Fuji Seal International, Inc. and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

We have audited the accompanying consolidated balance sheet of Fuji Seal International, Inc. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, 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 Fuji Seal International, Inc. and its subsidiaries as of March 31, 2014, 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 audits 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 20, 2014

Member of
Deloitte Touche Tohmatsu Limited

Fuji Seal International, Inc. and Subsidiaries

Consolidated Balance Sheet
March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and bank deposits (Notes 14 and 19)	¥ 9,261	¥ 10,734	$ 89,983
Receivables (Note 14):			
Trade	31,150	26,945	302,662
Associated companies	157	130	1,525
Other	1,353	1,350	13,146
Allowance for doubtful receivables	(412)	(224)	(4,003)
Inventories (Note 4)	13,706	11,160	133,171
Deferred tax assets (Note 11)	993	819	9,648
Other current assets	513	738	4,985
Total current assets	56,721	51,652	551,117
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Note 5)	7,064	5,421	68,636
Buildings and structures (Notes 5 and 6)	28,606	24,004	277,944
Machinery and equipment (Note 6)	67,742	57,656	658,201
Furniture and fixtures	5,385	4,560	52,322
Lease assets (Note 13)	501	427	4,868
Construction in progress	6,686	3,172	64,963
Total	115,984	95,240	1,126,934
Accumulated depreciation	(62,703)	(54,215)	(609,241)
Net property, plant, and equipment	53,281	41,025	517,693
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	2,186	1,795	21,240
Investment in associated companies	2,831	2,929	27,507
Goodwill (Note 21)	107	542	1,040
Software	514	404	4,994
Deferred tax assets (Note 11)	840	640	8,162
Asset for retirement benefits (Note 8)	1,269	-	12,330
Other assets	1,504	1,449	14,613
Total investments and other assets	9,251	7,759	89,886
TOTAL	¥ 119,253	¥ 100,436	$ 1,158,696

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 3,836	¥ 1,381	$ 37,272
Current portion of long-term debt (Notes 7 and 14)	1,280	2,080	12,437
Current portion of long-term lease obligations (Note 13)	66	57	641
Payables (Note 14):			
Trade	17,811	15,844	173,057
Associated companies	365	153	3,546
Other	3,505	3,543	34,056
Income taxes payable (Note 14)	1,705	1,698	16,566
Accrued expenses	2,660	2,372	25,845
Other current liabilities	1,539	1,172	14,953
Total current liabilities	32,767	28,300	318,373
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.u, 7 and 14)	8,550	9,430	83,074
Long-term lease obligations (Note 13)	176	144	1,710
Liability for retirement benefits (Note 8)	2,203	1,930	21,405
Deferred tax liabilities (Note 11)	2,991	1,897	29,061
Other long-term liabilities (Note 9)	488	391	4,743
Total long-term liabilities	14,408	13,792	139,993
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 10 and 20):			
Common stock, authorized, 100,000,000 shares; issued, 30,080,978 shares in 2014 and 2013 (Notes 2.u. and v.)	5,990	5,990	58,201
Capital surplus	6,233	6,233	60,562
Retained earnings	57,329	53,357	557,025
Treasury stock - at cost: 1,736,743 shares in 2014 and 1,781,601 shares in 2013	(3,380)	(3,465)	(32,841)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	536	345	5,208
Deferred loss on derivatives under hedge accounting (Note 15)	-	(2)	-
Foreign currency translation adjustments	5,580	(3,318)	54,217
Minimum pension liability adjustment (Note 8)	-	(796)	-
Defined retirement benefit plan (Note 8)	(210)	-	(2,042)
Total	5,906	(3,771)	57,383
Total equity	72,078	58,344	700,330
TOTAL	¥ 119,253	¥ 100,436	$ 1,158,696

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	¥ 121,015	¥ 98,947	$ 1,175,816
COST OF SALES (Note 12)	95,424	78,313	927,167
Gross profit	25,591	20,634	248,649
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 12 and 18)	15,987	12,885	155,334
Operating income	9,604	7,749	93,315
OTHER INCOME (EXPENSES):			
Interest and dividend income	93	110	904
Interest expense	(61)	(66)	(593)
Foreign exchange gain (loss) - net	(35)	31	(340)
Equity in earnings of associated companies	367	374	3,566
Gains on sales of property, plant, and equipment	166	7	1,613
Losses on sales and disposals of property, plant, and equipment	(395)	(270)	(3,838)
Reorganization expenses (Note 6)	(918)	-	(8,920)
Other - net (Note 5)	(154)	(49)	(1,496)
Other income (expenses) - net	(937)	137	(9,104)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,667	7,886	84,211
INCOME TAXES (Note 11):			
Current	(3,400)	(2,675)	(33,035)
Deferred	143	(32)	1,389
Total income taxes	(3,257)	(2,707)	(31,646)
NET INCOME BEFORE MINORITY INTERESTS	5,410	5,179	52,565
MINORITY INTERESTS IN NET INCOME	-	-	-
NET INCOME	¥ 5,410	¥ 5,179	$ 52,565
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t. and 17):			
Basic net income	¥191.03	¥183.26	$1.86
Cash dividends applicable to the year	40.00	40.00	0.39

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 5,410	¥ 5,179	$ 52,565
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain on available-for-sale securities	190	260	1,846
Deferred gain (loss) on derivatives under hedge accounting	2	(2)	19
Foreign currency translation adjustments	8,900	4,631	86,476
Share of other comprehensive (loss) income in associates	(1)	407	(10)
Minimum pension liability adjustment	-	35	-
Defined retirement benefit costs	761	-	7,394
Total other comprehensive income	9,852	5,331	95,725
COMPREHENSIVE INCOME (Note 16)	¥ 15,262	¥ 10,510	$ 148,290
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥15,262	¥10,510	$148,290
Minority interests	-	-	-

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

		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	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Defined Retirement Benefit Plan	Total Equity
BALANCE, APRIL 1, 2012	28,219,477	¥ 5,990	¥ 6,233	¥ 49,175	¥ (3,617)	¥ 85	¥ -	¥ (8,355)	¥ (832)	¥ -	¥ 48,679
Net income	-	-	-	5,179	-	-	-	-	-	-	5,179
Cash dividends, ¥40 per share	-	-	-	(997)	-	-	-	-	-	-	(997)
Purchase of treasury stock	(200)	-	-	-	(0)	-	-	-	-	-	(0)
Sale of treasury stock	80,100	-	-	-	152	-	-	-	-	-	152
Other	-	-	-	-	-	-	-	-	-	-	-
Net change in the year	-	-	-	-	-	260	(2)	5,037	36	-	5,331
BALANCE, MARCH 31, 2013	28,299,377	5,990	6,233	53,357	(3,465)	345	(2)	(3,318)	(796)	-	58,344
Net income	-	-	-	5,410	-	-	-	-	-	-	5,410
Cash dividends, ¥40 per share	-	-	-	(1,168)	-	-	-	-	-	-	(1,168)
Purchase of treasury stock	(642)	-	-	-	(2)	-	-	-	-	-	(2)
Sale of treasury stock	45,500	-	-	-	87	-	-	-	-	-	87
Other	-	-	-	(270)	-	-	-	-	-	-	(270)
Net change in the year	-	-	-	-	-	191	2	8,898	796	(210)	9,677
BALANCE, MARCH 31, 2014	28,344,235	¥ 5,990	¥ 6,233	¥ 57,329	¥ (3,380)	¥ 536	¥ -	¥ 5,580	¥ -	¥ (210)	¥ 72,078

	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	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Defined Retirement Benefit Plan	Total Equity
BALANCE, MARCH 31, 2013	$ 58,201	$ 60,562	$ 518,432	$ (33,667)	$ 3,352	$ (19)	$ (32,239)	$ (7,734)	$ -	$ 566,888
Net income	-	-	52,565	-	-	-	-	-	-	52,565
Cash dividends, $0.39 per share	-	-	(11,349)	-	-	-	-	-	-	(11,349)
Purchase of treasury stock	-	-	-	(19)	-	-	-	-	-	(19)
Sale of treasury stock	-	-	-	845	-	-	-	-	-	845
Other	-	-	(2,623)	-	-	-	-	-	-	(2,623)
Net change in the year	-	-	-	-	1,856	19	86,456	7,734	(2,042)	94,023
BALANCE, MARCH 31, 2014	$ 58,201	$ 60,562	$ 557,025	$ (32,841)	$ 5,208	$ -	$ 54,217	$ -	$ (2,042)	$ 700,330

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 8,667	¥ 7,886	$ 84,211
Adjustments for:			
Income taxes - paid	(3,059)	(2,655)	(29,722)
Depreciation and amortization	5,839	4,734	56,733
Reorganization expenses (Note 6)	918	-	8,920
Gains on sales of property, plant, and equipment	(166)	(7)	(1,613)
Losses on sales and disposals of property, plant, and equipment	395	270	3,838
Equity in earnings of associated companies	(367)	(374)	(3,566)
Changes in assets and liabilities:			
Increase in receivables	(2,533)	(465)	(24,611)
Increase in inventories	(1,030)	(91)	(10,008)
Increase (decrease) in payables	1,598	(113)	15,527
(Decrease) increase in liability for retirement benefits	(121)	293	(1,176)
Other - net	(505)	191	(4,907)
Total adjustments	969	1,783	9,415
Net cash provided by operating activities	9,636	9,669	93,626
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(13,095)	(5,934)	(127,235)
Purchases of software and other assets	(578)	(407)	(5,616)
Purchases of investment securities	(127)	(25)	(1,234)
Payment for purchase of PAGO Holding AG, net of cash acquired	-	(8,513)	-
Other - net	2,282	86	22,173
Net cash used in investing activities	(11,518)	(14,793)	(111,912)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans - net	2,225	(35)	21,619
Proceeds from long-term debt	400	10,000	3,887
Repayments of long-term debt	(2,080)	(754)	(20,210)
Dividends paid	(1,168)	(997)	(11,349)
Other - net	21	73	204
Net cash (used in) provided by financing activities	(602)	8,287	(5,849)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	965	690	9,376
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,519)	3,853	(14,759)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,604	6,751	103,031
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	¥ 9,085	¥ 10,604	$ 88,272

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 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, 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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. 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 as of March 31, 2014, include the accounts of the Company and its 27 (26 in 2013) subsidiaries (collectively, the "Group").

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

Investment in 1 (2 in 2013) associated company is 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 using the straight-line method over five 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.

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 the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which 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 directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method* -** In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted 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 directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. ***Cash Equivalents* -** Cash equivalents presented in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks and other short-term investments which mature or become due within 12 months of the date of acquisition.

e. ***Inventories* -** Inventories are stated at the lower of cost, determined by the average method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

f. ***Investment Securities* -** Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt 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.

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

h. ***Property, Plant, and Equipment -*** Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of property, plant, and equipment of foreign subsidiaries is computed substantially by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

   Equipment held under lease is depreciated by the straight-line method over the respective lease period.

i. ***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 price at disposition.

j. ***Software -*** Software for internal use is amortized by the straight-line method over the estimated useful lives. The estimated useful lives are principally five years.

k. ***Amortization of Goodwill -*** Cost in excess of the net assets of subsidiaries acquired is amortized on a straight-line basis over five years.

l. ***Retirement and Pension Plans -*** The Company and certain subsidiaries have defined contribution pension plan and defined benefit lump-sum payment plan for employees. The liability for employees' retirement benefits is accounted for based on projected benefit obligations at the balance sheet date.

   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 past 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 past 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 past 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 past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to 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, both 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. As a result, liability for retirement benefits of ¥269 million ($2,614 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥173 million ($1,681 thousand). The Company expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

m. ***Asset Retirement Obligations -*** In March 2008, the ASBJ published 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 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.

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

o. ***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.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be 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 to recognize lease assets and lease obligations in the consolidated balance sheet.

In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

q. ***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 income to the extent that they are not hedged by forward exchange contracts.

r. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the 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 (loss) in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

s. ***Derivatives and Hedging Activities -*** The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if 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. Designation transactions are applied to debts and credits in foreign currency, which conform to the requirements of hedge accounting.

The interest rate swaps that 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 or income.

t. ***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 retroactively adjusted for stock splits.

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

u. ***Accounting for Trust-Type Employee Stock Ownership Incentive Plan -*** The Company introduced an employee incentive plan, "Employee Stock Ownership Plan Trust" for purposes of enhancing the medium- to long-term corporate value by promoting motivation and corporate management participation by employees. In addition, the plan aims to contribute to the enhancement of the Company's stock value. Under this plan, the money trust (the "Trust") was set up and the employees who participated in the Fuji Seal Group Employee Stock Ownership Group and who met certain criteria became beneficiaries of the Trust. In a related move, the Company transferred 315,600 shares of treasury stock to a dedicated account (the "Trust Account") on June 8, 2010. For the Trust Account at Mitsubishi UFJ Trust Banking Corporation, the Company guarantees the losses resulting from the purchase and sale of the Company's stock and accounts for the transactions involving the Trust Account as its own. Accordingly, shares of the Company held in the Trust Account, as well as the assets, liabilities, expenses, and income of the Trust Account were recorded in the accompanying consolidated financial statements. The number of treasury stock held by the Trust was 42,400 (87,900 in 2013) shares and the amount of the treasury stock held by the trust was ¥81 million ($787 thousand), as of March 31, 2014. The amount of long-term debt related to the Trust was ¥180 million ($1,749 thousand) as of March 31, 2014.

v. ***Accounting Method of Stock Grant ESOP Trust -*** The Company resolved at its board of directors meeting held on February 7, 2012, to adopt the "Stock Grant ESOP Trust" as an incentive plan for employees for purposes of enhancing the medium- to long-term corporate value of the Company. Accordingly, Mitsubishi UFJ Trust Banking Corporation (Stock Grant ESOP Trust Account) acquired 100,000 shares of the Company's stock on March 2, 2012. The Company, in light of the economic substance of the plan, accounts for the Stock Grant ESOP Trust by considering the Company and the Stock Grant ESOP Trust Account as a single entity, and has thus included the Company's stock owned by the Stock Grant ESOP Trust Account, and the assets and liabilities, and expenses and income thereof in the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows. Therefore, in terms of treasury stock, the Company's stock has been included in the number of treasury stock. The number of treasury stock held by the Stock Grant ESOP Trust Account was 100,000 (100,000 in 2013) shares and the amount of treasury stock held by the Stock Grant ESOP Trust Account was ¥138 million ($1,341 thousand), as of March 31, 2014.

w. ***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; and (4) Corrections of Prior-Period Errors - When an error in prior period financial statements is discovered, those statements are restated.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Noncurrent:			
Marketable equity securities	¥ 1,982	¥ 1,591	$ 19,258
Unquoted equity securities	204	204	1,982
Total	¥ 2,186	¥ 1,795	$ 21,240

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen 2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 1,152	¥ 838	¥ (8)	¥ 1,982
Total	¥ 1,152	¥ 838	¥ (8)	¥ 1,982

	Millions of Yen 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 1,060	¥ 541	¥ (10)	¥ 1,591
Total	¥ 1,060	¥ 541	¥ (10)	¥ 1,591

	Thousands of U.S. Dollars 2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 11,193	$ 8,142	$ (77)	$ 19,258
Total	$ 11,193	$ 8,142	$ (77)	$ 19,258

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2014 and 2013, were as follows.

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥ 36	¥ 1	¥ -
Total	¥ 36	¥ 1	¥ -

March 31, 2013	Millions of Yen Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥ -	¥ -	¥ -
Total	¥ -	¥ -	¥ -

March 31, 2014	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	$ 350	$ 10	$ -
Total	$ 350	$ 10	$ -

4. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen 2014	2013	Thousands of U.S. Dollars 2014
Finished products	¥ 5,689	¥ 5,047	$ 55,276
Work in process	2,970	2,085	28,857
Raw materials and supplies	5,047	4,028	49,038
Total	¥ 13,706	¥ 11,160	$ 133,171

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2014 and 2013. As a result, the Group recognized an impairment loss of ¥58 million ($564 thousand) and ¥196 million, respectively, as other expense and the carrying amount of the relevant assets was written down to the recoverable amount for the years ended March 31, 2014 and 2013.

6. REORGANIZATION EXPENSES

Reorganization expenses were mainly the results from restructuring activities in PAGO Segment, consisting of impairment losses for building and machinery in the amount of ¥465 million ($4,518 thousand) and other related costs in the amount of ¥313 million ($3,041 thousand) including extra retirement payments. The Group recognized impairment losses of ¥465 million for idle buildings and machinery due to restructuring, and the carrying amounts of relevant assets were written down to the recoverable amounts. The Group measured recoverable amounts in these assets at the value if sold.

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

Short-term bank loans at March 31, 2014 and 2013, mainly consisted of bank overdrafts. The weighted-average annual interest rates applicable to the short-term bank loans at March 31, 2014 and 2013, were 0.5% and 0.6%, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks, due serially to 2018	¥ 4,830	¥ 6,510	$ 46,930
Unsecured bonds, due 2018	5,000	5,000	48,581
Total	9,830	11,510	95,511
Less current portion, with weighted average per annum interest rate of 0.5% for 2014 (0.7% for 2013)	(1,280)	(2,080)	(12,437)
	¥ 8,550	¥ 9,430	$ 83,074

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Long-term loans from banks, less current portion, with weighted average per annum interest rate of 0.5% for 2014 (0.5% for 2013)	¥ 3,550	¥ 4,430	$ 34,493
Unsecured 0.4% bonds, due 2018	5,000	5,000	48,581
Total	¥ 8,550	¥ 9,430	$ 83,074

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 1,280	$ 12,437
2016	1,320	12,825
2017	1,480	14,380
2018	5,750	55,869
Total	¥ 9,830	$ 95,511

8. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have defined benefit plan such as a defined corporate pension plan and lump-sum pension plan, and also have defined contribution plans.
Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. At the time of retirement, there are cases in which employees are entitled to larger payments not subject to defined benefit obligation.

The account of "Minimum pension liability adjustment" for the year ended March 31, 2014 was included in the account of "Defined retirement benefit plan", because new accounting standards for retirement benefits as detailed at Note 2.l are applied.

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ (14,745)
Fair value of plan assets	12,645
Unrecognized actuarial loss	957
Unrecognized prior service cost	181
Minimum pension liability adjustment	(679)
Net liability	(1,641)
Prepaid pension costs	289
Liability for retirement benefits	¥ (1,930)

The components of net periodic retirement benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen
Service cost	¥ 197
Interest cost	209
Expected return on plan assets	(237)
Recognized actuarial loss	108
Amortization of prior service cost	129
Defined contribution pension plan cost	113
Net periodic retirement benefit costs	¥ 519

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	Domestic: 1.2% Foreign: Mainly 4.0%
Expected rate of return on plan assets	Foreign: Mainly 8.0%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	Mainly 10 years

Defined Benefit Plan

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 14,644	$ 142,285
Current service cost	402	3,906
Interest cost	372	3,614
Actuarial gains	(510)	(4,955)
Benefits paid	(746)	(7,248)
The effect of changes in foreign exchange rates	3,335	32,404
Others	202	1,963
Balance at end of year	¥ 17,699	$ 171,969

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 12,645	$ 122,862
The return on plan assets	271	2,633
Expected return on plan assets	128	1,244
Actuarial gains	863	8,385
Contributions from the employer	429	4,168
Asset ceiling (*1)	(247)	(2,400)
Benefits paid	(676)	(6,568)
The effect of changes in foreign exchange rates	3,121	30,325
Others	231	2,245
Balance at end of year	¥ 16,765	$ 162,894

(*1) The adjustment for asset ceiling is required by International Accounting Standard 19 "Employee Benefits," which requires entities to limit the amounts recognized as plan assets.

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 16,349	$ 158,852
Plan assets	(16,765)	(162,894)
	(416)	(4,042)
Unfunded defined benefit obligation	1,350	13,117
Net liability for defined benefit obligation	¥ 934	$ 9,075

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 2,203	$ 21,405
Asset for retirement benefits	(1,269)	(12,330)
Net liability for defined benefit obligation	¥ 934	$ 9,075

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 402	$ 3,906
Net interest on the net defined benefit liability	102	991
Expected return on plan assets	(128)	(1,244)
Recognized actuarial losses	175	1,700
Amortization of prior service cost	45	437
Others (including extra retirement payment)	144	1,400
Net periodic benefit costs	¥ 740	$ 7,190

(5) Other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Actuarial gains	¥ 1,288	$ 12,515
Total	¥ 1,288	$ 12,515

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 153	$ 1,487
Unrecognized actuarial gains	213	2,069
Total	¥ 366	$ 3,556

(7) Plan assets as of March 31, 2014

a. *Components of plan assets*

Plan assets consisted of the following:

Debt investments	46%
Equity investments	29
Others	25
Total	100%

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 form the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Domestic:	1.2%
	Foreign:	2.2 - 4.4%
Expected rate of return on plan assets		8.0%
Amortization period of prior service cost		10 years
Recognition period of actuarial gain/loss		Mainly 10 years

Defined Contribution Plan

The amount of required contribution is ¥207 million ($2,011 thousand).

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013, were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥ 91	¥ 90	$ 884
Reconciliation associated with passage of time	1	1	10
Reduction associated with meeting asset retirement obligations	(41)	-	(398)
Balance at end of year	¥ 51	¥ 91	$ 496

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit & supervisory board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by their articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the companies have prescribed so in its articles of incorporation. The board of directors of companies with board committees (including appointment committee, compensation committee, and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act even though such companies have an audit committee instead of an audit & supervisory board. The Company is organized as a company with board committees.

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 that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

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

11. 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 rate of approximately 38% for the years ended March 31, 2014, and 2013. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

On March 31, 2014, a tax reform law was enacted in 2014 in Japan which changed the normal effective statutory tax rate from approximately 38% to 35% for years beginning on or after April 1, 2014. The effect of this change on the deferred taxes was immaterial.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Accrued enterprise taxes	¥ 138	¥ 105	$ 1,341
Accrued bonuses	307	297	2,983
Allowance for doubtful receivables	22	20	214
Liability for retirement benefits	697	626	6,772
Tax loss carryforwards	1,133	1,075	11,009
Depreciation	104	90	1,010
Unrealized intercompany profits	473	413	4,596
Preferential taxation for investments	1,532	1,329	14,885
Other	455	447	4,421
Less valuation allowance	(2,180)	(1,850)	(21,182)
Total	¥ 2,681	¥ 2,552	$ 26,049
Deferred tax liabilities:			
Reserve for special depreciation	¥ (78)	¥ (102)	$ (758)
Reserve for advanced depreciation of property, plant, and equipment	(286)	(126)	(2,779)
Net unrealized gain on available-for-sale securities	(294)	(186)	(2,857)
Depreciation	(2,951)	(2,442)	(28,673)
Other	(230)	(134)	(2,233)
Total	¥ (3,839)	¥ (2,990)	$ (37,300)
Net deferred tax assets (liabilities)	¥ (1,158)	¥ (438)	$ (11,251)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2014 and 2013, is not presented because the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the statutory tax rate.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,148 million ($20,871 thousand) and ¥1,969 million for the years ended March 31, 2014 and 2013, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, office space, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2014 and 2013, were ¥194 million ($1,885 thousand) and ¥139 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		2014	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 66	¥ 191	¥ 57	¥ 59	$ 641	$ 1,856
Due after one year	176	213	144	78	1,710	2,069
Total	¥ 242	¥ 404	¥ 201	¥ 137	$ 2,351	$ 3,925

Pro forma information of leased property whose lease inception was before March 31, 2008, on an "as if capitalized" basis was as follows:

Depreciation expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Depreciation expense	¥ -	¥ 1	$ -
Lease payments	-	1	-

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, is computed by the straight-line method.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bond, for funding. 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 for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations.

Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bonds are less than five years after the balance sheet date. 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.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to fluctuations in foreign currency exchange and interest rate. Please see Notes 2.s. and 15 for more details about hedging instruments, hedged items, and policy for hedge accounting and assessment procedures for hedge effectiveness.

(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 terms and balances of major customers by each business administration department to identify the default risk of customers at early stages. The credit risk regarding subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk)

Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk, which is recognized with respect to each currency and each month, is hedged principally by forward foreign currency contracts. Forward foreign currency contracts are used when foreign currency trade receivables are expected with certainty from forecasted transactions and subject to exchange fluctuations.

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

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets in view of business income and expenditure and equipment investment spending plan, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on cash flows of the whole group.

(4) Fair Values 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. The techniques include some changing factors and the fair values may be changed by adopting different assumptions. In addition, the contract amounts of derivatives in Note 15 "DERIVATIVES" do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2014 and 2013, are as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (See (b)).

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥ 9,261	¥ 9,261	¥ -
Receivables:			
Trade	31,150	31,150	-
Associated companies	157	157	-
Investment securities:			
Available-for-sale securities	1,982	1,982	-
Total	¥ 42,550	¥ 42,550	¥ -
Short-term bank loans	¥ 3,836	¥ 3,836	¥ -
Payables:			
Trade	17,811	17,811	-
Associated companies	365	365	-
Other	3,505	3,505	-
Income taxes payable	1,705	1,705	-
Long-term debt	9,830	9,844	(14)
Total	¥ 37,052	¥ 37,066	¥ (14)
Derivatives (*1)	¥ 3	¥ 3	¥ -

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥ 10,734	¥ 10,734	¥ -
Receivables:			
Trade	26,945	26,945	-
Associated companies	130	130	-
Investment securities:			
Available-for-sale securities	1,591	1,591	-
Total	¥ 39,400	¥ 39,400	¥ -
Short-term bank loans	¥ 1,381	¥ 1,381	¥ -
Payables:			
Trade	15,844	15,844	-
Associated companies	153	153	-
Other	3,543	3,543	-
Income taxes payable	1,698	1,698	-
Long-term debt	11,510	11,535	(25)
Total	¥ 34,129	¥ 34,154	¥ (25)
Derivatives (*1)	¥ 1	¥ 1	¥ -

March 31, 2014	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	$ 89,983	$ 89,983	$ -
Receivables:			
Trade	302,662	302,662	-
Associated companies	1,525	1,525	-
Investment securities:			
Available-for-sale securities	19,258	19,258	-
Total	$ 413,428	$ 413,428	$ -
Short-term bank loans	$ 37,272	$ 37,272	$ -
Payables:			
Trade	173,057	173,057	-
Associated companies	3,546	3,546	-
Other	34,056	34,056	-
Income taxes payable	16,566	16,566	-
Long-term debt	95,511	95,647	(136)
Total	$ 360,008	$ 360,144	$ (136)
Derivatives (*1)	$ 29	$ 29	$ -

Note:

(*1) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

Assets

Cash and bank deposits

The carrying values are adopted for cash and bank deposits as they approximate fair value because of their short maturities.

Investment securities

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

Receivables and payables

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

Short-term bank loans

The carrying values of short-term bank loans approximate fair value because of their short maturities.

Income taxes payable

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

Long-term debt

The fair values of long-term bank loans are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The fair values of bond are determined by the over-the-counter sale price published by Japan Securities Dealers Association.

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥204	¥204	$1,982

(5) Maturity analysis for financial assets and securities with contractual maturities

	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 bank deposits	¥ 9,261	¥ -	¥ -	¥ -
Receivables:				
Trade	31,150	-	-	-
Associated companies	157	-	-	-
Total	¥ 40,568	¥ -	¥ -	¥ -

	Millions of Yen			
March 31, 2013	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 bank deposits	¥ 10,734	¥ -	¥ -	¥ -
Receivables:				
Trade	26,945	-	-	-
Associated companies	130	-	-	-
Total	¥ 37,809	¥ -	¥ -	¥ -

March 31, 2014	Thousands of U.S. Dollars 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 bank deposits	$ 89,983	$ -	$ -	$ -
Receivables:				
Trade	302,662	-	-	-
Associated companies	1,525	-	-	-
Total	$ 394,170	$ -	$ -	$ -

Please see Note 7 for annual maturities of long-term debt and Note 13 for obligation under finance leases.

15. DERIVATIVES

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

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 and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

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 Not Applied

At March 31, 2014	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	¥469	¥ -	¥3	¥3

At March 31, 2013	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	¥311	¥ -	¥1	¥1

At March 31, 2014	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	$4,557	$ -	$29	$29

Derivative Transactions to which Hedge Accounting Is Applied

At March 31, 2014	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method:				
Foreign currency forward contracts:				
Selling Euro	Receivables	¥17	¥ -	¥0
Selling USD	Receivables	16	-	0
Interest rate swaps:				
(fixed-rate payment, floating rate receipt)	Long-term debt	¥3,750	¥2,750	*1

At March 31, 2013	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method:				
Foreign currency forward contracts:				
Selling Euro	Receivables	¥2	¥ -	¥0
Selling USD	Receivables	7	-	0
Interest rate swaps:				
(fixed-rate payment, floating rate receipt)	Long-term debt	¥4,750	¥3,750	*1

At March 31, 2014	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method				
Foreign currency forward contracts:				
Selling Euro	Receivables	$165	$ -	$0
Selling USD	Receivables	155	-	0
Interest rate swaps:	Long-term debt			
(fixed-rate payment, floating rate receipt)		$36,436	$26,720	*1

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

*1 The above 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 are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedged items.

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 299	¥ 392	$ 2,905
Reclassification adjustments to (profit) or loss	(1)	-	(10)
Amount before income tax effect	298	392	2,895
Income tax effect	(108)	(132)	(1,049)
Total	¥ 190	¥ 260	$ 1,846
Deferred loss on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 12	¥ (3)	$ 117
Reclassification adjustments to (profit) or loss	(9)	-	(88)
Amount before income tax effect	3	(3)	29
Income tax effect	(1)	1	(10)
Total	¥ 2	¥ (2)	$ 19
Foreign currency translation adjustments:			
Gain arising during the year	¥ 8,900	¥ 4,577	$ 86,476
Reclassification adjustments to (profit) or loss	-	54	-
Amount before income tax effect	8,900	4,631	86,476
Income tax effect	-	-	-
Total	¥ 8,900	¥ 4,631	$ 86,476
Share of other comprehensive income in associates:			
Gain (loss) arising during the year	¥ (22)	¥ 407	$ (214)
Reclassification adjustments to (profit) or loss	21	-	204
Total	¥ (1)	¥ 407	$ (10)
Minimum pension liability adjustments & defined retirement benefit plan:			
Gain (loss) arising during the year	¥ 959	¥ (130)	$ 9,318
Reclassification adjustments to (profit) or loss	145	193	1,409
Amount before income tax effect	1,104	63	10,727
Income tax effect	(343)	(28)	(3,333)
Total	¥ 761	¥ 35	$ 7,394
Total other comprehensive income	¥ 9,852	¥ 5,331	$ 95,725

17. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2014 and 2013, is calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥5,410	28,322	¥191.03	$1.86

Diluted net income per share is not disclosed because there is no dilution of stock.

	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted-Average Shares	EPS
For the year ended March 31, 2013:			
Basic EPS			
Net income available to common shareholders	¥5,179	28,260	¥183.26

Diluted net income per share is not disclosed because there is no dilution of stock.

18. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The main components of selling, general, and administrative expenses for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Employees' salary	¥6,617	¥ 4,751	$64,293
Freight charges	2,208	1,652	21,454

19. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

1. Reconciliations between cash and cash equivalents on the consolidated statement of cash flows and cash and bank deposits on the consolidated balance sheet at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash and bank deposits	¥ 9,261	¥ 10,734	$ 89,983
Bank overdraft	(176)	(130)	(1,711)
Cash and cash equivalents	¥ 9,085	¥ 10,604	$ 88,272

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the meeting of the board of directors of the Company held on May 21, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥22 ($0.21) per share	¥627	$6,092

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. The Group conducts packaging business, which mainly consists of shrink labels and self-adhesive (tack) labels in Japan, Americas, Europe, Asean, and PAGO. Each of the regions is an independently managed unit that can conduct production and sales in their respective region. The Company acquired 100% of shares of PAGO Holding AG on July 1, 2012, for the purposes of acceleration of overseas business development and the expansion of self-adhesive (tack) label business. From the fiscal year ended March 31, 2013, the Company includes the accounts of PAGO Holding AG and its associated companies in its consolidated financial statements and adds "PAGO" as a new reportable segment. PAGO Holding AG and its associated companies conduct their business mainly in Switzerland, Germany, and Italy. The Company defines the business area of PAGO Holding AG and its associated companies as "PAGO."

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

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

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

	Millions of Yen							
	2014							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	Asean	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 69,208	¥ 20,939	¥ 12,705	¥ 16,442	¥ 1,721	¥ 121,015	¥ -	¥ 121,015
Intersegment sales or transfers	1,870	19	1,551	30	569	4,039	(4,039)	-
Total	71,078	20,958	14,256	16,472	2,290	125,054	(4,039)	121,015
Segment profit (loss)	7,015	2,149	574	106	(200)	9,644	(40)	9,604
Segment assets	95,479	24,340	17,841	18,764	2,973	159,397	(40,144)	119,253
Segment liabilities	34,486	4,729	4,043	4,335	1,706	49,299	(2,124)	47,175
Other:								
Depreciation	2,333	1,402	992	963	86	5,776	(11)	5,765
Amortization of goodwill	-	-	-	27	-	27	-	27
Investments in equity method associated companies	2,831	-	-	-	-	2,831	-	2,831
Increase in property, plant, and equipment and intangible assets	5,629	5,251	2,029	1,534	290	14,733	-	14,733

	Millions of Yen							
	2013							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	Asean	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 64,830	¥ 16,618	¥ 9,984	¥ 6,421	¥ 1,094	¥ 98,947	¥ -	¥ 98,947
Intersegment sales or transfers	1,621	16	1,160	-	333	3,130	(3,130)	-
Total	66,451	16,634	11,144	6,421	1,427	102,077	(3,130)	98,947
Segment profit (loss)	5,861	1,555	713	(85)	(259)	7,785	(36)	7,749
Segment assets	90,421	16,289	13,658	15,033	1,596	136,997	(36,561)	100,436
Segment liabilities	32,280	3,708	2,896	3,546	633	43,063	(971)	42,092
Other:								
Depreciation	2,452	1,049	755	377	46	4,679	(9)	4,670
Amortization of goodwill	15	-	-	60	-	75	-	75
Investments in equity method associated companies	2,491	-	-	438	-	2,929	-	2,929
Increase in property, plant, and equipment and intangible assets	2,266	2,778	1,181	525	539	7,289	-	7,289

	Thousands of U.S. Dollars							
	2014							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	Asean	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$ 672,445	$ 203,449	$ 123,445	$ 159,755	$ 16,722	$ 1,175,816	$ -	$ 1,175,816
Intersegment sales or transfers	18,169	185	15,070	291	5,529	39,244	(39,244)	-
Total	690,624	203,634	138,515	160,046	22,251	1,215,060	(39,244)	1,175,816
Segment profit (loss)	68,160	20,880	5,577	1,030	(1,943)	93,704	(389)	93,315
Segment assets	927,702	236,494	173,348	182,316	28,887	1,548,747	(390,051)	1,158,696
Segment liabilities	335,076	45,948	39,283	42,120	16,576	479,003	(20,637)	458,366
Other:								
Depreciation	22,667	13,622	9,639	9,357	836	56,121	(107)	56,014
Amortization of goodwill	-	-	-	262	-	262	-	262
Investments in equity method associated companies	27,507	-	-	-	-	27,507	-	27,507
Increase in property, plant, and equipment and intangible assets	54,693	51,020	19,714	14,905	2,818	143,150	-	143,150

Note: Reconciliation amount of segment assets of ¥40,144 million ($39,005 thousand) and ¥36,561 million for the years ended March 31, 2014 and 2013, was mainly composed of offsetting of the investment account and the capital account, respectively.

1. Information about products and services

	Millions of Yen						
	2014						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥69,627	¥1,545	¥26,159	¥6,122	¥9,122	¥8,440	¥121,015

	Millions of Yen						
	2013						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥60,651	¥1,467	¥15,921	¥4,479	¥8,649	¥7,780	¥98,947

	Thousands of U.S. Dollars						
	2014						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	$676,516	$15,012	$254,168	$59,483	$88,632	$82,005	$1,175,816

2. Information about geographical areas

a. Sales

Millions of Yen				
2014				
Japan	Americas	Europe	Other	Total
¥69,321	¥21,050	¥27,170	¥3,474	¥121,015

Millions of Yen				
2013				
Japan	Americas	Europe	Other	Total
¥65,137	¥16,627	¥15,630	¥1,553	¥98,947

Thousands of U.S. Dollars				
2014				
Japan	Americas	Europe	Other	Total
$673,543	$204,528	$263,991	$33,754	$1,175,816

Note: Sales are classified by country or region based on the location of customers.

b. Property, plant, and equipment

Millions of Yen								
2014								
	Americas			Europe				
Japan		United States	Mexico		Switzerland	Poland	Other	Total
¥18,095	¥15,756	¥10,201	¥5,555	¥18,125	¥6,054	¥5,476	¥1,305	¥53,281

Millions of Yen								
2013								
	Americas			Europe				
Japan		United States	Mexico		Switzerland	Poland	Other	Total
¥15,984	¥10,163	¥7,491	¥2,672	¥13,963	¥5,191	¥3,598	¥915	¥41,025

Thousands of U.S. Dollars								
2014								
	Americas			Europe				
Japan		United States	Mexico		Switzerland	Poland	Other	Total
$175,816	$153,090	$99,116	$53,974	$176,108	$58,822	$53,206	$12,679	$517,693

Note: Prior to April 1, 2013, Mexico and Poland were included in Americas and Europe, respectively. Since the amounts increased significantly during the fiscal year ended March 31, 2014, such amounts are disclosed separately.

3. Information about impairment losses of assets

	Millions of Yen						
	2014						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Impairment losses of assets	¥58	¥ -	¥ -	¥465	¥ -	¥ -	¥523

	Millions of Yen						
	2013						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Impairment losses of assets	¥196	¥ -	¥ -	¥ -	¥ -	¥ -	¥196

	Thousands of U.S. Dollars						
	2014						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Impairment losses of assets	$564	$ -	$ -	$4,518	$ -	$ -	$5,082

Note: The amount of impairment losses of assets of "PAGO" is included in the Reorganization Expenses of the Other Income (Expenses) section in the consolidated statement of income.

4. Information about major customers

Information is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

5. Information about goodwill

	Millions of Yen						
	2014						
	Japan	Americas	Europe	PAGO*1	Asean	Other	Total
Amortization of goodwill	¥ -	¥ -	¥ -	¥ 27	¥ -	¥ -	¥ 27
Goodwill at March 31, 2014	-		-	107	-	-	107

	Millions of Yen						
	2013						
	Japan	Americas	Europe	PAGO*1	Asean	Other	Total
Amortization of goodwill	¥ 15	¥ -	¥ -	¥ 60	¥ -	¥ -	¥ 75
Goodwill at March 31, 2013	-	-	-	542	-	-	542

	Thousands of U.S. Dollars						
	2014						
	Japan	Americas	Europe	PAGO*1	Asean	Other	Total
Amortization of goodwill	$ -	$ -	$ -	$ 262	$ -	$ -	$ 262
Goodwill at March 31, 2014	-	-	-	1,040	-	-	1,040

*1 Goodwill in the amount of ¥602 million was provisionally recognized at March 31, 2013. At March 31, 2014, allocation of the purchase price had been completed and, as a result, investment in associated company and deferred tax liability increased by ¥466 million ($4,528 thousand) and ¥35 million ($340 thousand), respectively, and the amount of goodwill decreased by ¥431 million ($4,188 thousand).

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