax	(2,727)	5,164	(24,201)
Deferred tax	1,147	(1,401)	10,179
Total net unrealized gains (losses), net of tax	(1,580)	3,762	(14,022)
Remeasurements of defined benefit plans, net of tax			
Amount arising during the year	(578)	393	(5,130)
Amount before deferred tax	(578)	393	(5,130)
Deferred tax	152	99	1,349
Remeasurements of defined benefit plans, net of tax	(426)	492	(3,781)
Exchange differences on translation of foreign operations			
Amount arising during the year	(2,911)	6,564	(25,834)
Reclassification adjustments	17	—	151
Exchange differences on translation of foreign operations	(2,894)	6,564	(25,683)
Cash flow hedges			
Amount arising during the year	(1,097)	817	(9,736)
Reclassification adjustments	(1,058)	(142)	(9,389)
Amount before deferred tax	(2,156)	674	(19,134)
Deferred tax	645	(239)	5,724
Cash flow hedges	(1,511)	435	(13,410)
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	(114)	112	(1,012)
Reclassification adjustments	(27)	2	(240)
Share of other comprehensive income of investments accounted for using the equity method	(141)	114	(1,251)
Total other comprehensive income	(6,554)	11,369	(58,165)

Continued

27. Cash Flow Information

(1) Cash and cash equivalents

Cash and cash equivalents for the fiscal years ended March 31, 2016 and March 31, 2015 consist of cash and bank deposits (excluding time deposits with deposit term exceeding three months).

(2) Net payment for acquisition of subsidiaries

The breakdown of main assets and liabilities of newly acquired subsidiaries at the time control thereof was acquired, and the relationship between considerations paid and net payment for the acquisition are presented as follows:

	JPY		USD
	2016	2015	2016
Breakdown of assets at the acquisition date			
Current assets (including cash and cash equivalents)	5,276	5,186	46,823
Non-current assets	1,285	4,786	11,404
Breakdown of liabilities at the acquisition date			
Current liabilities	(5,572)	(2,427)	(49,450)
Non-current liabilities	(696)	(742)	(6,177)

	JPY		USD
	2016	2015	2016
Considerations paid	(105)	(1,567)	(932)
Cash and cash equivalents included in the assets at the time control thereof was acquired	1,283	1,469	11,386
Net proceeds from (payment for) acquisition of subsidiaries	1,178	(97)	10,454

(3) Net proceeds from sale of subsidiaries

The breakdown of main assets and liabilities of companies that are no longer the subsidiaries of the Company as a result of sale of shares at the time control thereof was lost, and the relationship between considerations received and net proceeds from the sale are presented as follows:

	JPY		USD
	2016	2015	2016
Details of assets upon loss of control			
Current assets (including cash and cash equivalents)	1,833	—	16,267
Non-current assets	493	—	4,375
Details of liabilities upon loss of control			
Current liabilities	(2,941)	—	(26,100)

	JPY		USD
	2016	2015	2016
Considerations received	282	—	2,503
Cash and cash equivalents included in the assets at the time control thereof was lost	(447)	—	(3,967)
Net proceeds from (payment for) sale of subsidiaries	(165)	—	(1,464)

(4) Significant non-cash transactions

There were no significant non-cash transactions for the fiscal years ended March 31, 2016 and March 31, 2015.

Continued

28. Employee Benefits

(1) Post-employment benefits

1) Outline of retirement benefit plans adopted by the Consolidated Group

The Company has the defined benefit pension plan and lump-sum retirement benefit plan covering substantially all employees other than directors and executive officers. The benefit amounts for the defined benefit pension plan are determined based on the period of employees' enrollment in the plan, contribution granted to employees and other factors. The Company has a responsibility to manage pension assets faithfully and has an obligation to make contributions for the employees enrolled in the plan in compliance with laws and regulations.

The pension plan that the Company maintains is a contract-type defined benefit pension plan.

Matters such as asset management performance, status of the plan and accounting treatment are reported in the Management Committee by the Finance Department and the Personnel & General Affairs Department, which are in charge of operation of the pension plan. These departments hold a meeting on a timely manner to discuss the matters such as a revision to the plan and a change in the asset investment policy.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have adopted the defined contribution retirement benefit plan.

2) Defined benefit plan

(i) Net defined benefit liability (asset)

Reconciliation of the beginning and ending balances of net defined benefit liability (asset) and the components for the years ended March 31, 2016 and March 31, 2015 are presented as follows:

(JPY)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of the transition date (April 1, 2014)	18,574	(12,841)	5,732
Current service cost	1,265	—	1,265
Net interest	143	(119)	24
Remeasurements	77	(470)	(393)
Foreign exchange translation differences	32	(35)	(2)
Employer contributions to the plan	—	(981)	(981)
Benefits paid	(1,696)	1,227	(468)
Effect of business combinations and disposals	567	(202)	365
Other	(141)	1	(140)
As of March 31, 2015	18,823	(13,422)	5,400
Current service cost	1,260	—	1,260
Net interest	103	(77)	26
Remeasurements	639	(60)	578
Foreign currency translation difference	(60)	14	(46)
Employer contributions to the plan	—	(929)	(929)
Benefits paid	(1,577)	1,160	(416)
Effect of business combinations and disposals	—	—	—
Other	(106)	4	(102)
As of March 31, 2016	19,082	(13,309)	5,772

(USD)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of March 31, 2015	167,048	(119,116)	47,923
Current service cost	11,182	—	11,182
Net interest	914	(683)	231
Remeasurements	5,671	(532)	5,130
Foreign currency translation difference	(532)	124	(408)
Employer contributions to the plan	—	(8,245)	(8,245)
Benefits paid	(13,995)	10,295	(3,692)
Effect of business combinations and disposals	—	—	—
Other	(941)	35	(905)
As of March 31, 2016	169,347	(118,113)	51,225

Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2016 and March 31, 2015 are the differences arising primarily from changes in financial assumptions.

Continued

(ii) Reconciliation of ending balances of defined benefit obligation/plan assets and net defined benefit liability/asset presented on the consolidated statements of financial position

	JPY			USD
	2016	2015	Transition date	2016
Defined benefit obligations of funded plan	15,561	15,137	14,990	138,099
Plan assets	(13,309)	(13,422)	(12,841)	(118,113)
Net defined benefit liability of funded plan	2,251	1,715	2,148	19,977
Defined benefit obligations of unfunded plan	3,520	3,685	3,584	31,239
Net liability or asset presented on the consolidated statements of financial position	5,772	5,400	5,732	51,225

The measurement dates used to determine the benefit obligations are mainly March 31 of each year.

The Consolidated Group’s funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Consolidated Group’s investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Consolidated Group formulate a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Company’s target allocation is 10% equity securities, 39% debt securities, 40% life insurance company general accounts and 11% others.

The Consolidated Group holds a meeting regularly with the asset management institutions and discuss important issues regarding pension assets investment.

(iii) Plan assets

The composition of the plan assets as of March 31, 2016.

	Plan assets with a quoted market price in an active market		Plan assets without a quoted market price in an active market	
	JPY	USD	JPY	USD
Equity securities	1,164	10,330	1	9
Debt securities	4,798	42,581	403	3,576
Life insurance company general accounts	—	—	4,464	39,617
Other	161	1,429	2,316	20,554
Total	6,124	54,349	7,185	63,765

The composition of the plan assets as of March 31, 2015.

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	1,489	0
Debt securities	4,739	416
Life insurance company general accounts	—	5,834
Other	114	827
Total	6,343	7,078

The composition of the plan assets as of the transition date are presented as follows:

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	1,382	0
Debt securities	4,576	337
Life insurance company general accounts	—	5,681
Other	99	764
Total	6,057	6,783

Continued

(iv) Significant actuarial assumptions

	2016	2015	Transition date
Discount rate	0.3%	0.7%	0.9%

The assumptions used for the actuarial calculation include the expected rate of salary increase, the mortality rate and the retirement rate other than the above.

(v) Sensitivity analysis of defined benefit obligations

	JPY		USD
	2016	2015	2016
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	135	253	1,198
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(254)	(253)	(2,254)

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuate. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables. Even if the discount rate falls below 0%, the calculation is performed assuming the lower limit of the discount rate is 0%.

(vi) Information on maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for both of the fiscal years ended March 31, 2016 and March 31, 2015 was 10.9 years.

(vii) Expected contribution to the plan for the year ending March 31, 2017

The amount of contribution made by made by the Consolidated Group to plan assets for the year ending March 31, 2017 is estimated to be ¥836 million ($7,419 thousand).

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2016 and March 31, 2015 were ¥177 million ($1,571 thousand) and ¥217 million, respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2016 and March 31, 2015 were ¥1,559 million ($13,836 thousand) and ¥1,535 million, respectively. Employee benefit expenses are included in “Cost of revenues” and “Selling, general and administration expenses” in the consolidated statement of income.

Continued

29. Deferred Taxes and Income Taxes

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of main deferred tax assets and deferred tax liabilities by component is as follows:

	JPY			USD
	2016	2015	Transition date	2016
Deferred tax assets				
Retirement benefits liabilities	1,302	1,693	1,553	11,555
Loss allowance	681	802	968	6,044
Inventories	497	1,706	1,784	4,411
Impairment loss	677	853	791	6,008
Other investments	857	875	944	7,606
Golf club memberships	157	170	177	1,393
Tax losses carried forward	5,628	6,784	10,334	49,947
Cash flow hedges	613	—	216	5,440
Other	3,547	3,938	3,481	31,479
Total deferred tax assets	13,963	16,825	20,252	123,917
Offset against deferred tax liabilities	(4,879)	(6,268)	(4,549)	(43,300)
Total deferred tax assets, net	9,084	10,557	15,702	80,618
Deferred tax liabilities				
Retained earnings in subsidiaries	(267)	(253)	(260)	(2,370)
Cash flow hedges	—	(12)	—	—
Financial assets measured at fair value through other comprehensive income	(3,085)	(4,204)	(2,569)	(27,378)
Other	(1,824)	(2,111)	(2,003)	(16,187)
Total deferred tax liabilities	(5,177)	(6,582)	(4,833)	(45,944)
Offset against deferred tax assets	4,879	6,268	4,549	43,300
Total deferred tax liabilities, net	(297)	(313)	(283)	(2,636)
Net deferred tax assets	8,786	10,243	15,418	77,973

2) Details of changes in deferred tax assets and deferred tax liabilities

Details of changes in deferred tax assets and deferred tax liabilities are presented as follows:

	JPY		USD
	2016	2015	2016
Beginning balance of net deferred tax assets	10,243	15,418	90,903
Deferred tax expense	(3,316)	(4,024)	(29,428)
Income tax on other comprehensive income	1,944	(1,541)	17,252
Acquisition through business combinations	—	413	—
Other	(85)	(23)	(754)
Ending balance of net deferred tax assets	8,786	10,243	77,973

3) Deductible temporary differences and unused tax losses carried forward for which deferred tax assets were not recognized

The breakdown of deductible temporary differences and unused tax losses carried forward (by expiry date), for which deferred tax assets were not recognized in the consolidated statement of financial position are presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Deductible temporary differences	17,639	19,054	18,114	156,541
Tax losses carried forward				
Within one year to expiry	21	—	115	186
Between one and five years to expiry	26,606	19,172	11,340	236,120
Between five and ten years to expiry	11,609	7,747	17,683	103,026
Over ten years to expiry	186	48	49	1,651
Total tax losses carried forward	38,424	26,967	29,188	341,001

4) Temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized

The total amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as of March 31, 2016 and March 31, 2015 and the transition date are ¥16,549 million ($146,867 thousand), ¥13,616 million and ¥11,771 million, respectively. Because the Consolidated Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, it did not recognize deferred tax liabilities with respect to such temporary differences.

Continued

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

	JPY		USD
	2016	2015	2016
Current tax expense (Note 1)	(3,997)	(5,213)	(35,472)
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	(1,721)	(2,752)	(15,273)
Reassessment of recoverability of deferred tax assets	(1,036)	874	(9,194)
Changes in tax rate	(558)	(2,146)	(4,952)
Total deferred tax expense	(3,316)	(4,024)	(29,428)
Total income taxes	(7,313)	(9,238)	(64,901)

(Notes) 1. The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2016 and March 31, 2015 were ¥487 million ($4,322 thousand) and nil, respectively, and these benefits were included in the current tax expenses.

2. Major causes for deferred tax expense by type are inventories of ¥(1,209) million ($(10,729) thousand) and tax loss carried forward of ¥(1,156) million ($(10,259) thousand) for the fiscal year ended March 31, 2016, and tax loss carried forward of ¥(3,549) million for the fiscal year ended March 31, 2015.

2) Reconciliation of statutory effective income tax rate in Japan

Reconciliations between the statutory effective tax rate in Japan and the average effective tax rate of the Consolidated Group were as follows:

	2016	2015
Effective statutory tax rate	33.1%	35.6%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	0.7%	2.2%
Effect of reassessment of recoverability of deferred tax assets	5.7%	(3.9)%
Effect of tax rate differences	(0.5)%	1.8%
Tax reform	3.1%	9.6%
Other	(1.8)%	(4.0)%
Average effective tax rate	40.4%	41.3%

The effective statutory effective tax rate for the fiscal year ended March 31, 2016 is calculated to be 33.1% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

On March 29, 2016, “Partial Revision of Income Tax Act, etc.” (Act No.15 of 2016) and “Partial Revision of Local Tax Act, etc.” (Act No.13 of 2016) were approved in the Diet. Under these Acts, the reduction in the corporate tax rate will become effective from the fiscal year beginning on or after April 1, 2016. As a result of this change, the statutory effective tax rate being applied in the deferred tax calculation reduced from 32.3% to 30.9% for the temporary differences which will be deducted during the fiscal year beginning on April 1, 2016 and on April 1, 2017, and to 30.6% for those which will be deducted during and after the fiscal year beginning on April 1, 2018.

Continued

30. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is presented as follows:

	JPY			USD
	2016	2015	Transition date	2016
Financial assets				
Cash and cash equivalents	87,466	66,485	73,978	776,234
Financial assets measured at amortized cost				
Trade and other receivables	164,001	186,874	182,763	1,455,458
Other investments	1,000	1,000	1,000	8,875
Other financial assets	7,657	9,250	6,663	67,953
Total financial assets measured at amortized cost	172,658	197,125	190,426	1,532,286
Financial assets measured at fair value through profit or loss				
Other investments	5,637	6,425	6,341	50,027
Other financial assets	379	3,024	1,497	3,364
Total financial assets measured at fair value through profit or loss	6,016	9,449	7,838	53,390
Financial assets measured at fair value through other comprehensive income				
Other investments	24,897	25,623	19,386	220,953
Total financial assets measured at fair value through other comprehensive income	24,897	25,623	19,386	220,953
Total financial assets	291,039	298,684	291,629	2,582,881
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	142,143	159,522	150,518	1,261,475
Bonds and borrowings	136,867	139,731	140,965	1,214,652
Other financial liabilities	9,979	11,027	10,062	88,561
Total financial liabilities measured at amortized cost	288,990	310,281	301,546	2,564,696
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	3,829	1,421	1,336	33,981
Total financial liabilities measured at fair value through profit or loss	3,829	1,421	1,336	33,981
Total financial liabilities	292,819	311,703	302,883	2,598,678

(2) Basic policies for risk management of financial instruments

The Consolidated Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Consolidated Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

(3) Credit risk management

1) Credit risks of financial assets owned by the Company (risk exposure and the occurrence of the relevant risk)

The Consolidated Group extends credit to a large number of customers in Japan and abroad in diverse business transactions, resulting in a number of financial assets such as trade receivables, loans and other financial assets. These financial assets provide credit accommodation to the various customers; therefore, the Consolidated Group is mainly exposed to the credit risks related to those customers.

Moreover, other investments include debt instruments that are the investments in the customers, which expose the Consolidated Group to the credit risk arising from deterioration in the financial position of issuers.

Each department manages credit exposure to each customer by assigning credit ratings on a customer-by-customer basis and setting credit exposure limit within the framework of the Consolidated Group's credit risk control.

2) Responses to the risk owned by the Company (purpose, policy and procedure of the risk management and method used to measure such risks)

The Consolidated Group manages its credit risk to the customers by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, the Consolidated Group mitigates credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions of customers and other factors. Expected credit losses are recognized and measured through transactions and financial information related to customers available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies into consideration.

With regard to loans, the Consolidated Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Consolidated Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage and the risk of default would be low. Objective data such as external credit ratings reveals their ability to fulfil the obligation of

Continued

contractual cash flow in the near future.

On the other hand, the Consolidated Group determines that the credit of the financial assets are impaired, when late payment or request for grace period do not arise from temporary cash shortage but significant financial difficulty of the debtor and the recoverability of the modified financial assets is significantly doubtful.

The Consolidated Group determines there has been a significant increase in the credit risk of debt instruments since initial recognition when an “investment grade” at the initial recognition deteriorates to the level below investment grade. For such purpose, rating information provided by major rating agencies is used.

When guaranteeing the debts of its customers, the Consolidated Group establishes the guarantee limit amounts based upon the financial position and business condition of the customers. The guarantee limit amounts are periodically reviewed and maintained at appropriate level.

When entering into derivative transactions, the Consolidated Group only deals with major financial institutions with high credit ratings assigned by independent rating agencies so as to minimize the credit risks. In addition, the Consolidated Group periodically reviews credit limits in accordance with the internal regulations.

The Consolidated Group considers the trade receivables, loans receivable, and debt instruments as default when all or part of those financial instruments are not recovered or the recoverability of those financial instruments is determined to be extremely difficult.

(i) Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Consolidated Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. As performing trade receivables comprise a number of customers, the Consolidated Group measures expected credit loss collectively by grouping those receivables and considering historical credit loss experience. When those receivables are affected by material economic change, provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

Even when late payment or request for grace period has occurred, the Consolidated Group does not regard them as past due receivables if such late payment or request for grace period would be attributable to temporary cash shortage as the risk of default would be low, and the debtors are evaluated to have strong ability to fulfil the obligation of contractual cash flow in the near future.

(ii) Measurement of expected credit losses on other receivables

When credit risk related to loans has not increased significantly since the initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses collectively based upon historical credit loss experience. When those receivables are affected by material economic change, provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

On the other hand, when there has been a significant increase in credit risk since initial recognition as of the end of fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount.

(iii) Measurement of the expected credit losses on the other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses. On the other hand, when there has been a significant increase in credit risk since initial recognition as of the end of fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance of the financial instruments. When estimating such expected credit losses, the Consolidated Group uses the default rate published by major rating agencies.

The Consolidated Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

Continued

3) Quantitative and qualitative information on the amounts arising from expected credit losses

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of the transition date (April 1, 2014)	32	2,677
1. Reclassification to credit-impaired financial assets	(0)	44
2. Incurrence or collection during the period	0	67
3. Direct write-off	―	(147)
4. Changes due to foreign exchange	―	9
5. Increase (decrease) resulting from changes in provision rate based on historical credit loss experience	(13)	―
As of March 31, 2015	19	2,651
1. Reclassification to credit-impaired financial assets	(0)	79
2. Incurrence or collection during the period	(1)	(97)
3. Direct write-off	―	(249)
4. Changes due to foreign exchange	―	(7)
5. Increase (decrease) resulting from changes in provision rate based on historical credit loss experience	(10)	―
As of March 31, 2016	7	2,375

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of the transition date (April 1, 2014)	182,285	3,188
1. Financial assets reclassified to credit-impaired financial assets	(44)	44
2. Incurrence or collection during the period	4,323	(113)
3. Direct write-off	―	(147)
4. Changes due to foreign exchange	―	9
As of March 31, 2015	186,564	2,981
1. Financial assets reclassified to credit-impaired financial assets	(159)	159
2. Incurrence or collection during the period	(22,758)	(145)
3. Direct write-off	―	(249)
4. Changes due to foreign exchange	―	(7)
As of March 31, 2016	163,646	2,737

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2015	169	23,527
1. Reclassification to credit-impaired financial assets	(0)	701
2. Incurrence or collection during the period	(9)	(861)
3. Direct write-off	―	(2,210)
4. Changes due to foreign exchange	―	(62)
5. Increase (decrease) resulting from changes in provision rate based on historical credit loss experience	(89)	―
As of March 31, 2016	62	21,077

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2015	1,655,698	26,455
1. Financial assets reclassified to credit-impaired financial assets	(1,411)	1,411
2. Incurrence or collection during the period	(201,970)	(1,287)
3. Direct write-off	―	(2,210)
4. Changes due to foreign exchange	―	(62)
As of March 31, 2016	1,452,307	24,290

Continued

(ii) Other investments (debt instrument securities)

(JPY)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of the transition date (April 1, 2014)	0	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Increase (decrease) in loss allowance resulting from incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	0	–	–
As of March 31, 2015	0	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Increase (decrease) in loss allowance resulting from incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	0	–	–
As of March 31, 2016	0	–	–

There was no change in the gross carrying amount of the debt instrument securities that caused a change in the amount of loss allowance.

Continued

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of the transition date (April 1, 2014)	1,000	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2015	1,000	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2016	1,000	–	–

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2015	0	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Increase (decrease) in loss allowance resulting from incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	0	–	–
As of March 31, 2016	0	–	–

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2015	8,875	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2016	8,875	–	–

(iii)There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2016, for which; however, collecting efforts are still being made.

Continued

4) Credit risk exposure

(i) Trade and other receivables

2016 (March 31, 2016)

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Performing receivables	163,646	1,452,307	0.00%	7	62
Past due receivables	2,737	24,290	86.79%	2,375	21,077
Total	166,384	1,476,606	—	2,383	21,148

Past due receivables includes loans receivable of ¥1,969 million ($17,474 thousand), for which loss allowance of ¥1,688 million ($14,980 thousand) is already recognized.

2015 (March 31, 2015)

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	186,564	0.01%	19
Past due receivables	2,981	88.96%	2,651
Total	189,546	—	2,671

Past due receivables include loans receivable of ¥2,062 million, for which loss allowance of ¥1,733 million is already recognized.

Transition date (April 1, 2014)

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	182,285	0.02%	32
Past due receivables	3,188	84.00%	2,677
Total	185,474	—	2,710

Past due receivables includes loans receivable of ¥2,156 million, for which loss allowance of ¥1,652 million is already recognized.

(ii) Other investments (Debt instrument securities)

2016 (March 31, 2016)

External rating	Gross carrying amount			
	Debt instrument securities			
	Lifetime		12 months	
	JPY	USD	JPY	USD
AAA-AA	—	—	—	—
A	—	—	—	—
BBB-BB	—	—	1,000	8,875
B	—	—	—	—
Total	—	—	1,000	8,875

2015 (March 31, 2015)

External rating	Gross carrying amount	
	Debt instrument securities	
	Lifetime	12 months
	JPY	JPY
AAA-AA	—	—
A	—	—
BBB-BB	—	1,000
B	—	—
Total	—	1,000

Continued

Transition date (April 1, 2014)

External rating	Gross carrying amount — Debt instrument securities — Lifetime	12 months
	JPY	JPY
AAA-AA	—	—
A	—	—
BBB-BB	—	1,000
B	—	—
Total	—	1,000

5) Maximum exposure to credit risks

The Consolidated Group's maximum exposure to credit risks is as follows:

The Consolidated Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. On the other hand, the Consolidated Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

As of March 31, 2016

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collaterals pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	87,466	776,234	—	—	87,466	776,234	—	—	87,466	776,234
Financial assets measured at amortized cost										
Trade and other receivables	166,384	1,476,606	(2,383)	(21,148)	164,001	1,455,458	(290)	(2,574)	163,710	1,452,875
Other financial assets	7,657	67,953	—	—	7,657	67,953	—	—	7,657	67,953
Other investments	1,000	8,875	(0)	(0)	1,000	8,875	—	—	1,000	8,875
Total	262,508	2,329,677	(2,383)	(21,148)	260,124	2,308,520	(290)	(2,574)	259,834	2,305,946

The amount of loss allowance for credit-impaired financial assets is reduced by ¥290 million ($2,574 thousand) through collaterals pledged and credit enhancements.

As of March 31, 2015

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	66,485	—	66,485	—	66,485
Financial assets measured at amortized cost					
Trade and other receivables	189,546	(2,671)	186,874	(223)	186,651
Other financial assets	9,250	—	9,250	—	9,250
Other investments	1,000	(0)	1,000	—	1,000
Total	266,282	(2,671)	263,611	(223)	263,388

The amount of loss allowance for credit-impaired financial assets is reduced by ¥223 million through collaterals pledged and credit enhancements.

Continued

As of the transition date (April 1, 2014)

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	73,978	－	73,978	－	73,978
Financial assets measured at amortized cost					
Trade and other receivables	185,474	(2,710)	182,763	(214)	182,548
Other financial assets	6,663	－	6,663	－	6,663
Other investments	1,000	(0)	1,000	－	1,000
Total	267,115	(2,710)	264,404	(214)	264,190

The amount of loss allowance for credit-impaired financial assets is reduced by ¥214 million through collaterals pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group's credit rating by a rating agency, the Consolidated Group's fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.

The Consolidated Group has a sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥12.5 billion ($110,934 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date is presented as follows:

As of March 31, 2016

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	142,143	1,261,475	－	－	－	－	142,143	1,261,475
Bonds	52	461	10,164	90,202	－	－	10,216	90,664
Borrowings	63,086	559,869	52,942	469,844	13,651	121,148	129,680	1,150,870
Lease obligations	486	4,313	1,108	9,833	19	169	1,613	14,315
Deposits received	3,028	26,873	－	－	3,050	27,068	6,079	53,949
Guarantee deposits received	960	8,520	19	169	1,377	12,220	2,357	20,918
Other	82	728	－	－	－	－	82	728
Total	209,839	1,862,256	64,235	570,066	18,098	160,614	292,173	2,592,945

The Consolidated Group has guarantee obligations of ¥1,477 million ($13,108 thousand), ¥2,716 million and ¥2,279 million as of March 31, 2016, March 31, 2015 and the transition date, respectively.

As of March 31, 2015

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	159,522	－	－	159,522
Borrowings	67,148	67,522	9,675	144,345
Lease obligations	711	1,307	134	2,153
Deposits received	3,153	－	3,206	6,359
Guarantee deposits received	890	19	1,301	2,212
Other	529	－	－	529
Total	231,956	68,849	14,317	315,123

Continued

As of the transition date (April 1, 2014)

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	150,518	—	—	150,518
Borrowings	82,253	59,173	4,320	145,746
Lease obligations	813	1,075	23	1,913
Deposits received	2,604	—	3,328	5,933
Guarantee deposits received	927	18	1,282	2,228
Other	107	—	—	107
Total	237,224	60,267	8,955	306,447

2) Derivative liabilities
The breakdown of derivative liabilities by due date is presented as follows:

As of March 31, 2016

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Current-related derivatives								
Cash inflows	45,617	404,837	2,378	21,104	—	—	47,996	425,950
Cash outflows	48,013	426,100	2,528	22,435	—	—	50,542	448,545
Sub total	2,396	21,264	149	1,322	—	—	2,546	22,595
Interest rate-related derivatives	264	2,343	765	6,789	90	799	1,120	9,940
Commodity-related derivatives	77	683	0	0	—	—	77	683
Total	2,738	24,299	915	8,120	90	799	3,744	33,227

As of March 31, 2015

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Current-related derivatives				
Cash inflows	17,467	176	—	17,644
Cash outflows	17,947	177	—	18,124
Sub total	479	0	—	480
Interest rate-related derivatives	217	691	92	1,001
Commodity-related derivatives	125	0	—	126
Total	823	692	92	1,608

As of the transition date (April 1, 2014)

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Current-related derivatives				
Cash inflows	27,279	416	—	27,696
Cash outflows	27,601	419	—	28,021
Sub total	322	2	—	324
Interest rate-related derivatives	309	434	40	784
Commodity-related derivatives	299	0	—	299
Total	930	437	40	1,408

(5) Market risk management

Since the Consolidated Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in supply and demand situations. Operations of the Consolidated Group are exposed to risks stemming from fluctuations in foreign exchange rate, interest rate, commodity price and share price.

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are transferred to trade partners, etc. in the form of transaction terms. In addition, the Consolidated Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, funds (interest rates), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded.

Continued

Also, the price fluctuation risk of these positions is mitigated by using derivatives as a hedge.

1) Foreign currency risk

(i) Nature of foreign currency risk and its management policy

The Consolidated Group is engaged in foreign currency transactions in various currencies and terms incidental to its export and import trading. The Consolidated Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Company also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the end of the reporting period, for the purposes of preparing consolidated financial statements. As a result, net assets may change through exchange difference of foreign operations associated with exchange rate fluctuations.

In principle, the Company and its certain subsidiaries enter into forward exchange contracts to hedge against the exchange rate currency fluctuation risk of foreign currency-denominated receivables and payables that are controlled by currency and by contract month. The Company and its certain subsidiaries also enter into forward exchange contracts to hedge against foreign currency-denominated receivables and payables that is highly probable to arise from export/import-related forecast transactions.

(ii) Sensitivity analysis of foreign currency risk

In regards to financial instruments held by the Consolidated Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of yen against the U.S. dollar.

Such analysis is based on the assumption that other factors are held constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	JPY		USD
	2016	2015	2016
Profit before tax			
U.S. dollar	1	(2)	9
Other comprehensive income			
U.S. dollar	174	262	1,544

2) Interest rate risk

(i) Nature of interest rate risk and its management policy

The Consolidated Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest expenses by the Consolidated Group may increase with a rise in interest rates.

The Company and its certain consolidated subsidiaries enter into the interest rate swap contracts to avoid the interest rate fluctuation risk stemming from the borrowings.

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amount affecting profit before tax in the case that the interest rate increases by 1%.

Under the analysis, the amount affecting profit before tax is calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2016 and 2015 by 1%, without considering future changes in the net balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and based on the assumption that all the other variables are held constant.

	JPY		USD
	2016	2015	2016
Profit before tax	(749)	(897)	(6,647)

3) Commodity price risk

(i) Nature of commodity price risk and its management policy

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.

The Consolidate Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

Continued

(ii) Sensitivity analysis of commodity price risk

In regards to commodity-related derivatives held by the Consolidated Group at the end of the reporting period, the following table shows the amount affecting profit before tax and other comprehensive income (before the tax effect) in the case that the commodity price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2016	2015	2016
Profit before tax	(58)	(51)	(515)
Foods	(52)	(37)	(461)
Fuels	(5)	(14)	(44)
Other comprehensive income	(4)	(0)	(35)
Foods	(4)	(0)	(35)
Fuels	—	—	—

4) Share price risk

(i) Nature of share price risk and its management policy

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.

The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it hold without strong rationale.

(ii) Sensitivity analysis of share price risk

In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amount affecting other comprehensive income (before the tax effect) in the case that the share price decreases by 1%. The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2016	2015	2016
Other comprehensive income	(140)	(132)	(1,242)

(6) Fair value of financial instruments

1) Fair value measurement

Fair values of financial instruments are presented as follows:

While fair values are categorized into three levels of the fair value hierarchy depending on inputs to valuation techniques, its details are described in "*2. Basis of Preparing Consolidated Financial Statements: (4) Use of estimates and judgments*".

2) Financial instruments measured at amortized cost

Type	2016				2015		Transition date	
	Carrying amount		Fair value		Carrying amount	Fair value	Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY		JPY	
Financial assets								
Trade and other receivables	460	4,082	460	4,082	388	388	135	135
Other investments (Debt instrument securities)	1,000	8,875	1,000	8,875	1,000	1,000	1,000	1,000
Guarantee deposits	3,814	33,848	3,814	33,848	3,893	3,893	3,921	3,921
Other financial assets	1,626	14,430	1,626	14,430	1,588	1,588	563	563
Total	6,901	61,244	6,901	61,244	6,870	6,870	5,620	5,620
Financial liabilities								
Bonds and borrowings	74,877	664,510	75,746	672,222	74,426	74,636	61,113	61,222
Long-term lease obligations	1,025	9,097	1,015	9,008	1,286	1,286	1,032	1,038
Long-term deposits received	3,050	27,068	3,050	27,068	3,206	3,206	3,328	3,328
Long-term guarantee deposits received	1,396	12,389	1,396	12,389	1,321	1,321	1,301	1,301
Total	80,351	713,090	81,209	720,705	80,241	80,451	66,776	66,890

The carrying amounts of short-term trade and other receivables, other short-term financial assets, short-term trade and other payables, short-term bonds and borrowings and other short-term financial liabilities, all of which are measured at amortized cost, approximate their fair values; therefore, those amounts are not included in the table above.

Continued

The fair values stated above are calculated as follows:

(i) Trade and other receivables
The fair value of trade and other receivables is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(ii) Other investments (Debt securities)
The fair value of other investments is the present value of future estimated cash flows discounted by an interest rate applicable to similar financial assets.

(iii) Guarantee deposits received
The fair value of guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iv) Other financial assets
The fair value of other financial assets is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(v) Bonds and borrowings
The fair value of bonds is determined based on their market price.
The fair value of borrowings is the present value of the sum of principal and interest payments discounted using an assumed interest rate on equivalent incremental borrowings.

(vi) Long-term lease obligations
The fair value of the long-term deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vii) Long-term deposits received
The fair value of long-term deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(viii) Long-term guarantee deposits received
The fair value of long-term guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

Financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value

(i) Analysis of fair value by hierarchy level
The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between different levels for the fiscal years ended March 31, 2016 and March 31, 2015.

As of March 31, 2016

	Level 1		Level 2		Level 3		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Assets								
Other investments								
Financial assets measured at fair value through profit or loss								
Stock	―	―	―	―	5,637	50,027	5,637	50,027
Financial assets measured at fair value through other comprehensive income								
Stock	14,061	124,787	―	―	10,836	96,166	24,897	220,953
Other financial assets								
Derivative transactions:								
Foreign exchange	―	―	200	1,775	―	―	200	1,775
Interest rate	―	―	―	―	―	―	―	―
Commodity	174	1,544	4	35	―	―	179	1,589
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	―	―	(2,546)	(22,595)	―	―	(2,546)	(22,595)
Interest rate	―	―	(1,205)	(10,694)	―	―	(1,205)	(10,694)
Commodity	(63)	(559)	(14)	(124)	―	―	(77)	(683)
Total	14,172	125,772	(3,561)	(31,603)	16,474	146,202	27,084	240,362

Continued

As of March 31, 2015

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	—	—	6,425	6,425
Financial assets measured at fair value through other comprehensive income				
Stock	13,260	—	12,362	25,623
Other financial assets				
Derivative transactions:				
Foreign exchange	—	2,845	—	2,845
Interest rate	—	—	—	—
Commodity	157	21	—	178
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(480)	—	(480)
Interest rate	—	(814)	—	(814)
Commodity	(112)	(13)	—	(126)
Total	13,305	1,557	18,788	33,651

As of the transition date (April 1, 2014)

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	—	—	6,341	6,341
Financial assets measured at fair value through other comprehensive income				
Stock	9,187	—	10,198	19,386
Other financial assets				
Derivative transactions:				
Foreign exchange	—	1,233	—	1,233
Interest rate	—	—	—	—
Commodity	260	3	—	263
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(324)	—	(324)
Interest rate	—	(712)	—	(712)
Commodity	(298)	(0)	—	(299)
Total	9,148	199	16,539	25,887

The methods of determining the fair value of the above instruments are described as follows:

(a) Other investments

The fair value of listed shares is the quoted price in an active market, and is categorized within fair value hierarchy Level 1.

The fair value of unlisted shares is calculated using valuation methods including discounted future cash flow, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity.

The Company determines the policies and procedures for measuring the fair value of unlisted shares, and reviews the approach to measuring fair value including the valuation model, by obtaining the information on business operation and business plans associated with each equity issuer and confirming the data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives
The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

Continued

Interest rate-related derivatives
The fair value of interest-rate swaps is the present value of future cash flow discounted by an interest rate that reflects time to settlement, as well as market situations.

Commodity-related derivatives
The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end.
The fair value of commodity swap transactions is calculated based on the index prices publicly announced at the end of the fiscal year.

Commodity futures transactions are categorized within Level 1 of fair value hierarchy. All other derivative financial assets and liabilities are categorized within Level 2 of the fair value hierarchy.

(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy
The Charges in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows. There were no material transfers between different levels for the years ended March 31, 2016 and March 31, 2015.

	2016						2015		
	Other investments						Other investments		
	FVTPL		FVTOCI		Total		FVTPL	FVTOCI	Total
	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY
Beginning balance	6,425	57,020	12,362	109,709	18,788	166,738	6,341	10,198	16,539
Total gains or losses									
Profit or loss (Note 1)	(323)	(2,867)	–	–	(323)	(2,867)	(889)	–	(889)
Other comprehensive income (Note 2)	–	–	(1,577)	(13,995)	(1,577)	(13,995)	–	2,097	2,097
Purchase	–	–	524	4,650	524	4,650	–	24	24
Sale	–	–	(472)	(4,189)	(472)	(4,189)	–	(8)	(8)
Other									
Foreign currency translation difference	(375)	(3,328)	–	–	(375)	(3,328)	974	–	974
Increase (decrease) due to changes in scope of consolidation	(89)	(790)	0	0	(89)	(790)	–	50	50
Ending balance	5,637	50,027	10,836	96,166	16,474	146,202	6,425	12,362	18,788

FVTPL: Financial assets measured at fair value through profit or loss
FVTOCI: Financial assets measured at fair value through other comprehensive income
(Notes) 1. The gains or losses are included in “Other finance income” or “Other finance costs” in the consolidated statements of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(323) million ($(2,867) thousand) for the fiscal year ended March 31, 2016 and ¥(889) million for the fiscal year ended March 31, 2015.
2. The gains or losses recognized in other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3
The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2016

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
Financial assets measured at fair value through profit or loss	5,637	50,027	Discounted cash flow method	Discount rate	3.5%
Financial assets measured at fair value through other comprehensive income	9,733	86,377	Market multiple method	P/B ratio Illiquidity discount	1.1 times 30.0%
Financial assets measured at fair value through other comprehensive income	1,103	9,789	Net asset value method	–	–

Continued

As of March 31, 2015

Category	Fair value (JPY)	Valuation technique	Significant unobservable inputs	Weighted average of input values
Financial assets measured at fair value through profit or loss	6,336	Discounted cash flow method	Discount rate	3.5%
Financial assets measured at fair value through profit or loss	89	Market multiple method	P/B ratio Illiquidity discount	1.4 times 30.0%
Financial assets measured at fair value through other comprehensive income	11,597	Market multiple method	P/B ratio Illiquidity discount	1.4 times 30.0%
Financial assets measured at fair value through other comprehensive income	764	Net asset value method	—	—

As of the transition date (April 1, 2014)

Category	Fair value (JPY)	Valuation technique	Significant unobservable inputs	Weighted average of input values
Financial assets measured at fair value through profit or loss	6,276	Discounted cash flow method	Discount rate	4.1%
Financial assets measured at fair value through profit or loss	64	Market multiple method	P/B ratio Illiquidity discount	1.3 times 30.0%
Financial assets measured at fair value through other comprehensive income	9,484	Market multiple method	P/B ratio Illiquidity discount	1.2 times 30.0%
Financial assets measured at fair value through other comprehensive income	713	Net asset value method	—	—

The significant unobservable inputs used in measuring the fair value of unlisted shares are the discount rate, illiquidity discount and P/B ratio (price-to-book ratio). A substantial increase (or decrease) in the discount rate or illiquidity discount causes the fair value to substantially fall (or rise), while a substantial increase (or decrease) in the P/B ratio causes the fair value to substantially rise (or fall).

(7) Financial assets measured at fair value through other comprehensive income

With respect to investments in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Consolidated Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in view of the holding purpose.

1) Fair value of major items of investment
The following tables present the fair value of major items of investment in equity instruments designated as financial assets measured at fair value through other comprehensive income.

As of March 31, 2016

Name of issue	Amount	
	JPY	USD
MARUDAI FOOD CO., LTD.	2,620	23,252
Tokio Marine Holdings, Inc.	2,277	20,208
Nissin Seifun Group Inc.	1,628	14,448
BOT Lease Co., Ltd.	1,311	11,635
Sotsu Corporation	1,258	11,164
The Norinchukin Bank	1,100	9,762
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,099	9,753
DAIO PAPER CORPORATION	728	6,461
GUANGZHOU SHOWA AUROPARTS CO., LTD.	590	5,236
F.C.C. Co., Ltd.	588	5,218
Other	11,692	103,763

Continued

As of March 31, 2015

Name of issue	Amount
	JPY
Tokio Marine Holdings, Inc.	2,714
Sotsu Corporation	1,617
BOT Lease Co., Ltd.	1,491
Nissin Seifun Group Inc.	1,286
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,201
MARUDAI FOOD CO., LTD.	1,132
GUANGZHOU SHOWA AUTOPARTS CO., LTD.	914
DAIO PAPER CORPORATION	791
The Norinchukin Bank	762
Nippon Manufacturing Service Corporation	602
Other	13,107

As of the transition date (April 1, 2014)

Name of issue	Amount
	JPY
Tokio Marine Holdings, Inc.	1,791
Sotsu Corporation	1,498
BOT Lease Co., Ltd.	1,088
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,046
DAIO PAPER CORPORATION	952
Nissin Seifun Group Inc.	938
MARUDAI FOOD CO., LTD.	848
The Norinchukin Bank	713
GUANGZHOU SHOWA AUTOPARTS CO., LTD.	530
MARUICHI STEEL TUBE LTD.	499
Other	9,478

2) Dividend income

	JPY		USD
	2016	2015	2016
Investments derecognized during the year	7	0	62
Investments held at the end of the year	772	709	6,851
Total	779	709	6,913

3) Financial assets measured at fair value through other comprehensive income that were derecognized during the fiscal year

The Consolidated Group periodically reviews its holding shares and selling those shares that it holds without strong rationale with gains or losses on sale recognized in other comprehensive income. The following table presents the fair value on the date of sale and cumulative gains or losses on sale.

	JPY		USD
	2016	2015	2016
Fair value on the date of sale	605	238	5,369
Cumulative gains (losses) on sale	393	106	3,488

Continued

4) Reclassification to retained earnings
The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of; or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2016 and March 31, 2015 were ¥275 million ($2,441 thousand) and ¥76 million, respectively.

(8) Hedge Accounting

(Cash Flow Hedge)
A Cash flow hedge is a hedge of the exposure to variability in future cash flow arising from a forecast transaction or recognized assets or liabilities. While a hedge is designated as cash flow hedge as long as the hedge is effective, the changes in the fair value of qualifying hedging instrument should be recorded as the other comprehensive income in the Consolidated Statement of Comprehensive Income. The Consolidated Group continues such accounting treatment until variability in future cash flow arising from unrecognized forecast transaction or recognized assets or liabilities designated as hedged item are recorded in profit or loss. Moreover, portions determined to be ineffective as hedging accounting are recognized in profit or loss.

The Company and its certain consolidated subsidiaries designate the following instruments as cash flow hedge: forward exchange contracts to fix cash flows from foreign currency denominated receivables and payables, foreign currency denominated firm commitment and foreign currency denominated forecast transactions; interest rate swap to fix variable interest rate on floating rate financial liabilities; and commodity future to fix cash flow from forecast transactions of commodity trade.

When applying hedge accounting, the Consolidated Group confirms that there are economic relationship between the hedged items and hedging instruments through qualitative assessments, which show whether the critical terms of the hedging instruments and the hedged items match exactly or are closely aligned, and quantitative assessments, which show fluctuations of value of hedged item and hedging instruments by the same risk offset each other, in order to confirm there are economic relationship that variability in fair value or cash flows of the hedged items that are attributable to the hedged risk shall be offset by the changes in fair value or cash flows of the hedging instruments . The Consolidated Group also establish appropriate hedge ratios considering an economic relationship between hedging instruments and hedged item as well as risk management strategy.

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2016 and March 31, 2015. In addition, the amounts reclassified from valuation difference on cash flow hedge to profit or loss are either not material because the forecast transactions are no longer expected to occur.

Followings are the carrying amount of the hedging instruments for the years ended March 31, 2016, March 31, 2015 and the transition date. The fair value of financial assets related to hedging instruments is included in “Other financial assets” while the fair value of financial liabilities related to hedging instruments is included in “Other financial liabilities (current)” or “Other financial liabilities (non-current)” in the consolidated statements of financial position.

Continued

As of March 31, 2016

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	20,883	185,330	58	515	764	6,780
Interest rate risk						
Interest rate swap contracts	29,000	257,366	―	―	1,205	10,694
Commodity price risk						
Commodity futures contracts	547	4,854	16	142	4	35

As of March 31, 2015

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	28,037	1,191	50
Interest rate risk			
Interest rate swap contracts	28,454	―	814
Commodity price risk			
Commodity futures contracts	392	15	54

As of the transition date (April 1, 2014)

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	24,154	280	30
Interest rate risk			
Interest rate swap contracts	28,531	―	337
Commodity price risk			
Commodity futures contracts	946	92	98

The following tables present the carrying amounts of cash flow hedge reserve as of March 31, 2016, March 31, 2015 and the transition date.

As of March 31, 2016

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	(706)	(6,266)	―	―
Interest rate risk				
Interest rate swap contracts	(1,205)	(10,694)	―	―
Commodity price risk				
Commodity futures contracts	12	106	(51)	(453)

As of March 31, 2015

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	1,141	―
Interest rate risk		
Interest rate swap contracts	(814)	―
Commodity price risk		
Commodity futures contracts	(38)	(82)

As of the transition date (April 1, 2014)

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	250	―
Interest rate risk		
Interest rate swap contracts	(337)	(375)
Commodity price risk		
Commodity futures contracts	(6)	(0)

Continued

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying the hedge accounting for the fiscal years ended March 31, 2016 and March 31, 2015.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	(745)	(6,612)	(1,102)	(9,780)	Other income
Interest rate risk					
Interest rate swap contracts	(396)	(3,514)	5	44	Interest expenses
Commodity price risk					
Commodity futures contracts	44	390	37	328	Cost of revenues

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

	Change in value of hedging instruments recognized in other comprehensive income	Reclassification from cash flow hedge reserve to profit or loss	Line item for which profit or loss was affected by reclassification
	JPY	JPY	
Foreign currency risk			
Forward exchange contracts	1,123	(232)	Other income
Interest rate risk			
Interest rate swap contracts	(185)	83	Interest expenses
Commodity price risk			
Commodity futures contracts	(120)	6	Cost of revenues

(9) Transfer of financial assets

The Consolidated Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Consolidated Group may be obligated to make payments as recourse for non-payment by the debtor. The Consolidated Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Consolidated Group recognized such liquidated assets as “Trade and other receivables” in the amounts of ¥1,771 million ($15,717 thousand) and ¥2,735 million as of March 31, 2016 and March 31, 2015, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as “Bonds and borrowings” in the amounts of ¥1,771 million ($15,717 thousand) and ¥2,735 million as of March 31, 2016 and March 31, 2015, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

It is noted that due to the exceptions to the retrospective application of IFRS 1 applicable to entities adopting IFRSs for the first time, the requirements regarding derecognition of financial assets and liabilities apply to transactions occurring on and after the transition date (but not before the transition date). Therefore, as of the transition date, such liquidated assets were derecognized in accordance with accounting principles generally accepted in Japan.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2016, March 31, 2015 and the transition date.

	JPY			USD
	2016	2015	Transition date	2016
Amounts of financial assets presented in the consolidated statements of financial position	379	3,024	1,497	3,364
Foreign exchange	200	2,845	1,233	1,775
Interest rate	—	—	—	—
Commodity	179	178	263	1,589
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(186)	(352)	(563)	(1,651)
Net amounts	192	2,671	934	1,704

Continued

	JPY			USD
	2016	2015	Transition date	2016
Amounts of financial liabilities presented in the consolidated statements of financial position	3,829	1,421	1,336	33,981
Foreign exchange	2,546	480	324	22,595
Interest rate	1,205	814	712	10,694
Commodity	77	126	299	683
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(186)	(352)	(563)	(1,651)
Financial collateral pledged	(4)	(30)	(39)	(35)
Net amounts	3,638	1,037	734	32,286

Certain financial assets and financial liabilities have not been offset because they do not meet some or all of the criteria for offsetting financial assets and financial liabilities. The rights to offset such financial assets and financial liabilities become enforceable only under particular circumstances, such as when the other party fails to discharge an obligation due to its bankruptcy or other such reasons.

Continued

31. Lease

(1) Lessee

1) Finance leases

The Consolidated Group leases the computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets under the finance leases.

The carrying amounts of the leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2016, March 31, 2015 and the transition date are as follows:

	JPY			USD
	2016	2015	Transition date	2016
Machinery, equipment, vehicle, tools and fixtures	1,218	1,463	1,073	10,809
Other	58	69	39	515
Total	1,276	1,533	1,113	11,324

The future minimum lease payments under the finance lease as of March 31, 2016, March 31, 2015 and the transition date are as follows:

	Future minimum lease payments				Present value of future minimum lease payments			
	JPY			USD	JPY			USD
	2016	2015	Transition date	2016	2016	2015	Transition date	2016
Within one year	486	711	813	4,313	433	638	761	3,843
Between one and five years	1,108	1,307	1,075	9,833	997	1,170	1,015	8,848
Over five years	19	134	23	169	18	115	22	160
Total	1,613	2,153	1,913	14,315	1,449	1,924	1,799	12,859
Less future finance costs	(163)	(228)	(113)	(1,447)				
Present value of future minimum lease payments	1,449	1,924	1,799	12,859				

The future minimum lease payments receivable under the non-cancelable subleases as of March 31, 2016 and March 31, 2015 and the transition date are ¥54 million ($479 thousand), ¥248 million and ¥612 million, respectively.

2) Operating leases

The Consolidated Group leases office buildings and system equipment and other assets as cancellable or non-cancellable operating leases. The future minimum lease payments for non-cancellable operating leases as of March 31, 2016, March 31, 2015 and the transition date are as follows:

	JPY			USD
	2016	2015	Transition date	2016
Within one year	10	10	13	89
Between one and five years	19	31	39	169
Over five years	—	—	—	—
Total	30	42	53	266

The total lease payments recognized as expenses under the cancellable or non-cancellable operating leases for the fiscal year ended March 31, 2016 and March 31, 2015 are ¥5,981 million ($53,080 thousand) and ¥5,660 million, respectively.

The future minimum lease payments receivable under the non-cancelable subleases as of March 31, 2016 and March 31, 2015 and the transition date are ¥38 million ($337 thousand), ¥44 million and ¥50 million, respectively.

Continued

(2) Lessor

1) Finance leases

The Consolidated Group leases out machinery, equipment and other assets that are classified as finance lease. The future minimum lease payments receivable under the finance lease as of March 31, 2016 and March 31, 2015 and the transition date are as follows:

	Future minimum lease payments receivable and unguaranteed residual value				Present value of future minimum lease payments receivable			
	JPY			USD	JPY			USD
	2016	2015	Transition date	2016	2016	2015	Transition date	2016
Within one year	4	2	2	35	3	1	1	27
Between one and five years	17	9	9	151	12	6	6	106
Over five years	13	6	9	115	8	4	6	71
Total	35	18	21	311	23	12	14	204
Unguaranteed residual value	—	—	—	—				
Less future finance income	(12)	(6)	(7)	(106)				
Present value of future minimum lease payments receivable	23	12	14	204				

32. Pledged Assets

(1) Pledged assets and associated secured obligations

Details of pledged assets and associated secured obligations are as follows:

	JPY			USD
	2016	2015	Transition date	2016
Pledged assets:				
Trade receivables	—	303	229	—
Other financial assets (non-current)	23	3	6	204
Property, plant and equipment	653	909	907	5,795
Total	676	1,215	1,143	5,999
Associated secured obligations:				
Short-term borrowings (current)	1,806	1,150	750	16,028
Long-term borrowings (non-current)	231	—	500	2,050
Other	1	1	3	9
Total	2,039	1,151	1,253	18,095

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of the goods. However, due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like is as follows:

	JPY			USD
	2016	2015	Transition date	2016
Assets pledged in lieu of guarantee money or guarantee funds				
Other financial assets (current)	71	3	18	630
Other financial assets (non-current)	14	14	—	124
Other investments	2,692	3,125	2,134	23,891
Total	2,779	3,143	2,152	24,663

Continued

33. Contingent Liabilities

The Consolidated Group is contingently liable for guarantees on bank borrowings and trade payables owed by entities that do not belong to the Consolidated Group.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to the unpayable amounts.

	JPY			USD
	2016	2015	Transition date	2016
Debt guarantees for equity method investees	489	1,812	1,278	4,340
Debt guarantees for third parties	988	904	1,001	8,768
Total	1,477	2,716	2,279	13,108

The above amounts include those for quasi-guarantee acts.

34. Significant Subsidiaries

(1) Significant subsidiaries of the Company are as follows:

Trade name	Location	Detail of major operations	Percentage of voting rights (%)		
			2016	2015	Transition date
(Consolidated subsidiaries)					
[Electronics & Devices]					
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	58.32 (0.40)	58.32 (0.40)	58.32 (0.40)
Nippon Office Systems Ltd.	Chuo-ku, Tokyo, Japan	Development of software for and sales and maintenance of computers and computer peripherals, etc.	100.00 (100.00)	96.55 (96.55)	54.65 (54.65)
Kanematsu Communications Ltd.	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	100.00	100.00	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Mobile contents delivery and mobile-related solution business	89.05 (89.05)	82.43 (82.43)	82.43 (82.43)
Kanematsu BD Communications Limited	Kurume-shi, Fukuoka, Japan	Sales of mobile communication device	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu-NNK Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems	52.96	52.97	32.17
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00	100.00	―
Tanashin (Europe) GmbH	Dusseldorf, Germany	Sales and maintenance of parts for car audio systems	100.00 (20.00)	100.00 (20.00)	100.00 (20.00)
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai,China	Development, manufacture, and sales of control modules for lithium ion batteries	70.00	70.00	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	100.00 (100.00)	100.00	100.00

Continued

Trade name	Location	Detail of major operations	Percentage of voting rights (%)		
			2016	2015	Transition date
[Foods & Grain]					
Kanematsu Shintoa Foods Corp.	Minato-ku, Tokyo, Japan	Food wholesaling and cold storage	100.00	100.00	100.00
Kanematsu Agritec Co., Ltd.	Matsudo-shi, Chiba, Japan	Manufacture and sales of feed and fertilizer	100.00	100.00	100.00
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods	100.00	100.00	100.00
North Pet Co., Ltd.	Yubari-gun, Hokkaido, Japan	Manufacture of pet snacks (jerky, dried meat, biscuits)	100.00	100.00	―
KG Agri Products, Inc.	Delaware, U.S.A.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans	100.00	100.00	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	100.00 (15.00)	100.00 (15.00)	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods; Management of central kitchen	59.90 (10.00)	59.90 (10.00)	59.90 (10.00)
[Steel, Materials & Plants]					
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	100.00	100.00	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Sales of petrochemicals, automobile-related chemicals, health food ingredients, and pharmaceuticals	100.00	100.00	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	100.00	100.00	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products	100.00	100.00	100.00
Kanematsu KGK Corp.	Nerima-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	97.89	97.89	97.89
Benoit Holding Company	Delaware, U.S.A.	Holding company	85.18 (85.18)	85.18 (85.18)	85.18 (85.18)
Benoit Premium Threading, LLC	Delaware, U.S.A.	Oil well casing fabrication; Manufacture and sales of oil well-related parts	54.00 (54.00)	54.00 (54.00)	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for oil excavation	51.00 (51.00)	51.00 (51.00)	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools	100.00 (100.00)	100.00 (83.67)	100.00 (83.67)

Continued

Trade name	Location	Detail of major operations	Percentage of voting rights (%)		
			2016	2015	Transition date
[Motor Vehicles & Aerospace]					
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products	100.00	100.00	100.00
Aries Motor Ltd.	Warsaw, Poland	Sales of automobiles	93.59	93.59	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, water pumps, and other general-purpose machinery	60.00	60.00	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing	96.67	86.67	86.67
[Others]					
Aso Kanko Kaihatsu Co., Ltd.	Minato-ku, Tokyo, Japan	Golf course management	100.00	100.00	100.00
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines	100.00	100.00	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency and forwarding business; Consigned freight forwarding business	100.00	100.00	100.00
[Overseas local subsidiaries]					
Kanematsu USA Inc.	New York, U.S.A.	Export, import and sales of merchandise	100.00	100.00	100.00
Kanematsu (Hong Kong) Ltd.	Hong Kong, China	Export, import and sales of merchandise	100.00	100.00	100.00
Kanematsu(China) Co., Ltd.	Shanghai, China	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu (Thailand)Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Watana Inter-Trade Co., Ltd. *1	Bangkok, Thailand	Export, import and sales of merchandise	49.00 (49.00)	49.00 (49.00)	49.00 (49.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu Europe Plc	London, U.K.	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Kanematsu GmbH	Dusseldorf, Germany	Export, import and sales of merchandise	100.00	100.00	100.00
Kanematsu Australia Ltd.	Sydney, Australia	Export, import and sales of merchandise	100.00	100.00	100.00
Kanematsu New Zealand Ltd.	Auckland, New Zealand	Export, import and sales of merchandise	100.00	100.00	100.00

Notes: 1 Although the percentage of the Consolidated Group's voting rights for the company marked with *1 is not more than 50%, it is treated as a subsidiary because the Consolidated Group has a substantial control over the company.
2 The figures in the parenthesis in "Percentage of voting rights" indicate the indirect ownership ratio included in the total.

Continued

(2) Non-controlling interests

The subsidiary with non-controlling interests that are significant for the Consolidated Group is Kanematsu Electronics Ltd. Its condensed financial information is presented as follows. The amounts presented below are before the elimination of intra-company transactions.

[Condensed statement of financial position]

	JPY			USD
	2016	2015	Transition date	2016
Current assets	48,217	47,967	46,366	427,911
Current liabilities	13,909	15,497	13,626	123,438
Current assets (net)	34,307	32,470	32,740	304,464
Non-current assets	7,511	7,333	7,148	66,658
Non-current liabilities	3,177	3,033	3,146	28,195
Non-current assets (net)	4,333	4,299	4,001	38,454
Equity	38,641	36,770	36,741	342,927
Cumulative amount of non-controlling interests	16,180	15,418	16,203	143,592

[Condensed statements of income and comprehensive income]

	JPY		USD
	2016	2015	2016
Revenue	61,305	61,863	544,063
Profit for the year	4,310	3,632	38,250
Other comprehensive income	(285)	158	(2,529)
Total comprehensive income	4,025	3,791	35,721
Profit for the year attributable to non-controlling interests	1,807	1,588	16,037
Dividends paid to non-controlling interests	835	715	7,410

[Condensed cash flow statement]

	JPY		USD
	2016	2015	2016
Cash flows from operating activities	5,067	1,909	44,968
Cash flows from investing activities	(171)	(1,168)	(1,518)
Cash flows from financing activities	(2,479)	(3,743)	(22,000)
Increase (decrease) in cash and cash equivalents, net	2,416	(3,002)	21,441

(3) Transaction with non-controlling interests

On March 26, 2015, Kanematsu Electronics Ltd., a consolidated subsidiary of the Company, acquired the additional shares of Nippon Office Systems Ltd. through the tender offer, aimed at making it a wholly owned subsidiary.

The summary of transaction with non-controlling interests in conjunction with the purchase of the shares are as follows:

	2015
Carrying amount of purchased non-controlling interests	964
Amount paid to non-controlling interests	(1,839)
Excess consideration paid in the transaction with non-controlling interests that is included in equity	(874)

There was no transaction with significant non-controlling interests for the fiscal year ended March 31, 2016.

Continued

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2016

Type	Name	Detail of related party relationship	Transaction amount		Outstanding amount	
			JPY	USD	JPY	USD
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	8,603	76,349	486	4,313

(Notes) 1. The related party transactions are conducted on an arm's length basis.
2. As described in *Note 33 Contingent Liabilities*, debt guarantees are provided to the equity method investees.

For the fiscal year ended March 31, 2015

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	5,253	1,985

(Notes) 1. The related party transactions are conducted on an arm's length basis.
2. As described in *Note 33 Contingent Liabilities*, debt guarantees are provided to the equity method investees.

(2) Remuneration to management executives

The amounts of remuneration to the Company's directors for the fiscal years ended March 31, 2016 and March 31, 2015 are ¥202 million ($1,793 thousand) and ¥228 million, respectively. The remuneration to the directors consists of base salary and directors' bonus.

36. Subsequent Events

On April 1, 2016, Kanematsu Telecom Investment Co., Ltd. (headquartered in Minato-ku, Tokyo, Japan; hereinafter "Kanematsu Telecom"), a newly established and wholly owned subsidiary of the Company, acquired Diamondtelecom, Inc. (headquartered in Chuo-ku, Tokyo, Japan; "Diamond Telecom"), a wholly owned subsidiary of Mitsubishi Electric Corporation (headquartered in Chiyoda-ku, Tokyo, Japan; "Mitsubishi Electric"), in accordance with a merger agreement for the acquisition of Diamond Telecom concluded with the Company and Mitsubishi Electric concerning an absorption-type merger on January 18, 2016.

(1) Contents of the business combination

Name of the acquired company	Diamond Telecom
Contents of business	Information communication business involved with sales of mobile communication device and system
Date of the business combination	April 1, 2016
Legal form of the business combination	Acquisition the shares of Diamond Telecom by Kanematsu Telcom (Kanematsu Telecom absorbed the acquired company as of April 1, 2016 and changed its company name to Diamond Telecom)
Company name after the combination	Diamondtelecom, Inc.
Percentage of the voting rights acquired	100.0%

(2) Purpose of the business combination

The mobile business of the Consolidated Group is driven mainly by Kanematsu Communications Limited ("Kanematsu Communications"), a wholly owned subsidiary of the Company. With its large market share in the mobile phone sales distribution industry, the mobile business is one of the core businesses as well as one of the focus areas under the Consolidated Group's medium-term vision, VISION-130.

Diamond Telecom has been engaging in the mobile phone sales business for more than 20 years since its foundation in 1994 as a wholly owned subsidiary of Mitsubishi Electric, and owns a dominant number of carrier-certified shops throughout Japan.

As a result of the acquisition of Diamond Telecom, the Consolidated Group's total sales volume combining the sales of the two companies will reach the industry's top class, and we expect that this will significantly enhance our presence in the mobile phone sales distribution industry.

We also believe that the integration of Diamond Telecom will enable us to create synergies in the Consolidated Group as the Kanematsu Communications' network of carrier-certified shops will be complemented and strengthened by the addition of Diamond Telecom's network and achieve a national network of blue-chip shops, service sophistication through shared human resources and knowhow and the enhancement of management efficiency for both companies.

(3) Acquisition costs and those details

	JPY	USD
Acquisition cost (cash consideration)	17,400	154,420

(4) Acquisition-related costs and its line item

Acquisition-related costs for the business combination are ¥168 million ($1,491 thousand), and they are recognized in selling, general and administrative expenses on the consolidated statement of income of this fiscal year.

Continued

(5) Assets and liabilities on the day of the business combination

	JPY	USD
Fair value of the consideration paid	17,400	154,420
Cash and cash equivalents	4,613	40,939
Trade receivable	12,828	113,845
Inventories	1,212	10,756
Other current assets	351	3,115
Property, plant and equipment	736	6,532
Goodwill	1,635	14,510
Intangible assets	13,930	123,624
Other non-current assets	764	6,780
Current liabilities	(17,746)	(157,490)
Non-current liabilities	(925)	(8,209)
Total	17,400	154,420

37. Disclosures Regarding Transition to IFRSs

(1) Exemptions under IFRS 1

In principle, IFRSs require an entity applying IFRS for the first time ("first-time adopter of IFRSs") to retrospectively apply the standards required in IFRSs. However, IFRS 1 provides for some mandatory exceptions and voluntary exemptions from the above requirement. The effects of the application of such provisions are adjusted at the transition date in retained earnings or other components of equity. The exemptions adopted by the Consolidated Group at the transition from the Japanese GAAP to IFRS are as follows:

・Business combinations

A first-time adopter of IFRSs may elect not to apply IFRS 3 *Business Combinations* ("IFRS 3") retrospectively in regards to business combinations that occurred prior to the transition date. The Consolidated Group has applied this exemption to elect not to apply IFRS 3 retrospectively to the business combinations occurred prior to the transition date. As such, the Consolidated Group has not restated any business combinations that occurred prior to the transition date. However, goodwill was tested for impairment as of the transition date regardless of whether there is any indication that the goodwill may be impaired.

・Exchange differences for foreign operations

IFRS 1 allows the entity to elect to deem the cumulative exchange differences for foreign operations to be zero as of the transition date. The Consolidated Group has elected to deem the cumulative exchange differences for foreign operations as of the transition date to be zero.

・Designation of financial instruments recognized in the past

According to the facts and status existing at the transition date to IFRSs, the Consolidated Group has designated the investment in equity instruments as one which shall be measured at fair value through other comprehensive income.

(2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of some items of IFRSs including "estimates", "derecognition of financial assets and financial liabilities", "hedge accounting", "non-controlling interests" and "classification and measurement of financial assets". The Consolidated Group has applied these items prospectively from the transition date.

Continued

(3) Reconciliation

In preparing the consolidated financial statements under IFRSs, the Consolidated Group has adjusted the amounts reported in the consolidated financial statements under the Japanese GAAP. The effects of the adjustments on the Consolidated Group's financial position, results of operations and cash flows are presented as follows:

1) Reconciliation of equity
[As of March 31, 2015]

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
Assets							(Assets)
Current assets							Current assets
Cash and bank deposits	68,468	(891)	(1,090)	—	66,485	1	Cash and cash equivalents
Notes and accounts receivable	180,319	375	3,080	2,711	186,486	2, 26	Trade and other receivables
Lease investment assets	227	—	(227)				
Short-term investments	3	—	(3)				
Inventories	87,254	4,589	—	—	91,844		Inventories
Short-term loans receivable	297	(1)	(295)				
Deferred tax assets	3,250	(59)	(3,191)				
			6,792	—	6,792	3	Other financial assets
Other	27,148	(2,679)	(8,414)	—	16,054	4	Other current assets
Allowance for doubtful accounts	(158)	0	158				
Total current assets	366,811	1,333	(3,191)	2,711	367,664		Total current assets
Long-term assets							Non-current assets
Tangible fixed assets	28,931	49	—	(14)	28,966		Property, plant and equipment
Goodwill	6,063	219	—	(1,790)	4,493	25, 27	Goodwill
Other	8,661	(73)	—	53	8,641	25	Intangible assets
			5,385	—	5,385	5	Investments accounted for using the equity method
			393	(5)	388	6	Trade and other receivables
Investments and other assets							
Investments in securities	38,372	0	(6,400)	1,076	33,049	5, 22	Other investments
Other	6,098	(0)	(616)	—	5,481	7	Other financial assets
Long-term loans receivable	2,134	—	(2,134)				
Doubtful accounts	765	—	(765)				
Net defined benefit asset	199	—	(199)				
Deferred tax assets	3,643	57	3,191	3,664	10,557	9, 22, 25, 27, 28, 29, 30	Deferred tax assets
			1,666	20	1,686	8	Other non-current assets
Allowance for doubtful accounts	(2,671)	—	2,671				
Total long-term assets	92,200	253	3,191	3,004	98,650		Total non-current assets
Total assets	459,011	1,587	—	5,716	466,314		Total assets

Continued

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable	116,567	83	42,871	―	159,522	10	Trade and other payables
Import bills payable	32,530	―	(32,530)				
Short-term borrowings	61,688	856	―	2,760	65,305	26	Bonds and borrowings
Lease obligations	638	(0)	(638)				
			5,828	―	5,828	11, 30	Other financial liabilities
Accrued income taxes	2,492	69	―	―	2,561		Income taxes payable
			300	―	300	14	Provisions
Deferred tax liabilities	1	―	(1)				
Asset retirement obligations	107	―	(107)				
Other	38,322	819	(15,725)	1,319	24,736	12, 28	Other current liabilities
Total current liabilities	252,347	1,828	(1)	4,079	258,255		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term borrowings	74,426	―	―	―	74,426		Bonds and borrowings
Lease obligations	1,286	(0)	(1,286)				
			5,814	805	6,620	13	Other financial liabilities
Net defined benefit liability	5,137	(0)	―	444	5,581	29	Retirement benefits liabilities
			1,098		1,098	14	Provisions
Deferred tax liabilities	488	(70)	1	(105)	313	9, 22, 25, 27, 28,29, 30	Deferred tax liabilities
Provision for retirement benefits for directors and statutory auditors	367	―	(367)				
Asset retirement obligations	810	―	(810)				
Other	5,414	11	(4,449)	25	1,002		Other non-current liabilities
Total non-current liabilities	87,931	(59)	1	1,170	89,043		Total non-current liabilities
Total liabilities	340,279	1,769		5,249	347,298		Total liabilities
Net assets							Equity
Capital stock	27,781	―	―	―	27,781		Share capital
Capital surplus	27,502	―	―	(881)	26,621	25	Capital surplus
Retained earnings	44,845	(123)	―	(22,842)	21,879	22, 23, 25, 27, 28, 29	Retained earnings
Treasury stock	(222)	―	―	―	(222)		Treasury stock
Accumulated other comprehensive income	(9,805)	(130)	―	24,121	14,185	22, 23, 30	Other components of equity
					90,244		Total equity attributable to owners of the Parent
Non-controlling interests	28,630	71	―	68	28,771	22, 27	Non-controlling interests
Total net assets	118,731	(182)	―	466	119,015		Total equity
Total liabilities and net assets	459,011	1,587	―	5,716	466,314		Total liabilities and equity

Continued

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

[Transition date (April 1, 2014)]

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
Assets							Assets
Current assets							Current assets
Cash and bank deposits	73,867	429	(318)	—	73,978	1	Cash and cash equivalents
Notes and accounts receivable	178,984	301	3,337	4	182,627	2, 26	Trade and other receivables
Lease investment assets	541	—	(541)				
Short-term investments	16	—	(16)				
Inventories	66,256	258	—	—	66,514		Inventories
Short-term loans receivable	825	(0)	(825)				
Deferred tax assets	2,660	116	(2,776)				
			3,675	—	3,675	3	Other financial assets
Other	22,364	(2,634)	(5,461)	—	14,268	4	Other current assets
Allowance for doubtful accounts	(149)	0	149				
Total current assets	345,366	(1,528)	(2,776)	4	341,065		Total current assets
Long-term assets							Non-current assets
Tangible fixed assets	24,218	(11)	—	(27)	24,179		Property, plant and equipment
Goodwill	3,175	(89)	—	(756)	2,329	25, 27	Goodwill
Other	8,531	(122)	—	(111)	8,298	25	Intangible assets
			5,536	—	5,536	5	Investments accounted for using the equity method
			140	(5)	135	6	Trade and other receivables
Investments and other assets							
Investments in securities	32,198	(0)	(5,551)	81	26,727	5, 22	Other investments
Other	6,236	2	(1,754)	—	4,484	7	Other financial assets
Long-term loans receivable	1,798	—	(1,798)				
Doubtful accounts	902	—	(902)				
Deferred tax assets	8,742	(76)	2,776	4,259	15,702	9, 22, 25, 27, 28, 29, 30	Deferred tax assets
			1,578	185	1,764	8	Other non-current assets
Allowance for doubtful accounts	(2,750)	—	2,750				
Total long-term assets	83,053	(297)	2,776	3,626	89,158		Total non-current assets
Total assets	428,420	(1,826)	—	3,630	430,224		Total assets

Continued

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable	115,210	(516)	35,824	—	150,518	10	Trade and other payables
Import bills payable	27,610	—	(27,610)				
Short-term borrowings	80,792	(940)	—	—	79,852	26	Bonds and borrowings
Lease obligations	760	(0)	(760)				
			5,023	—	5,023	11, 30	Other financial liabilities
Accrued income taxes	1,951	11	—	—	1,962		Income taxes payable
			92	—	92	14	Provisions
Deferred tax liabilities	1	—	(1)				
Asset retirement obligations	6	—	(6)				
Other	32,302	(244)	(12,562)	1,375	20,870	12, 28	Other current liabilities
Total current liabilities	258,635	(1,690)	(1)	1,375	258,319		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term borrowings	61,113	—	—	—	61,113		Bonds and borrowings
Lease obligations	1,033	(0)	(1,032)				
			6,039	337	6,376	13	Other financial liabilities
Net defined benefit liability	5,428	(1)	—	480	5,906	29	Retirement benefits liabilities
			804	—	804	14	Provisions
Deferred tax liabilities	368	(63)	1	(21)	283	9, 22, 25, 27, 28, 29, 30	Deferred tax liabilities
Provision for retirement benefits for directors and statutory auditors	387	—	(387)				
Asset retirement obligations	804	—	(804)				
Other	5,281	2	(4,618)	26	692		Other non-current liabilities
Total non-current liabilities	74,417	(63)	1	821	75,177		Total non-current liabilities
Total liabilities	333,053	(1,753)	—	2,197	333,496		Total liabilities
Net assets							Equity
Capital stock	27,781	—	—	—	27,781		Share capital
Capital surplus	27,493	—	—	0	27,494		Capital surplus
Retained earnings	35,055	(138)	—	(22,501)	12,414	22, 23, 25, 27, 28, 29	Retained earnings
Treasury stock	(321)	—	—	—	(321)		Treasury stock
Accumulated other comprehensive income	(19,033)	(18)	—	23,868	4,816	22, 23, 30	Other components of equity
					72,185		Total equity attributable to owners of the Parent
Non-controlling interests	24,391	84	—	66	24,541	22, 27	Non-controlling interest
Total net assets	95,367	(72)	—	1,433	96,727		Total equity
Total liabilities and net assets	428,420	(1,826)	—	3,630	430,224		Total liabilities and equity

Continued

2) Reconciliation of profit or loss and other comprehensive income
[Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)]

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
Net sales	1,117,096	(1,180)	—	(411,704)	704,211	24	Revenue
Cost of sales	(1,025,655)	973	(3,353)	411,704	(616,331)	15, 24	Cost of sales
Gross trading profit	91,441	(207)	(3,353)	—	87,880		Gross profit
Selling, general and administrative expenses	(69,315)	167	3,353	(452)	(66,245)	25, 28, 29	Selling, general and administrative expenses
							Other income (expenses)
			(64)	0	(63)		Gain (loss) on sale and disposal of fixed assets, net
			(580)	0	(580)		Impairment loss on fixed assets
			4,508	(362)	4,146	16, 22	Other income
			(2,422)	833	(1,589)	17, 22, 23, 25	Other expenses
			1,441	471	1,912		Total other income (expenses)
Operating income	22,125	(39)	1,441	19	23,547		Operating profit
Non-operating income	5,872	0	(5,873)				
Non-operating expenses	(5,103)	18	5,085				
Extraordinary gains	1,385	0	(1,386)				
Extraordinary losses	(985)	2	983				
							Finance income
			415	(15)	400		Interest income
			1,118	(35)	1,082		Dividend income
			—	18	18	22	Other finance income
			1,533	(31)	1,501	18	Total finance income
							Finance costs
			(2,929)	18	(2,910)		Interest expenses
			—	(908)	(908)	22	Other finance costs
			(2,929)	(889)	(3,819)	19	Total finance costs
			1,145	(2)	1,143	20	Share of profit (loss) of investments accounted for using the equity method
Income before income taxes and non-controlling interests	23,294	(17)	—	(904)	22,373	23, 32	Profit before tax
Income taxes	(8,925)	191	—	(503)	(9,238)	27, 28, 29, 30	Income tax expense
Income before non-controlling interests	14,369	174	—	(1,408)	13,135		Profit for the year
Net income	11,470	(44)	—	(879)	10,546		Profit for the year attributable to owners of the Parent
Net income attributable to non-controlling interests	2,898	218	—	(528)	2,588		Profit for the year attributable to non-controlling interests

Continued

(JPY)

(Japanese GAAP account)	Japanese GAAP	Change in closing date	Reclassification	Effect of transition to IFRSs	IFRSs	Notes	IFRSs account
Income before non-controlling interests	14,369	174	―	(1,408)	13,135		Profit for the year
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit and loss:
Net unrealized gains (losses) on securities, net of tax	2,236	0	―	1,525	3,762	22	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	316	―	―	176	492	29	Remeasurement of defined benefit pension plans
			7	0	7		Share of other comprehensive income of investments accounted for using the equity method
					4,263		Total items that will not be reclassified to profit and loss
							Items that may be reclassified to profit and loss:
Foreign currency translation adjustment	7,092	(158)	―	(370)	6,564	23	Exchange differences on translation of foreign operations
Net gains (losses) on deferred hedges, net of tax	569	―	―	(133)	435		Cash flow hedges
			117	(10)	106		Share of other comprehensive income of investments accounted for using the equity method
					7,106		Total items that may be reclassified to profit and loss
Share of other comprehensive income of associates accounted for using equity method	124	―	(124)				
Total other comprehensive income	10,339	(157)	―	1,187	11,369		Other comprehensive income for the year, net of tax
Comprehensive income	24,708	16	―	(220)	24,504		Total comprehensive income for the year
Comprehensive income attributable to the owners of the parent	20,698	120	―	(352)	20,467		Total comprehensive income for the year attributable to owners of the Parent
Comprehensive income attributable to non-controlling interests	4,009	(104)	―	131	4,037		Total comprehensive income for the year attributable to non-controlling interests

3) Reconciliation of cash flows
The effect of the transition from Japanese GAAP to IFRSs on the consolidated statement of cash flows is primarily the effect on a change in closing date, which is not material.

Continued

4) Notes on reconciliation

Details on the reconciliation of the difference between the Japanese GAAP and IFRSs as presented in Item 3) *Reclassification* above are as follows:

(i) Change in closing date

Under the Japanese GAAP, the Consolidated Group had prepared the consolidated financial statements based on the financial statements of its subsidiaries and equity method investees as of their closing dates even if such closing dates differ from that of the Company. Under IFRSs, however, as it is not acceptable for the Company, its subsidiaries and its equity method investees to have different closing dates except where impracticable, changes have been made to the closing dates.

(ii) Reclassification

The reclassifications affected presentation of the consolidated statements of financial position and consolidated statements of income only and did not affect retained earnings. The details of reclassifications are described as follows:

(a) Cash and cash equivalents

Under the Japanese GAAP, time deposits with the maturity longer than three months were included in “Cash and bank deposits”. Under IFRSs, they are presented as “Other financial assets”.

(b) Trade and other receivables (current)

Under the Japanese GAAP, “Notes and accounts receivable”, “Allowance for doubtful accounts” and “Loans receivable” were presented separately and accounts receivable – other were included in “Other (current assets)”. Under IFRSs, they are presented as “Trade and other receivables (current)”.

(c) Other financial assets (current)

Under the Japanese GAAP, time deposits with the maturity longer than three months were included in “Cash and bank deposits”, and derivative assets and guarantee deposits were included in “Other (current assets)”. Under IFRSs, they are presented as “Other financial assets (current)”.

(d) Other current assets

Under the Japanese GAAP, accounts receivable – other were included in “Other (current assets)”. Under IFRSs, they are presented as “Trade and other receivables”. In addition, derivative assets and guarantee deposits are presented as “Other financial assets (current assets)”.

(e) Other investments / investments accounted for using the equity method

Under the Japanese GAAP, investments accounted for using the equity method were included in “Investments in securities”. Under IFRSs, they are presented separately as “Investments accounted for using the equity method”, and investments in securities other than investments accounted for using the equity method are presented as “Other investments”.

(f) Trade and other receivables (non-current)

Under the Japanese GAAP, “Long-term loans receivable”, “Doubtful accounts” and “Allowance for doubtful accounts” were presented separately. Under IFRSs, they are included in “Trade and other receivables (non-current)”.

(g) Other financial assets (non-current)

Under the Japanese GAAP, guarantee deposits were included in “Other (investments and other assets)” and government and corporate bonds were included in “Investments in securities”. Under IFRS, they are included in “Other financial assets (non-current)”.

(h) Other non-current assets

Under the Japanese GAAP, long-term prepaid expenses were included in “Other (investments and other assets)”. Under IFRSs, they are included in “Other non-current assets”.

(i) Deferred tax assets / deferred tax liabilities

Under IFRSs, “Deferred tax assets” and “Deferred tax liabilities” are all reclassified into the “Non-current assets” section and the “Non-current liabilities” section, respectively.

(j) Trade and other payables

Under the Japanese GAAP, “Notes and accounts payable” and “Import bills payable” were presented separately and accounts payable – other was included in “Other (current liabilities)”. Under IFRSs, they are presented as “Trade and other payables”.

(k) Other financial liabilities (current)

Under the Japanese GAAP, deposits received and derivative liabilities were included in “Other (current liabilities)”. Under IFRSs, they are included in “Other financial liabilities”.

(l) Other current liabilities

Under the Japanese GAAP, deposits received and others were included in “Other (current liabilities)”. Under IFRSs, it is included in “Other financial liabilities (current)”. In addition, accounts payable – other, which was included in “Other (current liabilities)” under the Japanese GAAP, is included in “Trade and other payables”.

Continued

(m) Other financial liabilities (non-current)
Under the Japanese GAAP, “Lease obligations (non-current liabilities)” was separately presented and long-term deposits received were included in “Other (non-current liabilities)”. Under IFRSs, they are included in “Other financial liabilities (non-current)”.

(n) Provisions
Under the Japanese GAAP, “Asset retirement obligations” was separately presented. Under IFRSs, it is included in “Provisions”.

(o) Cost of revenues
Under the Japanese GAAP, part of freightage related expenses was included in “Selling, general and administrative expenses”. Under IFRSs, they are included in “Cost of revenues”.

(p) Other income
Under the Japanese GAAP, “Non-operating income” was presented separately. Under IFRSs, it is presented as “Other income” except for “Share of profit (loss) of investments accounted for using the equity method”, “Interest income” and “Dividend income”, while “Share of profit (loss) of investments accounted for using the equity method”, “Interest income” and “Dividend income” are included in “Finance income”.

(q) Other expenses
Under the Japanese GAAP, “Non-operating expenses” was presented separately. Under IFRSs, it is presented as “Other expenses”, and “Interest expenses” is included in “Finance costs”.

(r) Finance income
Under the Japanese GAAP, “Interest income”, “Dividend income” and others were presented as “Non-operating income”. Under IFRSs, they are presented as “Finance income”.

(s) Finance costs
Under the Japanese GAAP, “Interest expenses” and others were presented as “Non-operating expenses”. Under IFRSs, they are presented as “Finance costs”.

(t) Share of profit (loss) of investments accounted for using the equity method
Under the Japanese GAAP, “Equity in earnings of affiliates” was presented as “Non-operating income”. Under IFRSs, it is presented as “Share of profit (loss) of investments accounted for using the equity method.

(iii) Effects from transition to IFRSs

(a) Scope of consolidated subsidiaries and equity method investees
The transition to IFRSs has not affected the numbers of consolidated subsidiaries and equity method investees.

(b) Investments in equity instruments without quoted prices
Pursuant to IFRSs, investments in equity instruments without quoted prices are measured at fair value. Under the Japanese GAAP, investments in equity instruments without quoted prices were measured at cost. Changes in fair value of financial assets measured at fair value through profit or loss are recorded in “Other finance costs” or “Other finance income”. The summary of effects caused by this change is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Other investments	995	11
Related tax effects	(2,259)	(1,823)
Other components of equity	(4,712)	(3,271)
Non-controlling interests	882	7
Adjustment to retained earnings	(5,094)	(5,075)

(JPY)

Consolidated statement of income	2015
Other finance costs	(908)
Other expenses	899
Other income	(106)
Other finance income	18
Profit before tax	(97)

(JPY)

Consolidated statement of comprehensive income	2015
Financial assets measured at fair value through other comprehensive income	1,441
Other comprehensive income for the year, net of tax	1,441

Continued

(c) Exchange differences on translation of foreign operations

In accordance with IFRS 1, the Consolidated Group elected to deem the cumulative exchange differences for all the foreign operations which existed as of the transition date to be zero as of the transition date. The summary of effects caused by such election is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Transfer from other components of equity	(21,012)	(21,094)
Adjustment to retained earnings	(21,012)	(21,094)

(JPY)

Consolidated statement of income	2015
Other expenses	81
Profit before tax	81

Under the Japanese GAAP, revenues and expenses of foreign operations were translated using the exchange rate at the end of the reporting period. Under IFRSs, income and expenses of foreign operations are translated using the average exchange rate of the reporting period unless exchange rates fluctuate significantly. This change has caused profit before tax to decrease by ¥338 million. The summary of effects to the consolidated statements of comprehensive income caused by this change is presented as follows:

(JPY)

Consolidated statement of comprehensive income	2015
Exchange differences on translation of foreign operations	(81)
Other comprehensive income for the year, net of tax	(81)

(d) Method of presenting revenue

Under the Japanese GAAP, the amount of net sales is presented as the sum of the gross amounts for transactions in which the Consolidated Group acted as a principal and also for transactions in which the Consolidated Group was involved as an agent. Under IFRSs, however, revenue is presented as the net amount for transactions in which the Consolidated Group is determined to be acting as an agent. The summary of effects caused by this change is as follows:

(JPY)

Consolidated statement of income	2015
Revenue	(411,704)
Cost of sales	411,704
Profit before tax	—

(e) Goodwill

While goodwill is amortized over a certain period under the Japanese GAAP, it is not amortized under IFRSs. With respect to impairment of goodwill, the Japanese GAAP requires an entity to test for impairment only when there is an indication that is may be impaired. However, IFRSs requires an entity to test for impairment annually and whenever there is an indication that it may be impaired.

Impairment losses which arose as of the transition date due to the differences between the Japanese GAAP and IFRSs is presented as follows. The carrying amounts of intangible assets and goodwill arising from the acquisition of the mobile phone sales business have been reduced to their recoverable amounts, and consequently the Consolidated Group recognized impairment losses of ¥71 million and ¥756 million, respectively. Both of the recoverable amounts have been determined based on their the amounts of value in use, which were calculated by discounting the future cash flows at the discount rate of 6.75%. These assets belong to the Electronics & Devices segment. A transaction with non-controlling interests as a result of additional purchase of shares of a consolidated subsidiary causes adjustment to capital surplus as it is treated as an equity transaction under IFRSs.

(JPY)

Consolidated statement of financial position	2015	Transition date
Goodwill	(1,790)	(756)
Intangible assets	53	(111)
Related tax effects	—	39
Adjustment to retained earnings	(862)	(828)
Adjustment to capital surplus	(874)	—

(JPY)

Consolidated statement of income	2015
Selling, general and administrative expenses	(59)
Other expenses	107
Profit before tax	47

There is no effect of this change on the consolidated statements of comprehensive income.

(f) Transfer of financial assets

Continued

Of liquidated receivables such as discounted notes receivable that are allowed to be derecognized after transfer under the Japanese GAAP, the Consolidated Group continues to recognize those for which it may be obligated to make payments as recourse for non-payment by the debtor because such liquidated receivables do not meet the criteria for derecognition of financial assets under IFRSs. The summary of effects caused by such difference is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Trade and other receivables	2,735	―
Bonds and borrowings	(2,735)	―
Adjustment to retained earnings	―	―

(g) Review of recoverability of deferred tax assets

With application of IFRSs, except for investments in certain subsidiaries and associated, deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they can be used against future taxable profits. The summary of effects caused by the change is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Deferred tax assets	5,136	5,402
Goodwill	(122)	―
Non-controlling interests	(108)	―
Adjustment to retained earnings	5,367	5,402

(JPY)

Consolidated statement of income	2015
Adjustment to income tax expense	(265)

(h) Accrued paid leave

For the unused paid leaves at the end of the reporting period, the Consolidated Group recognizes a liability as accrued paid leave by estimating the number of days to be used in the future based on the historical ratio of paid leave used and other factors. The summary of effects caused by this treatment is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Accrued paid leave	(1,405)	(1,375)
Related tax effects	521	515
Adjustment to retained earnings	(884)	(860)

(JPY)

Consolidated statement of income	2015
Provision for accrued paid leave	(30)
Adjustment to income tax expense	6

(i) Employee benefits

Upon application of IFRSs, the Consolidated Group has reviewed the calculation method of retirement benefit obligation and service cost. Also, the discount rate applicable to pension assets has been changed to the market yields of corporate bonds. The summary of effects caused by these changes is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Retirement benefits liabilities	(444)	(480)
Related tax effects	158	170
Adjustment to retained earnings	(286)	(309)

(JPY)

Consolidated statement of income	2015
Selling, general and administrative expenses	35
Deferred income tax	(12)

(JPY)

Consolidated statement of comprehensive income	2015
Remeasurement of defined benefit pension plans	176
Other comprehensive income for the year, net of tax	176

Continued

(j) Hedge accounting

Regarding the interest rate swap transactions for which the exceptional hedge accounting treatment ("*tokurei shori*") is applied under the Japanese GAAP, fair value of the interest swap is recognized in the consolidated statements of financial position under IFRSs. The summary of effects caused by this treatment is presented as follows:

(JPY)

Consolidated statement of financial position	2015	Transition date
Other financial liabilities	(805)	(337)
Related tax effects	260	119
Other components of equity	545	217
Adjustment to retained earnings	―	―

(k) Adjustment to deferred tax

The effect of the adjustments above on deferred tax assets (net after offsetting against deferred tax liabilities) in the consolidated statements of financial position is presented as follows:

(JPY)

Item subject to adjustment	Note	2015	Transition date
Review of recoverability of deferred tax assets	(27)	5,136	5,402
Investments in equity instruments without quoted prices	(22)	(2,259)	(1,823)
Accrued paid leave	(28)	521	515
Employee benefits	(29)	158	170
Hedge accounting	(30)	260	119
Other		(47)	(103)
Total		3,769	4,281

The adjustments above have caused income taxes for fiscal year ended March 31, 2015 to decrease by ¥301 million.

(l) Retained earnings

The effect of the adjustments above on retained earnings is presented as follows:

(JPY)

Item subject to adjustment	Note	2015	Transition date
Exchange differences on translation of foreign operations	(23)	(21,012)	(21,094)
Review of recoverability of deferred tax assets	(27)	5,367	5,402
Investments in equity instruments without quoted prices	(22)	(5,094)	(5,075)
Accrued paid leave	(28)	(884)	(860)
Goodwill	(25)	(862)	(828)
Employee benefits	(29)	(263)	(309)
Other		(92)	263
Total		(22,842)	(22,501)

(m) Profit before tax

The effect of the adjustments above on profit before tax is presented as follows:

(JPY)

Item subject to adjustment	Note	2015
Exchange differences on translation of foreign operations	(23)	(256)
Investments in equity instruments without quoted prices	(22)	(97)
Goodwill	(25)	47
Other		(598)
Total		(904)

End