Annual Report

Year Ended March 31, 2015

HARIMA CHEMICALS GROUP, INC.

Business Overview

During the current fiscal year, as a result of the extension of the monetary easing policy and also because of the effects of the decline in the crude oil prices, the instability of the global economy has continued. In particular, the financial crisis in Europe returned and in emerging countries such as China, there was an increase in economic downside risk. However, in the US, business began to recover due to an improvement in the employment picture.

At the same time, regarding the economy in Japan, following the rush in demand before the consumption tax increase in April, there were concerns that the economy might fall off. However, mainly in the export industry, corporate earnings have shown improvement due to Yen depreciation. Furthermore, a gradual recovery can be also seen from the improvements in the employment conditions and the recovery in the capital investments.

Regarding the business environment surrounding our group, Lawter, whose major market is Europe, has endured intense competition resulting in continued severe conditions. However overseas sales increased due to the Yen depreciation. Meanwhile, regarding the domestic business, although, the price of our raw materials which was imported from abroad increased due to Yen depreciation, our corporate earnings were improved. This was mainly due to the fact that the price of our main raw material, rosin, has remained stable and we have made product price revisions.

As a result of these conditions, the group’s consolidated net sales for the current fiscal year increased by 7,517 million Yen (up 10.0%) year-on-year to 82,692 million Yen. Operating income increased by 97 million Yen (up 11.1%) year-on-year to 973 million Yen. Ordinary income decreased by 2,359 million Yen (down 90.5%) year-on-year to 249 million Yen, with a foreign exchange loss of 610 million Yen. Net loss decreased by 1,306 million Yen year-on-year to 1,026 million Yen due to the large extraordinary loss including an impairment loss of tangible fixed assets of 453 million Yen.

Provided below is an overview of our business segments corresponding to the company's reporting segments structure. From the current fiscal year, our group has changed the management performance measure from ordinary income to operating income. For this reason, segment income is adjusted to reflect operating income. By way of comparison, the segment information about the previous fiscal year ended March 31, 2014 has been changed based on the operating income.

Status of Business Segments

(Resin & Tall Oil Products)

With regard to the printing ink industry, in both the global and domestic markets, the commercial printing business has continued to decrease because the publication of newspapers and magazines have continued to shrink. Although our overseas sales in China, Southeast Asian and South America, etc., was in good condition, our sales of printing inks resins in the domestic market continued to decline and as a result, the total sales decreased from the previous fiscal year.

In the paint industry, there was also a rush in demand before the consumption tax increase. As a result the sales after the increase of the consumption tax decreased. But during the last half of the fiscal year, due to the rapid Yen depreciation, exports and related goods increased and as a result, the production of paint was almost at the same level of the previous year. Under such circumstances, even though our key products, paint resins which didn’t sell well because an decrease in construction, thanks to the recovery in the corporate investments, our total sales of paint resins remained almost unchanged.

Under the influence of the consumption tax increase in April, the demand for tires in the automobile market was flat as compared to the prior year. Therefore, sales of our synthetic rubber emulsifiers decreased.

Regarding the adhesives resins, the performance was as the same as the previous year, which was mainly due to a good performance in the domestic market. Meanwhile, we have focused on marketing to new customers in China and South America.

Furthermore, in order to develop our new fields, including production of the coating resins for touch panels in a tablet, we have opened a new plant in Kakogawa and the sale of the coating resins enjoyed strong growth.

(Paper Chemicals)

In the current fiscal year, despite a decrease in the production of printing papers, domestic paper and cardboard production volume was at the same level as the prior fiscal year. Under such circumstances, our domestic sales made a remarkable recovery. At the same time, in our US subsidiary, the new surface sizing agent which was launched last year helped the sales expansion as well. Further, in China, although, paper and cardboard production volume showed little increase as compared to the year 2013, sales of our surface sizing agent increased steadily.

(Electronics Materials)

With regard to the performance of the car industry to which this segment is related, the volume of vehicles manufactured overseas was the same level as the prior year. On the other hand, the volume of vehicles manufactured in Japan decreased. Under the influence of this performance, first, our main product, aluminium brazing materials used in heat exchangers experienced no sales growth as compared to the prior year. Second, a new solder paste, which has been developed through collaborative research with an automotive parts manufacturer, didn't sell well, and as a result, the sales of solder paste decreased. Third, both conductive paste for through-holes used in electronic appliances and functional resin used in semiconductor achieved higher sales.

(Lawter)

In this segment, regarding our main product, resins for printing inks, sales increased in our main market in Europe in spite of soft demand. However, because the sales in the North America decreased, this segment suffered deteriorating profitability. Furthermore, sales for the adhesives resins decreased in South America area but increased in Europe and the US. All in all, we suffered deteriorating profitability due to global price competition and a rise in a raw material cost.

As a result of these difficult economic conditions, we have shut down some of our manufacturing units in North America and China. At the same time, we have taken measures to improve the plants and equipment in our South America units in order to improve our business structure.

Consolidated Business Performance Trends

(Millions of Yen unless otherwise stated)

Category	70th Fiscal Year (Fiscal year ended March 2012)	71th Fiscal Year (Fiscal year ended March 2013)	72th Fiscal Year (Fiscal year ended March 2014)	73th Fiscal Year (Fiscal year ended March 2015)
Net sales	71,536	64,203	75,175	82,692
Ordinary income	2,159	1,422	2,608	249
Net income (loss)	1,012	216	280	△1,026
Net income (loss) per share (Yen)	38.99	8.33	10.80	△39.53
Total assets	63,429	61,355	70,471	75,256
Net assets	29,581	29,823	31,466	33,080

(Notes) 1. Net income (loss) per share is calculated based on the weighted average number of issued shares during the fiscal year after deducting treasury stocks.

HARIMA CHEMICALS GROUP, INC.
and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 5,436	¥ 6,630	$ 45,236
Notes and accounts receivable (Note 15):			
Trade notes	1,337	2,525	11,126
Trade accounts	18,322	17,428	152,467
Associated companies	198	180	1,648
Other	2,353	2,081	19,581
Allowance for doubtful notes and accounts	(223)	(107)	(1,856)
Inventories (Note 4)	14,157	11,080	117,808
Deferred tax assets (Note 12)	492	386	4,094
Other current assets	718	958	5,975
Total current assets	42,790	41,161	356,079
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land (Note 6)	10,070	10,175	83,798
Buildings and structures (Note 6)	18,635	18,821	155,072
Machinery and equipment	24,718	23,545	205,692
Lease assets (Note 14)	963	843	8,014
Construction in progress	813	672	6,765
Other assets	4,229	4,118	35,192
Total	59,428	58,174	494,533
Accumulated depreciation	(35,794)	(35,126)	(297,862)
Net property, plant and equipment	23,634	23,048	196,671
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 15)	5,764	3,199	47,965
Investments in and advances to associated companies	880	852	7,323
Goodwill	174	262	1,448
Deferred tax assets (Note 12)	204	337	1,698
Other assets	1,832	1,627	15,245
Allowance for doubtful accounts	(22)	(15)	(183)
Total investments and other assets	8,832	6,262	73,496
TOTAL	¥ 75,256	¥ 70,471	$ 626,246

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	¥ 8,933	¥ 12,715	$ 74,336
Current portion of long-term debt (Notes 7 and 15)	1,327	1,863	11,043
Notes and accounts payable (Note 15):			
Trade notes	387	389	3,220
Trade accounts	10,965	10,887	91,246
Associated companies	116	118	965
Construction and other	336	291	2,796
Income taxes payable	441	483	3,670
Deferred tax liabilities (Note 12)	130	89	1,082
Other current liabilities	2,088	1,895	17,376
Total current liabilities	24,723	28,730	205,734
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 15)	13,709	6,303	114,080
Deferred tax liabilities (Note 12)	568	646	4,727
Long-term deposits received (Note 15)	803	849	6,682
Liability for retirement benefits (Note 8)	2,095	2,162	17,434
Asset retirement obligations (Note 9)	47	47	391
Other long-term liabilities	231	268	1,922
Total long-term liabilities	17,453	10,275	145,236
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7, 14 and 16)			
EQUITY (Note 10):			
Common stock, authorized 59,500,000 shares; issued, 26,080,396 shares in 2015 and 2014	10,013	10,013	83,324
Capital surplus	9,744	9,744	81,085
Retained earnings	8,475	9,659	70,525
Treasury stock - at cost: 131,642 shares in 2015 and 131,442 shares in 2014	(62)	(62)	(516)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,497	902	12,457
Foreign currency translation adjustments	2,035	(6)	16,934
Defined retirement benefit plans	(642)	(536)	(5,342)
Total	31,060	29,714	258,467
Minority interests	2,020	1,752	16,809
Total equity	33,080	31,466	275,276
TOTAL	¥ 75,256	¥ 70,471	$ 626,246

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC.
and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥ 82,692	¥ 75,175	$ 688,125
COST OF SALES	68,047	61,353	566,256
Gross profit	14,645	13,822	121,869
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 13)	13,672	12,946	113,772
Operating income	973	876	8,097
OTHER (EXPENSES) INCOME:			
Interest and dividend income	96	105	799
Interest expense	(349)	(333)	(2,904)
Rental income	125	127	1,040
Foreign exchange (loss) gain	(610)	1,597	(5,076)
Loss on sale of property, plant and equipment	(31)	(428)	(258)
Loss on impairment of long-lived assets (Note 5)	(453)	(422)	(3,770)
Commission paid	(103)	(32)	(857)
Provision for allowance for doubtful accounts	(91)	-	(757)
Expense on disposal of property, plant and equipment	(83)	-	(691)
Equity in earnings of associated companies	45	41	374
Other - net	94	252	783
Other (expenses) income - net	(1,360)	907	(11,317)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(387)	1,783	(3,220)
INCOME TAXES (Note 12):			
Current	787	1,264	6,549
Deferred	(309)	74	(2,571)
Total income taxes	478	1,338	3,978
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	(865)	445	(7,198)
MINORITY INTERESTS IN NET INCOME	161	165	1,340
NET (LOSS) INCOME	¥ (1,026)	¥ 280	$ (8,538)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 18):			
Net (loss) income	¥(39.53)	¥10.80	$(0.33)
Cash dividends applicable to the year	14.00	14.00	0.12

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC.
and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	¥ (865)	¥ 445	$ (7,198)
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	596	392	4,960
Foreign currency translation adjustments	2,200	1,624	18,307
Defined retirement benefit plans	(107)	-	(890)
Share of other comprehensive income in associated companies	0	0	0
Total other comprehensive income	2,689	2,016	22,377
COMPREHENSIVE INCOME (Note 17)	¥ 1,824	¥ 2,461	$ 15,179
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):			
Owners of the parent	¥ 1,504	¥2,104	$ 12,516
Minority interests	320	357	2,663

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC.
and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	25,949	¥ 10,013	¥ 9,744	¥ 9,742	¥ (62)	¥ 510	¥ (1,437)	¥ -	¥ 28,510	¥ 1,313	¥ 29,823
Net income				280					280		280
Cash dividends, ¥14.00 per share				(363)					(363)		(363)
Purchase of treasury stock	(0)				(0)				(0)		(0)
Net change in the year						392	1,431	(536)	1,287	439	1,726
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	25,949	10,013	9,744	9,659	(62)	902	(6)	(536)	29,714	1,752	31,466
Cumulative effect of accounting change (Note 2.i)				205					205		205
BALANCE, APRIL 1, 2014 (as restated)	25,949	10,013	9,744	9,864	(62)	902	(6)	(536)	29,919	1,752	31,671
Net income				(1,026)					(1,026)		(1,026)
Cash dividends, ¥14.00 per share				(363)					(363)		(363)
Purchase of treasury stock	(0)				(0)				(0)		(0)
Net change in the year						595	2,041	(106)	2,530	268	2,798
BALANCE, MARCH 31, 2015	25,949	¥ 10,013	¥ 9,744	¥ 8,475	¥ (62)	¥ 1,497	¥ 2,035	¥ (642)	¥ 31,060	¥ 2,020	¥ 33,080

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 83,324	$ 81,085	$ 80,378	$ (516)	$ 7,506	$ (50)	$ (4,460)	$ 247,267	$ 14,579	$ 261,846
Cumulative effect of accounting change (Note 2.i)			1,706					1,706		1,706
BALANCE, APRIL 1, 2014 (as restated)	83,324	81,085	82,084	(516)	7,506	(50)	(4,460)	248,973	14,579	263,552
Net income			(8,538)					(8,538)		(8,538)
Cash dividends, $0.12 per share			(3,021)					(3,021)		(3,021)
Purchase of treasury stock				(0)				(0)		(0)
Net change in the year					4,951	16,984	(882)	21,053	2,230	23,283
BALANCE, MARCH 31, 2015	$ 83,324	$ 81,085	$ 70,525	$ (516)	$ 12,457	$ 16,934	$ (5,342)	$ 258,467	$ 16,809	$ 275,276

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC.
and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (387)	¥ 1,783	$ (3,220)
Adjustments for:			
Income taxes - paid	(889)	(1,453)	(7,398)
Depreciation and amortization	2,427	2,284	20,196
Loss on impairment of long-lived assets	453	422	3,770
Foreign exchange loss (gain)	521	(1,687)	4,336
Loss on sales of property, plant and equipment	31	428	258
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	1,237	(1,180)	10,294
Increase in inventories	(2,006)	(627)	(16,693)
(Decrease) increase in trade notes and account payable	(596)	2,188	(4,960)
Other - net	(440)	(591)	(3,662)
Total adjustments	738	(216)	6,141
Net cash provided by operating activities	351	1,567	2,921
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,863)	(1,785)	(15,503)
Proceeds from sales of property, plant and equipment	5	301	42
Purchases of intangible assets	(250)	(26)	(2,080)
Purchases of investment securities	(1,611)	(190)	(13,406)
Proceeds from sales of investment securities	52	344	433
Other - net	(40)	272	(334)
Net cash used in investing activities	(3,707)	(1,084)	(30,848)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(4,179)	3,385	(34,776)
Proceeds from long-term debt	9,259	900	77,049
Repayments of long-term debt	(2,833)	(1,794)	(23,575)
Dividends paid	(363)	(363)	(3,021)
Other - net	(197)	(213)	(1,639)
Net cash provided by financing activities	1,687	1,915	14,038
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	475	761	3,953
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,194)	3,159	(9,936)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,630	3,471	55,172
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,436	¥ 6,630	$ 45,236

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which HARIMA CHEMICALS GROUP, INC. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation -*** The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company directly is able to exercise control over operations are fully consolidated.

Investments in associated companies are accounted for by the equity method.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.

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

Xinyi Zhonglin Rosin Co., Ltd. and Cenxi Donglin Rosin Co., Ltd. were excluded from the scope of consolidation for the year ended March 31, 2015 due to the sale of all shares thereof. Loss on sale of investments in consolidated subsidiaries was ¥28 million ($237 thousand) which is included in the consolidated statement of operations for the year then ended.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. ***Cash Equivalents -*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

d. ***Inventories -*** Inventories are principally stated at the lower of cost, determined by the moving-average method, or net selling value.

The inventories of certain consolidated foreign subsidiaries are stated at the lower of cost, determined by the first-in, first-out method, or net selling value.

e. ***Investment Securities -*** Investment securities are classified and accounted for as follows: Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

f. ***Property, Plant and Equipment*** - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Certain domestic subsidiaries and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is from 5 to 50 years for buildings and from 4 to 17 years for machinery and equipment.

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

h. ***Other Assets -*** Amortization of capitalized software costs is computed using the straight-line method over 5 years, the estimated useful life of the assets.

i. ***Retirement Benefits -*** The Company and certain domestic consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plan and severance lump-sum payment plan covering substantially all of their employees. Certain foreign subsidiaries have adopted funded defined benefit plans and defined contribution pension plans.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a declining-balance basis over 14 years within the average remaining service period. Prior service costs are recognized in the period in which they are incurred.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 2.t).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥321 million ($2,671 thousand), and retained earnings as of April 1, 2014, increased by ¥205 million ($1,706 thousand). The effects of this change on operating income, loss before income taxes and minority interests and net loss per share for the year ended March 31, 2015, are immaterial.

For small pension plans Japanese GAAP allows an entity to use a simplified method to measure the projected benefit obligations. Under the simplified method, the retirement benefits are recorded as a liability at the amount that would be required if all employees in a plan retired at each balance sheet date. Certain subsidiaries have small pension plans which are accounted for under the simplified method.

Retirement allowances for directors and Audit & Supervisory Board members are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

j. ***Asset Retirement Obligations*** - In March 2008, the ASBJ issued the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

l. ***Leases -*** In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligation under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

m. ***Bonuses to Directors and Audit & Supervisory Board Members -*** Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

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

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

p. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

q. ***Derivative Financial Instruments -*** The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

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

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

s. ***Accounting Changes and Error Corrections -*** In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

t. ***New Accounting Pronouncements***

Accounting Standards for Business Combinations and Consolidated Financial Statements - In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest* **-** A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of operations. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet* - In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of operations* - In the consolidated statement of operations, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination* - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs* - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of operations, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations shall be applied to all periods presented in consolidated financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Non-current:			
Equity securities	¥ 5,456	¥ 2,916	$ 45,402
Trust fund investments and other	308	283	2,563
Total	¥ 5,764	¥ 3,199	$ 47,965

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

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,639	¥2,002	¥(16)	¥3,625
Debt securities	316	-	(8)	308
March 31, 2014				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,652	¥1,257	¥(26)	¥2,883
Debt securities	300	-	(17)	283

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$13,639	$16,660	$(133)	$30,166
Debt securities	2,630	-	(67)	2,563

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Available-for-sale:			
Equity securities	¥1,831	¥33	$15,236
Other	-	0	-

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

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 35	¥ 23	¥ -
Debt securities	17	-	-
Total	¥ 52	¥ 23	¥ -
March 31, 2014			
Available-for-sale:			
Equity securities	¥ 102	¥ 39	¥ -
Debt securities	243	4	-
Total	¥ 345	¥ 43	¥ -

March 31, 2015	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 291	$ 191	$ -
Debt securities	142	-	-
Total	$ 433	$ 191	$ -

4. INVENTORIES

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

	Millions of Yen 2015	2014	Thousands of U.S. Dollars 2015
Finished products	¥ 6,590	¥ 5,447	$ 54,839
Work in process	332	352	2,763
Raw materials and supplies	7,235	5,281	60,206
Total	¥ 14,157	¥ 11,080	$ 117,808

5. LONG-LIVED ASSETS

The Group recorded impairment losses of ¥453 million ($3,700 thousand) and ¥422 million for the years ended March 31, 2015 and 2014, respectively. The Group recognized a decline in value of manufacturing facilities in Japan for the year ended March 31, 2015 and in China and Brazil for the year ended March 31, 2014. Also, the Group recognized a decline in value of golf course and hotel facilities for the years ended March 31, 2015 and 2014. The impairment loss was recognized since the recoverable value of the assets was lower than the carrying amounts of the assets. The recoverable value of the leisure facility was measured at the fair value considering the third-party appraisal report for the facility. One of the manufacturing facilities was measured at the net selling value at disposal.

6. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Group owns certain rental properties such as office buildings and land. The net of rental income and operating expenses for those rental properties for the years ended March 31, 2015 and 2014, were ¥107 million ($890 thousand) and ¥110 million, respectively.

In addition, the carrying amounts, changes in such balance and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2014	Increase/ Decrease	March 31, 2015	March 31, 2015
¥3,113	¥337	¥2,776	¥3,584

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Increase/ Decrease	March 31, 2014	March 31, 2014
¥3,408	¥295	¥3,113	¥3,973

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2014	Increase/ Decrease	March 31, 2015	March 31, 2015
$25,905	$2,804	$23,101	$29,824

Notes:

1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase during the fiscal year ended March 31, 2015, primarily represents the capital expenditure for current investment properties of ¥72 million ($599 thousand), and decrease primarily represents the change in the purpose of possession of the properties to the Group's own use by ¥20 million ($166 thousand), depreciation of ¥46 million ($383 thousand), and impairment loss of ¥343 million ($2,854 thousand). Increase during the fiscal year ended March 31, 2014, primarily represents the acquisition of certain properties of ¥45 million, and decrease primarily represents the change in the purpose of possession of the properties to the Group's own use by ¥102 million, depreciation of ¥48 million, and impairment loss of ¥190 million.

3) Fair value of properties is measured by the Group in accordance with its Real-Estate Appraisal Standard.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2015 and 2014, consisted of outstanding balance of line of credit, notes to banks and bank overdrafts. The average interest rates applicable to the short-term bank loans as of March 31, 2015 and 2014, were 1.9% and 1.8%, respectively. As of March 31, 2015, the total committed line of credit was ¥5,000 million ($41,608 thousand), and unused balance was ¥1,600 million ($13,315 thousand).

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unsecured loans from banks and other financial institutions, due serially to 2020 with interest rates ranging from 0.6% to 4.0% (1.2% to 4.3% in 2014)	¥ 13,682	¥ 7,160	$ 113,855
Obligations under finance leases	1,354	1,006	11,268
Total	15,036	8,166	125,123
Less current portion	(1,327)	(1,863)	(11,043)
Long-term debt, less current portion	¥ 13,709	¥ 6,303	$ 114,080

Annual maturities of long-term debt as of March 31, 2015, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 1,327	$ 11,043
2017	1,325	11,026
2018	1,320	10,984
2019	9,875	82,175
2020	218	1,814
2021 and thereafter	971	8,081
Total	¥ 15,036	$ 125,123

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

As is customary in Japan, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks concerned. The Company has never received any such request.

Certain bank loans and the commitment line of credit are subject to the financial covenants which are tied with the total equity and continuous operating income without extraordinary items for the most recent year as indicators and require the Group to keep the indicators above certain level. Based on the financial results for the years ended March 31, 2015 and 2014, the covenants were not applied since the Group met the requirements.

8. RETIREMENT AND PENSION PLANS

The Company and some domestic consolidated subsidiaries have a defined contribution plan and a defined benefit plan including a defined corporate pension plan and retirement lump sum plan. Some overseas consolidated subsidiaries have defined contribution plans and defined benefit plans. Some domestic consolidated subsidiaries apply the simplified method to calculate liabilities for retirement benefits and retirement benefit costs.

In addition, the Company and some domestic subsidiaries participate in multi-employer pension plan. Since the pension asset attributable to the Company and some domestic subsidiaries cannot be rationally determined based on their contributions, the plan is accounted for as a defined contribution plan.

Also the Group has a severance payment plan for Audit & Supervisory Board members.

The liability for retirement benefits as of March 31, 2015 and 2014, for directors and Audit & Supervisory Board members is ¥390 million ($3,246 thousand) and ¥493 million, respectively, and is included in liability for retirement benefits in the consolidated balance sheet. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

<1> Defined Benefit Plan

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 3,477	¥ 2,701	$ 28,934
Cumulative effect of accounting change	(321)	-	(2,671)
Balance at beginning of year (as restated)	3,156	2,701	26,263
Current service cost	258	226	2,147
Interest cost	52	35	433
Actuarial losses	453	232	3,770
Benefits paid	(78)	(63)	(649)
Prior service (benefit) cost	(159)	0	(1,323)
Balance of value transfers	461	252	3,836
Foreign currency translation differences	63	96	524
Others	(2)	(2)	(17)
Balance at end of year	¥ 4,204	¥ 3,477	$ 34,984

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 1,920	¥ 1,391	$ 15,977
Expected return on plan assets	22	6	183
Actuarial losses (gains)	40	(20)	333
Contributions from the employer	254	268	2,114
Benefits paid	(78)	(63)	(649)
Balance of value transfers	401	252	3,337
Foreign currency translation differences	56	70	466
Others	(1)	16	(8)
Balance at end of year	¥ 2,614	¥ 1,920	$ 21,753

(3) The changes in defined benefit obligation under the simplified method for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 112	¥ 103	$ 932
Periodic benefit costs	11	10	92
Benefits paid	(16)	(12)	(133)
Foreign currency translation differences	8	11	66
Balance at end of year	¥ 115	¥ 112	$ 957

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 4,204	¥ 3,477	$ 34,984
Plan assets	(2,614)	(1,920)	(21,753)
	1,590	1,557	13,231
Unfunded defined benefit obligation	115	112	957
Net liability arising from defined benefit obligation	¥ 1,705	¥ 1,669	$ 14,188

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 1,705	¥ 1,669	$ 14,188
Net liability arising from defined benefit obligation	¥ 1,705	¥ 1,669	$ 14,188

(5) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 258	¥ 226	$ 2,147
Interest cost	52	35	433
Expected return on plan assets	(22)	(6)	(183)
Recognized prior service cost	0	-	0
Recognized actuarial losses	89	96	741
Periodic benefit cost in simplified method	11	10	92
Net periodic benefit costs	¥ 388	¥ 361	$ 3,230

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service benefit	¥ 159	$ 1,323
Actuarial losses	(325)	(2,704)
Others	(3)	(25)
Total	¥ (169)	$ 1,406

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service (benefit) cost	¥ (158)	¥ 0	$ (1,315)
Unrecognized actuarial losses	1,063	736	8,846
Total	¥ 905	¥ 736	$ 7,531

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

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt securities in Japan	8.6%	10.7%
Equity securities in Japan	7.2	8.0
Debt securities in other countries	2.9	2.9
Equity securities in other countries	6.3	7.9
Cash and time deposits	0.5	0.6
Insurance asset (general account)	71.9	38.2
Others	2.6	31.7
Total	100.0%	100.0%

b. Method of determining the expected rate of return on plan assets

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

(9) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	Mainly 0.7%	Mainly 1.0%
Expected rate of return on plan assets	Mainly 0.0%	Mainly 0.0%

<2> Defined Contribution Plan

The amount of contributions required for the defined contribution plan of the Group for the years ended March 31, 2015 and 2014, were ¥196 million ($1,631 thousand) and ¥113 million, respectively.

The amount of contributions required for the multi-employer pension funds, accounted for as a defined contribution plan, for the years ended March 31, 2015 and 2014, were ¥153 million ($1,274 thousand) and ¥151 million, respectively.

(1) Funding condition of multi-employer pension funds as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Amount of fair value of plan assets	¥ 292,417	¥ 257,829	$ 2,433,358
Amount of benefit obligations for pension financing calculations	366,867	354,524	3,052,900
Net balance	¥ (74,450)	¥ (96,695)	$ (619,542)

(2) The Group's ratio in the multi-employer pension funds based on the contributions as of March 31, 2014 and 2013, were 1.2% and 1.3%, respectively.

(3) Supplementary explanation

The primary factors for the net balance in (1) above are ¥23,869 million ($198,629 thousand) and ¥44,705 million appropriation of retained earnings in pension fund, and ¥50,581 million ($420,913 thousand) and ¥51,990 million past service liabilities in calculating the projected benefit obligation for the years ended March 31, 2014 and 2013, respectively. The amount of principle and interest of past service liabilities in this plan are amortized equally over 17 years.

The ratio in (2) above does not agree to the actual contribution ratio of the Group.

9. ASSET RETIREMENT OBLIGATIONS

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥47	¥46	$391
Reconciliation associated with passage of time	0	1	0
Balance at end of year	47	47	391

10. EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014, principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Employees' salaries and bonuses	¥3,279	¥3,148	$27,286
Net periodic retirement benefit	346	182	2,879
Transport	3,089	2,823	25,705
Depreciation	385	578	3,204
Rental	248	51	2,064
Research and development	2,036	1,965	16,943
Amortization of goodwill	87	134	724

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Tax loss carryforwards	¥ 3,043	¥ 1,781	$ 25,322
Impairment loss on long-lived assets	1,363	1,445	11,342
Loss on revaluation of investment securities	10	209	83
Retirement benefits to directors and Audit & Supervisory Board members	126	176	1,049
Property, plant and equipment	97	97	807
Unrealized loss on available-for-sale securities	8	18	67
Others	715	1,179	5,950
Less valuation allowance	(4,434)	(4,353)	(36,898)
Total	¥ 928	¥ 552	$ 7,722
Deferred tax liabilities:			
Reserve for deferred gains on sales of property, plant and equipment	¥ 65	¥ 74	$ 541
Unrealized gain on available-for-sale securities	470	301	3,911
Undistributed earnings of foreign subsidiaries	168	121	1,398
Others	227	68	1,889
Total	¥ 930	¥ 564	$ 7,739
Net deferred tax liabilities	¥ (2)	¥ (12)	$ (17)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2014, is as follows:

Normal effective statutory tax rate	38.0%
Expenses not deductible for income tax purposes	9.3
Inhabitants' per capita levy	1.7
Difference of income tax rates applicable to income in certain foreign countries	1.4
Increase in valuation allowance	28.0
Tax credit	(4.8)
Adjustment on deferred tax assets and liabilities at the end of period due to change in tax rates	0.9
Other - net	0.5
Actual effective tax rate	75.0%

Due to loss before income taxes and minority interests, a reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2015, is not presented.

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥5 million ($42 thousand) and increase accumulated other comprehensive income by ¥35 million ($291 thousand), decrease defined retirement benefit plan by ¥13 million ($108 thousand) and increase unrealized gain on available-for-sale securities by ¥48 million ($399 thousand), in the consolidated balance sheet as of March 31, 2015, and to decrease income taxes-deferred in the consolidated statement of operations for the year then ended by ¥40 million ($333 thousand).

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,036 million ($16,943 thousand) and ¥1,965 million for the years ended March 31, 2015 and 2014, respectively.

14. LEASES

The Group leases certain buildings and structures, machinery and equipment and other assets.

Total lease expenses included for the years ended March 31, 2015 and 2014, were ¥216 million ($1,797 thousand) and ¥221 million, respectively.

The minimum payments commitments under noncancelable operating leases as of March 31, 2015, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 5	$ 41
Due after one year	42	350
Total	¥ 47	$ 391

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans based on its capital financing plan. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Payment terms of payables, such as trade notes and trade accounts, are primarily less than one year. Payment in foreign currencies is exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities are exposed to the risk of market price fluctuations. Short-term bank loans and long-term debt are related to ongoing operations and working capital. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. Long-term deposits received are mainly related to deposits for membership of a golf course and are exposed to liquidity risk.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

The counterparties to the Group's derivative contracts are limited to major international financial institutions to reduce credit risk.

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

Market risk management (foreign exchange risk and interest rate risk)

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loans payable.

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

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

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

Fair Value of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2015 and 2014, are as follows. The accounts for which fair value is deemed to be extremely difficult to calculate are not included in the following:

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 5,436	¥ 5,436	¥ -
Notes and accounts receivable	22,210	22,210	-
Investment securities	3,933	3,933	-
Total	¥ 31,574	¥ 31,574	¥ -
Notes and accounts payable	¥ 11,804	¥ 11,804	¥ -
Short-term bank loans	8,933	8,933	-
Current portion of long-term debt	1,327	1,327	-
Long-term debt	13,709	13,704	5
Long-term deposits received	803	652	151
Total	¥ 36,576	¥ 36,420	¥156

March 31, 2014	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 6,630	¥ 6,630	¥ -
Notes and accounts receivable	22,214	22,214	-
Investment securities	3,166	3,166	-
Total	¥ 32,010	¥ 32,010	¥ -
Notes and accounts payable	¥ 11,685	¥ 11,685	¥ -
Short-term bank loans	12,715	12,715	-
Current portion of long-term debt	1,863	1,863	-
Long-term debt	6,303	6,294	9
Long-term deposits received	849	769	80
Total	¥ 33,415	¥ 33,326	¥ 89

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 45,236	$ 45,236	$ -
Notes and accounts receivable	184,822	184,822	-
Investment securities	32,729	32,729	-
Total	$ 262,787	$ 262,787	$ -
Notes and accounts payable	$ 98,227	$ 98,227	$ -
Short-term bank loans	74,336	74,336	-
Current portion of long-term debt	11,043	11,043	-
Long-term debt	114,080	114,038	42
Long-term deposits received	6,682	5,426	1,256
Total	$ 304,368	$ 303,070	$ 1,298

Cash and Cash Equivalents and Notes and Accounts Receivable

The carrying values of cash and cash equivalents and notes and accounts receivable approximate fair value because of their short maturities.

Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The fair value information for investment securities by classification is included in Note 3.

Notes and Accounts Payable, Short-Term Bank Loans and Current Portion of Long-Term Debt

The carrying values of notes and accounts payable, short-term bank loans and current portion of long-term debt approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate for the fiscal year ended March 31, 2015.

Long-Term Deposits Received

The fair values of long-term deposits received are determined by discounting the future cash flows estimable from the past refund experience and by the estimated interest rate reflecting assumed refund period and credit risk.

Derivatives

The fair value information for derivatives is included in Note 15.

(5) Maturity Analysis for Financial Assets with Contractual Maturities

	Millions of Yen			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 5,436	¥ -	¥ -	¥ -
Notes and accounts receivable	22,210	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	-	295
Total	¥ 27,646	¥ -	¥ -	¥ 295

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 6,630	¥ -	¥ -	¥ -
Notes and accounts receivable	22,214	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	-	283
Total	¥ 28,844	¥ -	¥ -	¥ 283

	Thousands of U.S. Dollars			
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 45,236	$ -	$ -	$ -
Notes and accounts receivable	184,822	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	-	2,455
Total	$ 230,058	$ -	$ -	$ 2,455

16. DERIVATIVES

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged liabilities.

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Short-term bank loans	¥400	¥ -	¥ -

	Millions of Yen			
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Short-term bank loans	¥400	¥ -	¥ -

	Thousands of U.S. Dollars			
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Short-term bank loans	$3,329	$ -	$ -

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of the hedged items (short-term bank loans).

17. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 763	¥ 544	$ 6,349
Reclassification adjustments to profit or loss	0	(43)	0
Amount before income tax effect	763	501	6,349
Income tax effect	(167)	(109)	(1,389)
Total	¥ 596	¥ 392	$ 4,960
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 2,206	¥ 1,624	$ 18,357
Reclassification adjustments to profit or loss	(6)	-	(50)
Amount before income tax effect	2,200	1,624	18,307
Income tax effect	-	-	-
Total	¥ 2,200	¥ 1,624	$ 18,307
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (257)		$ (2,138)
Reclassification adjustments to profit or loss	88		732
Amount before income tax effect	(169)		(1,406)
Income tax effect	62		516
Total	¥ (107)		$ (890)
Share of other comprehensive income in associated companies - Gains arising during the year	¥ 0	¥ 0	$ 0
Total	¥ 0	¥ 0	$ 0
Total other comprehensive income	¥ 2,689	¥ 2,016	$ 22,377

18. NET INCOME PER SHARE

Details of the basic net income per share ("EPS") for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2015:				
Basic EPS				
Net income available to common shareholders	¥(1,026)	25,949	¥ (39.53)	$ (0.33)
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥ 280	25,949	¥ 10.80	

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

19. RELATED PARTY DISCLOSURES

(1) The transactions between the Company and related parties

Transactions between the Company and related parties for the years ended March 31, 2015 and 2014, were as follows:

Fiscal year ended March 31, 2015

Type of Related Parties	Name	Address	Capital Amount (Millions of Yen)	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)
Owned by certain directors of the Company and their relatives	Hasegawa Kosan Co., Ltd.	Kakogawa-shi, Hyogo, Japan	¥40	Insurance agent	(Owned) Direct 17.56	Payment of insurance	¥ 23	$ 191
						Other current assets, end of year	13	108
						Other assets, end of year	13	108

Note: Hasegawa Kosan Co., Ltd. is wholly owned by Yoshihiro Hasegawa, who is the representative director of the Company, and his close relatives.
Insurance premium is determined considering an arms-length transaction.

Fiscal year ended March 31, 2014

Type of Related Parties	Name	Address	Capital Amount (Millions of Yen)	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Amount (Millions of Yen)
Owned by certain directors of the Company and their relatives	Hasegawa Kosan Co., Ltd.	Kakogawa-shi, Hyogo, Japan	¥40	Insurance agent	(Owned) Direct 17.56	Payment of insurance	¥ 18
						Other current assets, end of year	13
						Other assets, end of year	26

Note: Hasegawa Kosan Co., Ltd. is wholly owned by Yoshihiro Hasegawa, who is the representative director of the Company, and his close relatives.
Insurance premium is determined considering an arms-length transaction.

(2) The transactions between the Group and related parties

Transactions between the Group and related parties for the years ended March 31, 2015 and 2014 were as follows:

Fiscal year ended March 31, 2015

Type of Related Parties	Name	Address	Capital Amount (Millions of Yen)	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)
Owned by certain directors of the Company and their relatives	Harima Food, Inc.	Kakogawa-shi, Hyogo, Japan	¥30	Food manufacturing	-	Lease payments	¥ 5	$ 42
						Minimum rental commitments	47	391
						Other current assets, end of year	0	0

Note: Harima Food, Inc. is a wholly owned subsidiary of Hasegawa Kosan Co., Ltd.
Lease payment is determined based on fair value (used to calculate property taxes).

Fiscal year ended March 31, 2014

Type of Related Parties	Name	Address	Millions of Yen Capital Amount	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Millions of Yen Amount
Owned by certain directors of the Company and their relatives	Harima Food, Inc.	Kakogawa-shi, Hyogo, Japan	¥30	Food manufacturing	-	Lease payments	¥ 0
						Minimum rental commitments	52
						Other current assets, end of year	0

Note: Harima Food, Inc. is a wholly owned subsidiary of Hasegawa Kosan Co., Ltd.
Lease payment is determined based on fair value (used to calculate property taxes).

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors' meeting held on May 20, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7 ($0.06) per share	¥182	$1,515

21. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

"Resin & Tall Oil Products" manufactures and sells paint resin, resins for print inks, tall oil products and synthetic rubber emulsifiers. "Paper Chemicals" manufactures and sells paper-strengthening agents, sizing agents and surface-coating agents. "Electronics Materials" manufactures and sells electronics materials. "Lawter" manufactures and sells resins for print inks and adhesives.

(2) Methods of Measurement for the Amounts of Sales, Profit, Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Effective April 1, 2014, the Group changed the method of determining each segment profit. The Group management is giving more importance on operating income as a single key performance indicator to monitor and evaluate the performance of each segment. The management believes operating income properly reflects the profitability of each segment, as it does not include impact of unusual items, such as foreign exchange gain or loss, that are generally considered as uncontrollable due to external factors. The segment information for the year ended March 31, 2014, has been retrospectively restated to conform to the new method and presented as comparable information.

(3) Information about Sales, Profit and Other Items is as follows.

	Millions of Yen								
	2015								
	Reportable Segment								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 22,077	¥ 17,150	¥ 5,279	¥ 36,731	¥ 81,237	¥ 1,525	¥ 82,762	¥ (70)	¥ 82,692
Intersegment sales or transfers	193	586	-	208	987	165	1,152	(1,152)	-
Total	¥ 22,270	¥ 17,736	¥ 5,279	¥ 36,939	¥ 82,224	¥ 1,690	¥ 83,914	¥ (1,222)	¥ 82,692
Segment profit (loss)	¥1,167	¥1,285	¥442	¥(1,202)	¥1,692	¥117	¥1,809	¥(836)	¥ 973
Other:									
Depreciation	604	497	147	925	2,173	167	2,340	-	2,340
Net result of interest income and interest expense	(54)	-	(8)	(29)	(91)	(17)	(108)	(206)	(314)

Notes: "Other" comprises business segments not attributable to a reportable segment and includes mainly real estate management, etc.
Reconciliations of segment profit (loss) include reconciliation gain of inventories of ¥19 million ($158 thousand) and company-wide expenses of ¥906 million ($7,539 thousand), which are not attributable to any reportable segment.
Assets are not allocated to reportable segments as they are not used for the determination of the allocation of management resources or the assessment of performance of the Company.

	Millions of Yen								
	2014								
	Reportable Segment								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 21,228	¥ 14,833	¥ 5,231	¥ 32,236	¥ 73,528	¥ 1,642	¥ 75,170	¥ 5	¥ 75,175
Intersegment sales or transfers	218	628	-	225	1,071	131	1,202	(1,202)	-
Total	¥ 21,446	¥ 15,461	¥ 5,231	¥ 32,461	¥ 74,599	¥ 1,773	¥ 76,372	¥ (1,197)	¥ 75,175
Segment profit (loss)	¥644	¥739	¥411	¥(505)	¥1,289	¥ 16	¥1,305	¥(430)	¥875
Other:									
Depreciation	667	604	155	534	1,960	190	2,150	-	2,150
Net result of interest income and interest expense	(42)	-	(14)	(21)	(77)	(17)	(94)	(192)	(286)

Notes: "Other" comprises business segments not attributable to a reportable segment and includes mainly real estate management, etc.
Reconciliations of segment profit (loss) include reconciliation gain of inventories of ¥323 million and company-wide expenses of ¥557 million, which are not attributable to any reportable segment.
Segment profits (losses) are adjusted for certain other income and expenses within operating income in the consolidated statement of operations.
Assets are not allocated to reportable segments as they are not used for the determination of the allocation of management resources or the assessment of performance of the Company.

	Thousands of U.S. Dollars								
	2015								
	Reportable Segment								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 183,715	$ 142,715	$ 43,929	$ 305,659	$ 676,018	$ 12,690	$ 688,708	$ (583)	$ 688,125
Intersegment sales or transfers	1,606	4,876	-	1,731	8,213	1,373	9,586	(9,586)	-
Total	$ 185,321	$ 147,591	$ 43,929	$ 307,390	$ 684,231	$ 14,063	$ 698,294	$ (10,169)	$ 688,125
Segment profit (loss)	$9,711	$10,693	$3,678	$(10,002)	$14,080	$ 974	$15,054	$(6,957)	$ 8,097
Other:									
Depreciation	5,026	4,136	1,223	7,697	18,082	1,390	19,472	-	19,472
Net result of interest income and interest expense	(449)	-	(67)	(241)	(757)	(141)	(898)	(1,714)	(2,612)

[Related information]

1. Information about geographical areas

Net sales to customers and property, plant and equipment by region for the years ended March 31, 2015 and 2014, were as follows:

(1) Net sales

Millions of Yen					
2015					
Japan	South and North America	Asia	Europe	Other	Total
¥33,649	¥17,216	¥11,311	¥16,903	¥3,613	¥82,692

Millions of Yen					
2014					
Japan	South and North America	Asia	Europe	Other	Total
¥31,750	¥15,528	¥10,462	¥14,007	¥3,428	¥75,175

Thousands of U.S. Dollars					
2015					
Japan	South and North America	Asia	Europe	Other	Total
$280,012	$143,264	$94,125	$140,659	$30,065	$688,125

Note: Sales are classified by country or region based on a customer's location.

(2) Net property, plant and equipment

Millions of Yen					
2015					
Japan	South and North America	Asia	Europe	Other	Total
¥14,025	¥3,260	¥2,184	¥2,864	¥1,301	¥23,634

Millions of Yen					
2014					
Japan	South and North America	Asia	Europe	Other	Total
¥14,279	¥2,720	¥2,003	¥2,890	¥1,156	¥23,048

Thousands of U.S. Dollars					
2015					
Japan	South and North America	Asia	Europe	Other	Total
$116,710	$27,128	$18,174	$23,833	$10,826	$196,671

2. Information by principal customers

Information is not provided because there are no customers who account for more than 10% of total consolidated net sales.

[Loss on impairment of long-lived assets by reportable segment]

Loss on impairment of long-lived assets by reportable segment for the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen							
	2015							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	¥109	¥ -	¥ -	¥ -	¥109	¥344	¥ -	¥453

	Millions of Yen							
	2014							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	¥172	¥60	¥ -	¥ -	¥232	¥190	¥ -	¥422

	Thousands of U.S. Dollars							
	2015							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	$907	$ -	$ -	$ -	$907	$2,863	$ -	$3,770

[Amortization of goodwill and amount of goodwill by reportable segment]

The amortization of goodwill and amount of goodwill by reportable segment for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen							
	2015							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	¥ -	¥ -	¥ -	¥ 86	¥ 86	¥1	¥ -	¥ 87
Amount of goodwill	-	-	-	172	172	2	-	174

	Millions of Yen							
	2014							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	¥7	¥ -	¥ -	¥126	¥133	¥1	¥ -	¥134
Amount of goodwill	-	-	-	258	258	4	-	262

	Thousands of U.S. Dollars							
	2015							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	$ -	$ -	$ -	$ 716	$ 716	$ 8	$ -	$ 724
Amount of goodwill	-	-	-	1,431	1,431	17	-	1,448

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HARIMA CHEMICALS GROUP, INC.:

We have audited the accompanying consolidated balance sheet of HARIMA CHEMICALS GROUP, INC. and its subsidiaries as of March 31, 2015, and the related consolidated statement of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HARIMA CHEMICALS GROUP, INC. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

Corporate Overview (as of March 31, 2015)

Founded	November 18, 1947
Capital Stock	10,012.95 million yen
Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo
Osaka Head Office	4-4-7 Imabashi, Chuo-ku, Osaka
Tokyo Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo
Laboratories	Central Research Laboratory, Tsukuba Research Laboratory
Plants	Kakogawa Plant, Tokyo Plant, Fuji Plant, Ibaraki Plant, Hokkaido Plant, Sendai Plant, and Shikoku Plant
Sales Offices	Tokyo Sales Office, Osaka Sales Office, Nagoya Sales Office, Fuji Sales Office, Hokkaido Sales Office, Sendai Sales Office, and Shikoku Sales Office
Number of Employees	57 (Consolidated: 1,464)
Number of Group Companies	36
Business Activities	Manufacture and sale of Resin & Tall Oil Products, Paper Chemicals, Electronics Materials, etc.
Website	http://www.harima.co.jp/en/index.html

Principal Subsidiaries

Company name	Capital stock	Percentage of equity participation (%)	Main business
Harima Chemicals, Inc.	5,000,000 thousand yen	100	Manufacture and sale of Resin & Tall Oil Products, Paper Chemicals, Electronics Materials, etc.
Harima Trading, Inc.	48,000 thousand yen	100	Real estate management, etc.
Seven Rivers, Inc.	14,000 thousand yen	100	Manufacture and sale of industrial detergents, etc.
Harima M.I.D., Inc.	300,000 thousand yen	75	Manufacture and sale of tall oil products
Harima Kasei Polymer Co., Ltd.	10,000 thousand yen	100	Manufacture and sale of resins for printing inks, etc.
Nippon Filler Metals, Ltd.	45,000 thousand yen	100	Manufacture and sale of electronic materials
HARIMA USA, Inc.	3,350 thousand U.S. dollars	100	Control of U.S. operations
Harima do Brasil Industria Quimica Ltda.	20,338 thousand Brasil real	99.75	Manufacture and sale of rosin and its derivatives
Harimatec Hangzhou Co., Ltd.	8,690 thousand Chinese yuan	85	Manufacture and sale of electronic materials
Harimatec Malaysia Sdn. Bhd.	1,356 thousand Malaysian ringgit	85	Manufacture and sale of electronic materials
Hangzhou Hanghua Harima Chemicals Co., Ltd.	52,296 thousand Chinese yuan	56.07	Manufacture and sale of papermaking chemicals
Nanning Harima Chemicals Co., Ltd.	48,234 thousand Chinese yuan	95	Manufacture and sale of rosin and its derivatives
Harimatec Czech, s.r.o.	7,000 thousand Czech koruna	100	Manufacture and sale of electronic materials
Xinyi Rihong Plastic Chemical Co., Ltd.	27,390 thousand Chinese yuan	100	Manufacture and sale of rosin and its derivatives
Lawter B.V.	76,300 thousand euro	97.68	Control of Lawter Group’s operations
Harima Chemicals (Shanghai) Co., Ltd	12,652 thousand Chinese yuan	100	Support of Chinese business

Directors and Corporate Auditors (as of March 31, 2015)

President	Yoshihiro Hasegawa
Executive Director	Masanao Kono
Executive Director	Teruo Kaneshiro
Executive Director	Masashi Inaba
Executive Director	Ichiro Taninaka
Standing Corporate Auditor	Jyoichiro Tanaka
Corporate Auditor*	Tatsuya Michigami
Corporate Auditor*	Hidenori Hiramatsu

* denotes Outside Corporate Auditors.

Status of Shares (as of March 31, 2015)

(1) Total number of shares authorised to be issued 59,500,000

(2) Total number of shares outstanding 26,080,396
(including 131,642 shares of treasury stocks)

(3) Number of shareholders 3,113

(4) Major shareholders

	Status of shareholding	
	Number of shares held (Thousands of shares)	Ratio of number of shares held against total number of shares outstanding (%)
Hasegawakosan Co., Ltd.	4,558	17.56
Yoshihiro Hasegawa	1,738	6.69
Sumitomo Mitsui Banking Corporation	1,094	4.21
Harima Chemicals Mutual Prosperity Association	1,033	3.98
Shorai Foundation for Science and Technology	805	3.10
Hyogo Prefectual Credit Federation of Agricultural Cooperatives	728	2.80
THE MINATO BANK, LTD	692	2.66
Shorai, Ltd.	687	2.64
Keihansin Kougyou Corporation	672	2.58
Bank of Tokyo-Mitsubishi UFJ	476	1.83

(Notes) 1. In “Number of shares held,” figures less than one thousand are rounded down.

2. Ratio of number of shares held against total number of shares outstanding is determined based on the total number of shares outstanding minus the number of treasury stocks (131,642 shares), which amounts to 25,948,754 shares. The numbers shown are rounded down to two decimal places.