JSR Corporation

FINANCIAL SECTION 2019

CONTENTS

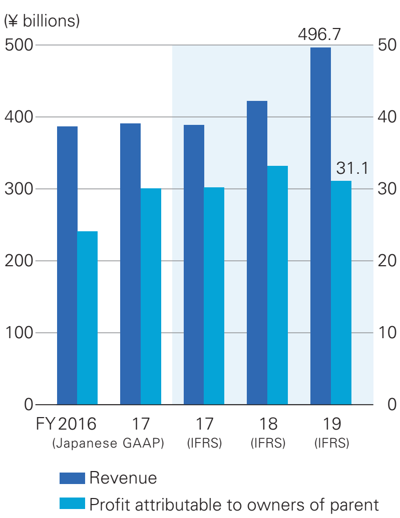
JSR

TEN-YEAR SUMMARY

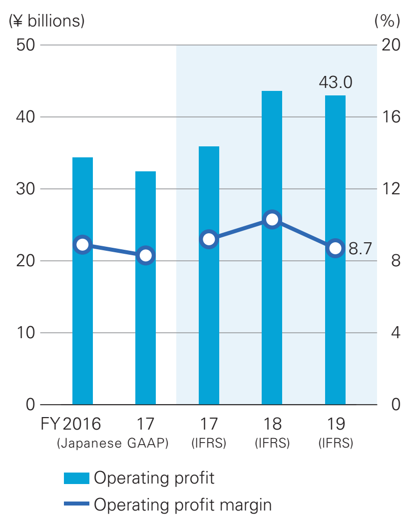
Fiscal Years ended March 31	2010	2011	2012	2013	2014	2015
Results for the year						
Net sales	¥ 310,184	¥ 340,666	¥ 349,947	¥ 371,487	¥ 394,309	¥ 404,073
Costs and expenses	(289,954)	(301,571)	(313,982)	(336,281)	(358,247)	(366,005)
Operating profit	20,230	39,095	35,964	35,206	36,062	38,068
Interest and dividends income	568	626	634	809	916	1,390
Interest expenses	(172)	(146)	(147)	(126)	(142)	(345)
Profit before income taxes	19,458	40,674	41,245	42,847	36,956	41,069
Profit attributable to owners of parent	13,645	27,571	26,407	30,278	25,173	29,919
Capital expenditures	17,707	11,801	19,728	27,608	21,499	35,157
Depreciation	22,380	19,245	17,784	19,145	18,096	17,407
Year-end financial position						
Total assets	373,566	390,591	430,693	482,935	501,320	534,592
Long-term loans payable	1,500	1,028	500	6,626	11,069	20,387
Total liabilities	122,865	126,475	148,335	167,202	164,060	169,918
Equity	249,440	262,679	280,955	308,641	331,284	358,303
Current ratio (times)	2.3	2.4	2.3	2.3	2.5	2.5
Return on assets (%)	3.7	7.1	6.4	6.6	5.1	5.8
Return on equity (%)	5.6	10.8	9.7	10.3	7.9	8.7
Equity ratio (%)	66.8	67.3	65.2	63.9	66.1	67.0
Per share of common stock (Yen and U.S. Dollars)						
Profit attributable to owners of parent	¥ 55.87	¥ 113.07	¥ 109.46	¥ 126.13	¥ 106.10	¥ 128.19
Cash dividends	26.00	32.00	32.00	34.00	38.00	40.00
Equity	1,021.31	1,088.87	1,164.63	1,299.77	1,409.06	1,557.08

(Notes) 1. Amounts in U.S. dollars are translated from yen, provided for convenience only, at the exchange rate of 1.00 U.S. dollar = 110.99 Japanese yen; the prevailing rate on March 31, 2019.
2. The Group has adopted International Financial Reporting Standards (IFRS) as from the fiscal year ending March 2018.

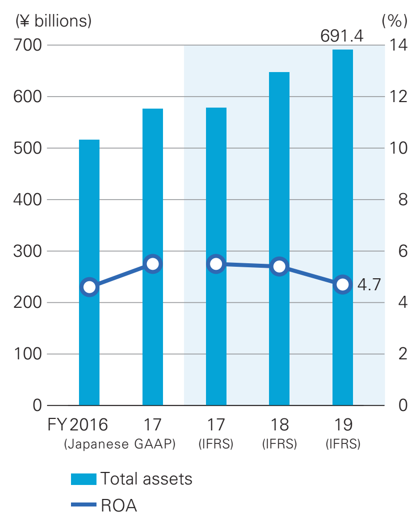
Revenue/ Profit attributable to owners of parent



Operating Profit/ Operating Profit Margin

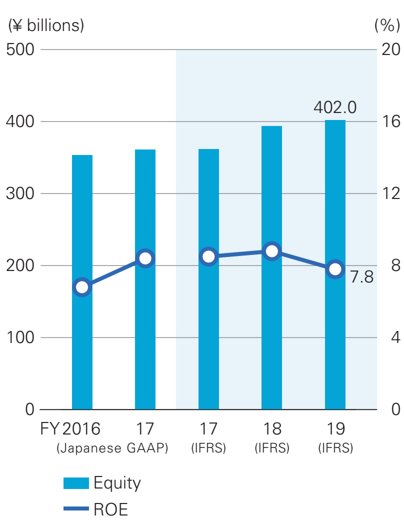


Total Assets/ROA

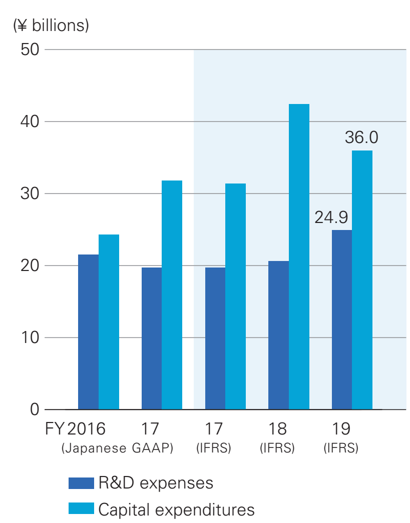


	2016	2017	FY2017	FY2018	FY2019	FY2019
	Millions of yen		Millions of yen			Thousands of U.S. dollars
Results for the year						
Revenue	¥ 386,709	¥ 390,599	¥ 388,455	¥ 421,930	**¥ 496,746**	**$ 4,475,596**
Costs, other income and expenses	(352,301)	(358,228)	(352,512)	(378,360)	**(453,716)**	**(4,087,908)**
Operating profit	34,408	32,370	35,943	43,569	**43,030**	**387,688**
Finance income	1,380	1,369	3,045	3,659	**2,499**	**22,515**
Finance costs	(527)	(699)	(694)	(1,022)	**(1,352)**	**(12,184)**
Profit before tax	27,367	38,327	38,294	46,206	**44,176**	**398,020**
Profit attributable to owners of parent	24,069	30,078	30,243	33,230	**31,116**	**280,348**
Capital expenditures	24,276	31,785	31,377	42,408	**36,038**	**325**
Depreciation	18,508	14,676	14,793	16,973	**21,842**	**197**
Year-end financial position						
Total assets	516,360	576,016	578,484	647,699	**691,435**	**6,229,704**
Borrowings (non-current liabilities)	22,249	38,381	38,381	53,456	**50,777**	**457,492**
Total liabilities	154,006	199,302	202,120	236,084	**251,075**	**2,262,140**
Total equity attributable to owners of parent	353,145	361,394	361,889	393,499	**401,998**	**3,621,933**
Current ratio (times)	2.7	2.5	2.5	2.3	**1.97**	**1.97**
Return on assets (%)	4.6	5.5	5.5	5.4	**4.65**	**4.65**
Return on equity (%)	6.8	8.4	8.5	8.8	**7.8**	**7.8**
Equity ratio (%)	68.4	62.7	62.6	60.8	**58.1**	**58.1**
Per share of common stock (Yen and U.S. Dollars)						
Profit attributable to owners of parent	¥ 105.87	¥ 134.43	¥ 135.17	¥ 149.32	**¥ 140.62**	**$ 1.27**
Cash dividends	50.00	50.00	50.00	50.00	**60.00**	**0.54**
Equity attributable to owners of parent	1,565.45	1,624.14	1,626.36	1,767.81	**1,823.69**	**16.43**

Equity/ROE



R&D Expenses/ Capital Expenditures



Shareholder Return/ Dividend Payout Ratio

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY ended March 2019 (April 1, 2018 to March 31, 2019)

In FY ended March 2019 (April 1, 2018 to March 31, 2019), among the JSR Group's main customer industries, global automobile production fell from the previous fiscal year, reflecting a slowdown in China and other factors, but automobile tire production remained unchanged despite the impact of lower automobile production. Demand in the semiconductor market grew over the full term of the fiscal year under review, but demand has been sluggish since October 2018. Production of panels in the display market was robust. The exchange rate was essentially unchanged from the previous fiscal year.

Amid these circumstances, the Elastomers Business of the JSR Group saw revenue rise over the previous fiscal year, chiefly due to growth in the sales volume of solution styrene-butadiene rubber (SSBR) for fuel-efficient and other high-performance tires. Whereas a large profit, reflecting a favorable market, had been enjoyed in the previous fiscal year, operating profit fell in the fiscal year under review owing to stagnant market conditions, a lack of improvement in buy-sell spreads, and increased fixed costs.

The Plastics Business saw significantly higher revenue and operating profit compared to the previous fiscal year, mainly because of Techno-UMG Co., Ltd., a joint venture established in April between Techno Polymer Co., Ltd., a Group company, and UMG ABS, Ltd., which is equally owned by Mitsubishi Chemical Corporation and Ube Industries, Ltd.

In the Digital Solutions Business, the Semiconductor Materials Business recorded higher revenue over the previous fiscal year due to sales volume growth, especially in state-of-the-art photoresists. The Display Materials Business was adversely affected by declines in color-pigmented resist sales and lower product prices brought on by intensified competition. Despite these factors, revenue suffered only a slight decline, benefiting from growth in sales volume, especially in China. Consequently, the Digital Solutions Business posted overall gains in both revenue and operating profit.

Revenue in the Life Sciences Business, positioned as the JSR Group's third core business, jumped considerably from the previous fiscal year, and the segment's operating profit moved into the black. These gains reflected an increase in contracts received by KBI Biopharma Inc. (KBI) and the acquisition of Crown Bioscience International (Crown Bio) as a consolidated subsidiary.

As a result, the Group reported revenue of 496,746 million yen (up 17.7% year-on-year), operating profit of 43,030 million yen (down 1.2% year-on-year), and profit attributable to owners of parent of 31,116 million yen (down 6.4% year-on-year).

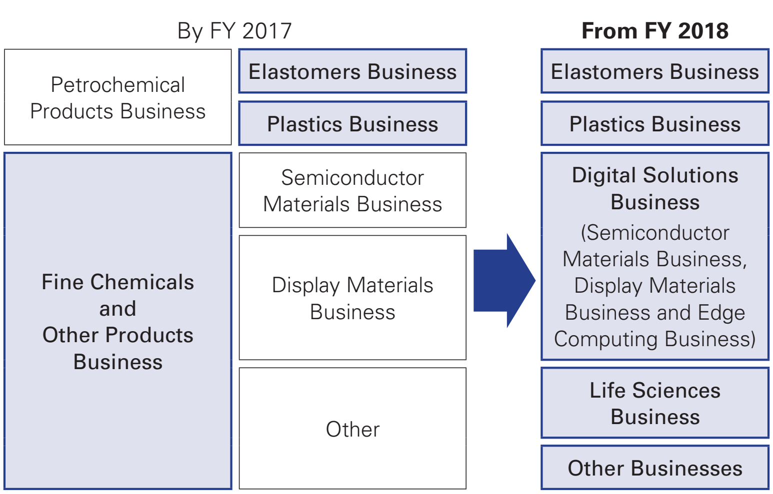
Review of Operations

<Elastomers Business Segment>

The production of automobile tires, one of the segment's main customer industries, in Japan increased from the previous fiscal year's level but remained flat globally, due to the impact of automobile production reductions in China, Europe, and elsewhere.

Amid these circumstances, the segment's revenue rose from the previous fiscal year, because of sales price revisions and related factors and because of expanded sales volume of SSBR, which the Company has positioned as a strategic product, which offset an overall decline in sales volume. The previous fiscal year had enjoyed high profit levels from improved buy-sell spreads driven by a temporary favorable turn in market conditions. However, market sluggishness in the fiscal year under review led to lower buy-sell spreads, even as fixed costs increased, primarily due to startup costs for the SSBR plant in Hungary. Consequently, operating profit tumbled from the previous fiscal year.

As a result, the Elastomers Business segment posted an operating profit of 7,421 million yen (down 50.1% year-on-year) on revenue of 200,736 million yen (up 2.6% year-on-year).



Operating Profit (¥ millions)

Fiscal Years ended March 31	2018	2019
Elastomers Business	¥ 195,693	¥ 200,736
Operating Profit	14,866	7,421
Plastics Business	53,842	105,446
Operating Profit	5,579	9,214
Digital Solutions Business	140,394	142,216
Operating Profit	30,684	32,663
Life Sciences Business	26,424	43,872
Operating Profit	(1,803)	781
Revenue	421,930	496,746
Operating Profit	¥ 43,569	¥ 43,030

*We have changed our disclosure segment classification from FY ending March 2019. From FY ended March 2018, IFRS has been applied.

<Plastics Business Segment>

The Plastics Business segment witnessed a steep rise in both revenue and operating profit over the previous fiscal year, mainly because of the establishment in April of the joint venture Techno-UMG Co. Ltd.

Consequently, the Plastics Business segment posted an operating profit of 9,214 million yen (up 65.2% year-on-year) on revenue of 105,446 million yen (up 95.8% year-on-year).

<Digital Solutions Business Segment>

Both revenue and operating profit in the Digital Solutions Business segment improved from the previous fiscal year.

The Semiconductor Materials Business saw increases in revenue and operating profit on the back of sound growth in semiconductor demand, reflecting increased sales volume of lithography materials, particularly state-of-the-art photoresists, and expansion in sales volume of CMP materials, cleaning solutions, and packaging materials. The Display Materials Business was hit by declines in product prices caused by increased competition pressures and lower color-pigmented resist sales. Nevertheless, the drop in revenue was small, thanks to robust panel production that spurred growth in sales volume particularly for the Company's competitive alignment films and insulating films destined for the China market.

As a result, the Digital Solutions Business segment posted an operating profit of 32,663 million yen (up 6.4% year-on-year) on revenue of 142,216 million yen (up 1.3% year-on-year).

<Life Sciences Business Segment>

The Life Sciences Business segment saw a sharp jump in revenue from the previous fiscal year, chiefly due to the acquisition of Crown Bio as a new consolidated subsidiary completed at the end of May 2018, the expansion in contracts received by KBI, a Group company, and favorable growth in sales of the Company's bioprocess materials (Amsphere A3) as well as diagnostic reagents and intermediates. The expanded revenue turned the previous fiscal year's operating loss into an operating profit.

Consequently, the Life Sciences Business segment posted an operating profit of 781 million yen, versus an operating loss of 1,803 million yen in the previous fiscal year, on revenue of 43,872 million yen (up 66.0% year-on-year).

Business Outlook

The following is the outlook of the Group's main customer industries at a time of uncertainty in global economic trends. JSR forecasts that automobile production at the global level will remain unchanged from 2018 levels, with a production slump anticipated in China. Global automobile tire production is expected to remain unchanged from last year, as a result of sluggish demand for tires for new vehicles. The semiconductor market will see a recovery, despite weakness in underlying demand, driven by faster communication speeds, increased data capacities, and other factors. In the display market, panel production is expected to see favorable progress, with production projected to rise especially in China.

In the Elastomers Business, JSR forecasts global tire production will remain unchanged from 2018 levels, but the Company anticipates steady growth in demand for SSBR for high-performance tires. Under such circumstances, the Company will meet further demand increases with plans to launch JSR MOL Synthetic Rubber Ltd., a joint venture established in Hungary, in FY ending March 2020, as the first-phase and second-phase facilities at JSR BST Elastomer Co., Ltd., a joint venture in Thailand, are nearing full output.

In the Plastics Business, Techno-UMG Co., Ltd., established through a merger in April 2018, is realizing synergy benefits through business consolidations, by further boosting development, manufacturing efficiencies, and cost competitiveness and by introducing more differentiated products and enlarging sales of specialty products in overseas markets.

In the Digital Solution Business, the semiconductor materials business is maintaining its competitiveness in the global market for lithography materials used in state-of-the-art 7 to 10 nm processes and working to enlarge sales volume of peripheral materials, such as packaging materials, cleaning solutions, and CMP materials. EUV Resist Manufacturing & Qualification Center N.V. — a joint venture providing manufacturing and quality control services set up in Belgium with imec, a world-leading research institute in cutting-edge nanoelectronics technology — is moving ahead with volume production of extreme ultraviolet (EUV) lithography materials to address the next 5 to 7 nm generation processes. The display materials business is experiencing intensifying competition driven by the ongoing commodification of display materials, despite forecasts of continued robust growth in the LC panel market. In response, the segment will promote the expansion of sales of display materials for wide-screen LC panels, especially its competitive alignment films and insulating films in the China market, where favorable growth is predicted.

In the Life Sciences Business, the Group made Crown Bio — a provider of preclinical drug discovery and development services — a consolidated subsidiary, complementing KBI, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD., and Selexis S.A. The addition of Crown Bio completes a framework that provides end-to-end process support, from antibody drug discovery to production. These Group companies will work in unison to develop a drug-discovery-process support business, which includes the provision of magnetic particles, protein A media, and other materials. The segment will concentrate on realizing benefits from advance investments, pursuing further revenue expansion, and improving operating profits.

For FY ending March 2020, JSR forecasts revenue of 508,000 million yen (up 2.3% year-on-year), operating profit of 44,500 million yen (up 3.4% year-on-year), and profit for the year attributable to owners of parent of 31,000 million yen (down 0.4% year-on-year). These forecasts assume an exchange rate of 110 yen per U.S. dollar.

Analysis of Financial Position

Analysis of Assets, Liabilities, and Net Assets

Total assets as of March 31, 2019 amounted to 691,435 million yen, up 43,736 million yen from the previous year.

Current assets totaled 338,983 million yen, down 18,925 million yen, due to a decrease in cash and cash equivalents owing chiefly to the acquisition of Crown Bio shares, which offset an increase in inventories and trade and other receivables generated by the merger of Techno-UMG Co., Ltd.

Non-current assets totaled 352,452 million yen, up 62,661 million yen, primarily due to an increase in goodwill and other assets associated with the acquisition of Crown Bio shares and an increase in property, plant and equipment through the merger of Techno-UMG Co., Ltd.

Total liabilities amounted to 251,075 million yen, up 14,991 million yen from the previous year, due to an increase in borrowings and an increase in trade and other payables primarily caused by the merger of Techno-UMG Co., Ltd.

In terms of equity, total equity attributable to owners of parent amounted to 401,998 million yen, up 8,499 million yen, because of an increase in retained earnings and other equity. Total equity, including non-controlling interests, amounted to 440,360 million yen, up 28,745 million yen.

Analysis of Cash Flows

Cash and cash equivalents ("funds") as of March 31, 2019 stood at 70,785 million yen, down 54,171 million yen from the previous year.

Net cash provided by operating activities amounted to 30,940 million yen, down 12,656 million yen from the previous year. The main factors included profit before tax of 44,176 million, depreciation and amortization of 21,842 million yen, decrease caused by an increase in inventories of 22,039 million yen, and income taxes paid of 12,183 million yen.

Net cash used in investing activities totaled 66,266 million yen, up 45,842 million yen from the previous year. The main items were 36,210 million yen in payments for purchase of property, plant and equipment associated with plant expansion and 36,225 million yen in payments for purchase of shares of Crown Bio.

Net cash used in financing activities totaled 18,966 million yen, versus 3,860 million yen in net cash provided by financing activities in the previous year. The main items were 12,175 million yen in dividends paid and 5,001 million yen in payments for purchase of treasury shares.

The Group formulates a funding plan based on the annual business plan and controls liquidity risk in consideration of an appropriate balance of direct and indirect funding, as well as short-term and long-term funding.

Basic Policy on Profit Allocation and Dividends for the Fiscal Year ended March 31, 2019 and the Fiscal Year ending March 31, 2020

With respect to profit appropriation, the Company regards business growth over the long term as its top priority. To generate sustainable long-term growth, JSR strives to increase its competitiveness by developing new businesses through the reinforcement of research and development activities.

The Company determines returns to shareholders by taking into account business performance and medium-term and long-term demand for funds, while giving consideration to a balance between returning profits to shareholders and retaining earnings necessary for future business advancement. During the JSR20i9 mid-term business plan, JSR aims for a total return ratio, through a combination of dividends and share buybacks, of more than 50%.

Based on this policy, as already announced, we have decided to pay a year-end dividend of 30.00 yen per share, the same amount as the interim dividend. Including the interim dividend already paid, the total annual dividend for FY ended March 2019 will be 60.00 yen per share.

With regard to the dividend for the next fiscal year (FY ending March 2020), JSR plans to pay 60.00 yen per share annually (an interim dividend of 30.00 yen and a year-end dividend of 30.00 yen), taking into account the business outlook.

Risk Information

JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR's judgments as of March 31, 2019. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

In the major industries where JSR Group's products are sold, such as automobiles and electronics, demand is influenced by the economic climate in a country or region. An economic slowdown could reduce demand in an industry and adversely affect JSR Group's operating results.

(2) Fluctuation in Prices for Crude Oil, Naphtha and Other Major Raw Materials

Higher prices for crude oil and naphtha, or changes in the markets for JSR's major raw materials, could raise prices of raw materials and adversely affect JSR Group's operating results, especially in the elastomers business and emulsions business.

(3) Fluctuation in Exchange Rates

As JSR Group undertakes product exports in foreign currencies and imports goods such as raw materials, the Company takes measures to reduce risks such as entering into forward exchange contracts; however, fluctuation in exchange rates could give rise to adverse 06 JSR Corporation Annual Report 2017 outcomes. In addition, operating results of consolidated subsidiaries and equity-method affiliates located overseas are converted into Japanese yen amounts for the purposes of preparing the consolidated financial statements. However, due to the yen's appreciation, JSR Group's business results could be adversely affected.

(4) Procurement of Raw Materials

JSR Group works to ensure a stable supply of raw materials by procuring materials from a number of sources. However, an interruption to the supply of raw materials due to an accident, bankruptcy or quality problem at a supplier could adversely affect production activities and JSR Group's operating results.

(5) Development of New Products

Rapid technological progress is constantly taking place in the electronics industry, which is the primary source of demand for semiconductor manufacturing materials, display materials and edge computing related items, the major products of JSR Group's digital solutions business. JSR is constantly working on developing state-of-the-art materials in line with this progress. However, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect JSR Group's operating results.

(6) R&D Involving Next-Stage Growth Businesses

JSR Group makes substantial investments in R&D to create nextstage growth businesses. However, there is no guarantee that these R&D activities will always yield worthwhile results. Depending on R&D results, there could be an adverse effect on JSR Group's operating results.

(7) Protection of Intellectual Property

Protection of intellectual property is extremely important for JSR Group's business activities. JSR has established a system for protecting its intellectual property and takes various actions as required. However, a dispute about intellectual property with another company or an infringement on JSR's intellectual property by another company could adversely affect JSR Group's operating results.

(8) Product Quality Assurance and Product Liability

JSR Group has a product quality assurance system and product liability insurance. However, damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.

(9) Natural Disasters and Accidents

To minimize the negative effect on its business activities of any disruption to manufacturing activities, all JSR Group manufacturing facilities have established countermeasures based on the identification of all potential sources of a crisis and conducts periodic inspections of facilities. The Group also works constantly on safety measures with regard to earthquakes and other natural disasters. However, a major natural disaster or accident that damages a production facilityor disrupts manufacturing could adversely affect JSR Group's operating results.

JSR's main production facility, the Yokkaichi Plant, houses private power generation equipment, and the Kashima Plant is able to access electric power from shared power generation facilities when necessary. In the event that electric power shortages become severe due to natural disasters and the like, however, JSR Group's operating results could be affected.

(10) Environmental Issues

Positioning environmental protection as an important element of its operations, JSR Group complies with all laws and regulations concerning the environment. The Group also takes actions aimed at reducing its environmental impact, lowering and eliminating waste materials, and cutting energy and resource consumption. The Group has taken many actions to prevent the external release of all types of chemicals.

However, in the event that a spill occurs or that environmental regulations become stricter, the Group's business activities could be restricted, the Group may have to pay compensation and other expenses, or the Group may have to make substantial capital expenditures. Any of these events could adversely affect JSR Group's operating results.

(11) Overseas Operations

JSR Group is aggressively expanding operations on a global scale, conducting manufacturing, sales and other activities in countries and regions in the North America, Europe, Asia and other parts of the world. Overseas operations are exposed to a number of risks that include, but are not limited to, an unfavorable political environment or economic trends; labor disputes and other problems due to differences in labor laws and other working conditions; difficulty in recruiting and retaining employees; an adverse impact on business activities due to an inadequate social infrastructure; and the impact of wars, terrorism and other social instability. Any of these events could adversely affect JSR Group's operating results.

(12) Laws and Regulations

In the countries where it operates, JSR Group is subject to various laws and regulations involving business and investment permits, export and import activities, trade, labor relations, intellectual property, taxes, foreign exchange and other items. The Group has established a clear compliance policy in order to ensure strict observance of laws and regulations as well as ethical standards. In the event that a law or regulation is violated, or a law or regulation becomes stricter or is significantly altered, there could be limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect JSR Group's operating results.

(13) Litigation

In conjunction with its business activities in Japan and overseas, JSR Group may be sued or be involved in other litigation concerning a dispute with a supplier, customer or other external party. The outcome of significant litigation could adversely affect JSR Group's operating results.

CONSOLIDATED FINANCIAL STATEMENTS

Financial Section

1. Preparation Policy of the Consolidated Financial Statements

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter the "Regulation on Consolidated Financial Statements").

2. Audit Certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year ended March 31, 2019 were audited by KPMG AZSA LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc., and Development of a System for Fair Preparation of Consolidated Financial Statements, etc. in Accordance with IFRS

(1) The Company has implemented special efforts to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has become a member of the Financial Accounting Standards Foundation and obtains information including the latest accounting standards in order to develop a system that enables it to properly understand contents of accounting standards, etc. or respond appropriately to changes in accounting standards, etc. In addition, the Company's staff members have attended seminars, lectures and other events held by the Accounting Standards Board of Japan.

(2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements under IFRS, the Company has developed accounting policies, etc. of the Group in accordance with IFRS and performs accounting procedures based on these policies.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Note	Millions of yen		Thousands of U.S. dollars
		As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Assets				
Current assets				
Cash and cash equivalents	9	¥ 124,956	**¥ 70,785**	**$ 637,759**
Trade and other receivables	10, 32	122,476	**135,280**	**1,218,851**
Inventories	12	87,567	**117,046**	**1,054,567**
Other financial assets	11, 32	13,776	**5,002**	**45,064**
Other current assets	13	9,134	**10,870**	**97,937**
Total current assets		357,908	**338,983**	**3,054,178**
Non-current assets				
Property, plant and equipment	14, 16	159,834	**183,457**	**1,652,918**
Goodwill	15, 16	19,389	**59,066**	**532,177**
Other intangible assets	15	10,403	**14,205**	**127,980**
Investments accounted for using equity method	17	24,777	**24,269**	**218,659**
Retirement benefit asset	21	1,003	**1,503**	**13,541**
Other financial assets	11, 32	64,970	**58,895**	**530,632**
Other non-current assets	13	1,862	**2,305**	**20,770**
Deferred tax assets	18	7,552	**8,751**	**78,847**
Total non-current assets		289,791	**352,452**	**3,175,526**
Total assets		647,699	**691,435**	**6,229,704**
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	20, 32	110,303	**118,053**	**1,063,640**
Borrowings	19, 32	25,947	**33,519**	**302,002**
Income taxes payable		4,520	**5,598**	**50,437**
Other financial liabilities	19, 32	641	**532**	**4,791**
Other current liabilities	22	12,607	**14,752**	**132,916**
Total current liabilities		154,019	**172,455**	**1,553,786**
Non-current liabilities				
Borrowings	19, 32	53,456	**50,777**	**457,492**
Retirement benefit liability	21	14,500	**15,870**	**142,987**
Other financial liabilities	19, 32	1,674	**1,675**	**15,094**
Other non-current liabilities	22	2,480	**2,733**	**24,621**
Deferred tax liabilities	18	9,955	**7,565**	**68,161**
Total non-current liabilities		82,064	**78,620**	**708,354**
Total liabilities		236,084	**251,075**	**2,262,140**
Equity				
Equity attributable to owners of parent				
Share capital	23	23,370	**23,370**	**210,562**
Capital surplus	23	18,502	**18,436**	**166,104**
Retained earnings	23	331,913	**351,476**	**3,166,733**
Treasury shares	23	(5,358)	**(10,042)**	**(90,473)**
Other components of equity	23	25,071	**18,758**	**169,007**
Total equity attributable to owners of parent		393,499	**401,998**	**3,621,933**
Non-controlling interests		18,116	**38,361**	**345,630**
Total equity		411,615	**440,360**	**3,967,563**
Total liabilities and equity		¥ 647,699	**¥ 691,435**	**$ 6,229,704**

See accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Note	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Revenue	7, 25	¥ 421,930	**¥ 496,746**	**$ 4,475,596**
Cost of sales		(291,796)	**(349,998)**	**(3,153,423)**
Gross profit		130,134	**146,748**	**1,322,173**
Selling, general and administrative expenses	26	(86,977)	**(103,080)**	**(928,735)**
Other operating income	27	2,262	**1,723**	**15,527**
Other operating expenses	16, 27	(2,187)	**(2,895)**	**(26,082)**
Share of profit of investments accounted for using equity method		338	**533**	**4,804**
Operating profit	7	43,569	**43,030**	**387,688**
Finance income	7, 28	3,659	**2,499**	**22,515**
Finance costs	7, 28	(1,022)	**(1,352)**	**(12,184)**
Profit before tax	7	46,206	**44,176**	**398,020**
Income tax expenses	18	(11,227)	**(10,591)**	**(95,419)**
Profit		¥ 34,979	**¥ 33,586**	**$ 302,601**
Profit attributable to:				
Owners of parent		33,230	**31,116**	**280,348**
Non-controlling interests		1,749	**2,470**	**22,253**
Total		¥ 34,979	**¥ 33,586**	**$ 302,601**

		Yen		U.S. Dollars
		Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Earnings per share				
Basic earnings per share	30	¥ 149.32	**¥ 140.62**	**$ 1.27**
Diluted earnings per share	30	148.89	**140.27**	**1.26**

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Note	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Profit		¥ 34,979	**¥ 33,586**	**$ 302,601**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in financial assets measured at fair value through other comprehensive income	29	8,046	**(4,678)**	**(42,145)**
Remeasurements of defined benefit plans	29	160	**54**	**490**
Share of other comprehensive income of investments accounted for using equity method	29	(50)	**5**	**48**
Items that may be reclassified to profit or loss				
Net change in fair value of cash flow hedges	29	154	**(79)**	**(715)**
Exchange differences on translation of foreign operations	29	1,001	**476**	**4,285**
Share of other comprehensive income of investments accounted for using equity method	29	1,581	**(1,213)**	**(10,931)**
Total other comprehensive income, net of tax		10,892	**(5,435)**	**(48,967)**
Total comprehensive income		45,871	**28,151**	**253,634**
Comprehensive income attributable to:				
Owners of parent		43,275	**25,611**	**230,748**
Non-controlling interests		2,596	**2,540**	**22,885**
Total		¥ 45,871	**¥ 28,151**	**$ 253,634**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

Fiscal year ended March 31, 2018

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2017		¥ 23,320	¥ 18,441	¥ 309,517	¥ (5,396)	¥ 16,006	¥ 361,889	¥ 14,475	¥ 376,364
Profit				33,230			33,230	1,749	34,979
Other comprehensive income						10,045	10,045	847	10,892
Total comprehensive income		—	—	33,230	—	10,045	43,275	2,596	45,871
Share-based remuneration transactions		50	27			(25)	52		52
Dividends	24			(11,127)			(11,127)	(42)	(11,169)
Changes in treasury shares			5		38		43	0	43
Transfer from other components of equity to retained earnings				292		(292)	—		—
Changes in non-controlling interests			28			4	32	111	143
Other				1		(666)	(665)	976	311
Total transactions with owners, etc.		50	60	(10,833)	38	(980)	(11,665)	1,045	(10,620)
Balance at March 31, 2018		¥ 23,370	¥ 18,502	¥ 331,913	¥ (5,358)	¥ 25,071	¥ 393,499	¥ 18,116	¥ 411,615

Fiscal year ended March 31, 2019

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2018		¥ 23,370	¥ 18,502	¥ 331,913	¥ (5,358)	¥ 25,071	¥ 393,499	¥ 18,116	¥ 411,615
Profit				31,116			31,116	2,470	33,586
Other comprehensive income						(5,505)	(5,505)	70	(5,435)
Total comprehensive income		—	—	31,116	—	(5,505)	25,611	2,540	28,151
Share-based remuneration transactions			(202)		88	(1)	(115)		(115)
Dividends	24			(12,175)			(12,175)	(623)	(12,798)
Changes in treasury shares			(10)		(4,772)		(4,782)		(4,782)
Transfer from other components of equity to retained earnings				689		(689)	—		—
Changes by business combination	8		146			(119)	27	17,610	17,637
Other				(67)		1	(67)	718	651
Total transactions with owners, etc.		—	(66)	(11,554)	(4,684)	(808)	(17,111)	17,705	594
Balance at March 31, 2019		**¥ 23,370**	**¥ 18,436**	**¥ 351,476**	**¥ (10,042)**	**¥ 18,758**	**¥ 401,998**	**¥ 38,361**	**¥ 440,360**

Fiscal year ended March 31, 2019

		Thousands of U.S. dollars							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2018		$ 210,562	$ 166,697	$ 2,990,481	$ (48,271)	$ 225,887	$ 3,545,356	$ 163,224	$ 3,708,580
Profit				280,348			280,348	22,253	302,601
Other comprehensive income						(49,600)	(49,600)	633	(48,967)
Total comprehensive income		—	—	280,348	—	(49,600)	230,748	22,885	253,634
Share-based remuneration transactions			(1,821)		792	(11)	(1,040)		(1,040)
Dividends	24			(109,692)			(109,692)	(5,614)	(115,306)
Changes in treasury shares			(86)		(42,994)		(43,081)		(43,081)
Transfer from other components of equity to retained earnings				6,204		(6,204)	—		—
Changes by business combination	8		1,314			(1,072)	243	158,667	158,910
Other				(608)		7	(601)	6,468	5,867
Total transactions with owners, etc.		—	(593)	(104,096)	(42,202)	(7,280)	(154,171)	159,521	5,350
Balance at March 31, 2019		**$ 210,562**	**$ 166,104**	**$ 3,166,733**	**$ (90,473)**	**$ 169,007**	**$ 3,621,933**	**$ 345,630**	**$ 3,967,563**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Note	Millions of yen Fiscal year ended March 31, 2018	Millions of yen Fiscal year ended March 31, 2019	Thousands of U.S. dollars Fiscal year ended March 31, 2019
Cash flows from operating activities				
Profit before tax		¥ 46,206	¥ 44,176	$ 398,020
Depreciation and amortization		16,973	21,842	196,789
Interest and dividend income		(2,321)	(1,631)	(14,692)
Interest expenses		1,022	1,352	12,184
Share of loss (profit) of investments accounted for using equity method		(338)	(533)	(4,804)
Impairment loss	16	—	438	3,948
Decrease (increase) in trade and other receivables		(9,798)	1,553	13,990
Decrease (increase) in inventories		(5,421)	(22,039)	(198,566)
Increase (decrease) in trade and other payables		9,388	(5,834)	(52,564)
Other		2,003	3,026	27,261
Dividends received		2,505	1,785	16,084
Interest received		243	224	2,015
Interest paid		(976)	(1,236)	(11,135)
Income taxes paid		(15,892)	(12,183)	(109,765)
Net cash provided by (used in) operating activities		43,596	30,940	278,764
Cash flows from investing activities				
Net decrease (increase) in time deposits		22,205	(1,108)	(9,979)
Net decrease (increase) in marketable securities		8,000	10,000	90,098
Purchase of property, plant and equipment		(37,312)	(36,210)	(326,241)
Proceeds from sale of property, plant and equipment		733	273	2,460
Purchase of investments		(5,403)	(4,449)	(40,084)
Proceeds from sale of investments		1,179	1,656	14,924
Purchase of shares of subsidiaries resulting in change in scope of consolidation	8	(9,231)	(36,225)	(326,380)
Proceeds from company split	8	—	3,213	28,950
Purchase of shares in associates		(1,104)	(163)	(1,467)
Payments for loans receivable		(2,292)	(2,814)	(25,354)
Collection of loans receivable		2,968	290	2,615
Other		(168)	(731)	(6,583)
Net cash provided by (used in) investing activities		(20,423)	(66,266)	(597,041)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	19	3,379	(1,938)	(17,460)
Repayments of long-term borrowings	19	(5,951)	(7,975)	(71,851)
Proceeds from long-term borrowings	19	18,173	9,231	83,167
Purchase of treasury share		(2)	(5,001)	(45,058)
Dividends paid	24	(11,127)	(12,175)	(109,695)
Dividends paid to non-controlling interests		(42)	(623)	(5,612)
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation		98	—	—
Other	19	(667)	(486)	(4,376)
Net cash provided by (used in) financing activities		3,860	(18,966)	(170,883)
Effect of exchange rate changes on cash and cash equivalents		506	121	1,091
Net increase (decrease) in cash and cash equivalents		27,539	(54,171)	(488,069)
Cash and cash equivalents at beginning of period		97,416	124,956	1,125,828
Cash and cash equivalents at end of period	9	¥ 124,956	¥ 70,785	$ 637,759

See accompanying notes.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

(1) Reporting Entity

JSR Corporation (the "Company") is incorporated in Japan. The consolidated financial statements comprise the Company and its subsidiaries (collectively, the "Group") together with the Group's attributable share of the results of associates and joint ventures. The Group is primarily engaged in the Elastomers Business, the Plastics Business, the Digital Solutions Business and the Life Sciences Business as well as businesses related to these. The products of these businesses are wide ranging. See the note "(7) Segment Information" for further details.

(2) Basis of Preparation

1) Compliance with Accounting Standards
The Group meets the requirements of a "specified company" set forth in Article 1-2 of the "Ordinance on Consolidated Financial Statements." Accordingly, the Group prepares consolidated financial statements in accordance with IFRS pursuant to the provisions of Article 93 of said Ordinance.

2) Basis for Measurement
The Group's consolidated financial statements, with the exception of assets pertaining to post-employment benefit plans, financial instruments measured at fair value, etc., stated on "(4) Significant Accounting Policies," are prepared on a historical cost model.

3) Presentation Currency and Units
The Group's consolidated financial statements are presented in Japanese yen, the currency of the primary economic environment in which the Company performs business activities (the "functional currency"), with amounts rounded to the nearest million yen.

The translation of the amounts in Japanese yen into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2019, which was ¥110.99 to U.S. $1.00. The amounts translated should not be construed as representations that the amounts in Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rates of exchange.

4) Authorization of Consolidated Financial Statements
The consolidated financial statements have been authorized by Nobuo Kawahashi, the Company's representative director and president and COO, and Hideki Miyazaki, the Company's CFO, on June 18th, 2019.

(3) Explanation of New Standards and Interpretations Not Applied

Of the major new or revised standards and interpretations published prior to the date of authorization of the consolidated financial statements, the Group is not applying the following standards at the end of the current fiscal year because their application is not yet mandatory.

Standard	Name of Standard	Mandatory Effective Date	The Group's application timing	Summary of New / Revised Standard
IFRS 16	Leases	January 1, 2019	Reporting period ending March 2020	Revises accounting related to lease contracts (replaces IAS 17, IFRIC 4, SIC-15, and SIC-27)

IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single accounting model for lessee. In addition, IFRS 16 requires a lessee to recognize the right-of-use assets to express the rights to use original assets and lease liabilities to express obligation to pay lease charges which last for the lease term for all leases as a general rule. However, in the case of short term leases or low value assets, a lessee may elect not to apply the requirementof the standard. After the right-of-use assets and the lease liabilities are recognized, depreciation of the right-of-use assets and interest of the lease liabilities are reported. The Group is going to adopt IFRS 16 by applying the method to recognize the cumulative effect of this new standard on the date of the initial application, which is allowed as a transition approach. The right-of-use assets of ¥11.9 billion ($107 million) and the lease liabilities of ¥11.6 billion ($104 million) will be recognized at the date of the initial application by applying the standard.

(4) Significant Accounting Policies

The significant accounting policies that have been applied to the consolidated financial statements are as follows and are identical to those applied to all periods stated in the consolidated financial statements.

1) Basis of Consolidation

(i) Subsidiaries

Subsidiaries refer to all entities controlled by the Group. The Group is deemed to have control over an entity if it has exposure or rights to variable returns from its involvement in the entity and has the ability to use its power over an entity to affect such returns. The financial statements of subsidiaries are included in the Group's consolidated financial statements from the date that control commences until the date the control ceases.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intergroup balances of payables and receivables, internal transactions and unrealized gains or losses arising from transactions within the Group are eliminated in preparing the consolidated financial statements.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of parent.

If the Company loses control over the subsidiary, gains or losses derived from such loss are recognized as profit or loss.

When the fiscal year-end of a subsidiary is different from the end of reporting period of the Group, the Company uses financial statements of the subsidiary based on the provisional accounting as of the end of reporting period of the Group.

(ii) Associates

Associates are entities over which the Group has significant influence, and of which does not have control over the financial and operating policies. The equity method is applied to all associates from the date that the Group acquires significant influence to the date that it loses the significant influence.

Goodwill recognized on acquisition (less accumulated impairment losses) is included in investments in associates.

In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary.

(iii) Joint Ventures

A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when decisions for strategic financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control.

Joint ventures of the Group are accounted for using the equity method.

In cases where the accounting policies applied by a joint venture are different from those applied by the Group, adjustments are made to the joint venture's financial statements, if necessary.

2) Business Combinations

The Group accounts for business combinations using the acquisition method.

The aggregate of the consideration paid for a business combination measured at fair value on the acquisition date and the amount of non-controlling interests in the acquired entity are taken as the acquisition costs based on the acquisition method.

Non-controlling interests are measured at equivalent amount for the fair price of the acquired entity's identifiable net assets and liabilities in proportion to the share of the non-controlling interest.

Ancillary costs incurred relating to business combination such as brokerage fees, attorney's fees, due diligence costs, and other professional fees, consulting fees, and other acquisition-related costs are recognized as expenses in the periods in which such costs are incurred.

If the initial accounting for the business combination has not been completed by the closing date of the reporting period in which the business took place, such incomplete items are measured at provisional amounts based on the best estimate.

If the new information obtained during the measurement period, which lasts for a year from the acquisition date, affects the measurement of the amount recognized on the acquisition date, the provisional amount recognized on the acquisition date is retrospectivelyrevised.

In the event that the aggregate amount of fair value of the consideration paid in relation to the business combination, the amount of non-controlling interests in the acquired entity, and the fair value of equity interests on the control commencement date in the acquired entity previously held by the acquiring entity exceeds the net value of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill.

If, on the other hand, such aggregate amount does not exceed the net value of identifiable assets and liabilities at the acquisition date, the difference is recognized in profit or loss. Additional acquisitions of non-controlling interests after the controlling acquisition are accounted for as capital transactions and are not recognized as goodwill from the original transaction.

3) Foreign Currency Translation

(i) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen being the Company's functional currency. The Group's foreign operations generally use the local currency as their functional currency, but if any currency other than the local currency is primarily used in the economic environment in which the entity operates, such currency is used as the entity's functional currency.

(ii) Foreign Currency Transactions

Foreign currency transactions, meaning transactions conducted in a currency other than the respective entity's functional currency, are translated into the functional currency either by using the exchange rates prevailing at the date of the transaction or using an average rate when there are no material fluctuations in exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date, and exchange differences are recognized in profit or loss in principle.

(iii) Foreign Operations

The assets and liabilities (including goodwill arising from acquisitions and adjustments of fair value) of foreign operations that use a currency other than Japanese yen as their functional currency are translated into Japanese yen at the exchange rates prevailing at the reporting date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange over the reporting period, unless there are material fluctuations in exchange rates. Exchange differences arising from such translations in foreign operations' financial statements are recognized in other comprehensive income, and are included and accounted for in other components of equity.

4) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits that can be withdrawn as needed, and short-term investments that are easily converted into cash and with minimal risk of changes in value.

5) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories is calculated based on the weighted-average cost formula. Net realizable value is the estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. Inventories and work in process manufactured by the Company include the amounts of manufacturing overhead appropriately allocated based on the ordinary operating rate.

6) Property, Plant and Equipment

The cost model has been adopted, and all property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to the acquisition of the assets, and the present value of the estimated costs of removal of the assets and site restoration. Furthermore, borrowing costs that satisfy certain conditions directly attributable to the acquisition, construction, etc., of the assets are recognized as part of the cost of the assets.

Depreciation expenses are recognized using the straight-line method over the estimated useful life of each asset to depreciate the cost less the residual value of the asset. The estimated useful lives, residual values, and depreciation methods are reviewed at the end of the reporting period. In the event of the modification in estimates, any impacts therefrom are recognized in the accounting period in which the estimates were modified and in the future accounting periods.

The estimated useful lives of major assets are as follows:

- Buildings and structures: 15 to 50 years
- Machinery, equipment, and vehicles: 5 to 25 years
- Tools, furniture, and fixtures: 4 to 10 years

7) Intangible Assets

(i) R&D Expenses

Research-related expenditures are recognized as expenses when they are incurred. Development-related expenditures are capitalized as intangible assets only when all of the following conditions are satisfied; the amount for such expenditures can be reliably measured; the products or the processes to be developed therefrom are technically and commercially viable; there is a high probability of generating future economic benefits; the Group has intention to complete the development and use the process or the products therefrom as well as sufficient resources to make them feasible. All other expenditures are recognized as expenses when they are incurred.

(ii) Goodwill

The measurement of goodwill at initial recognition is stated in "2) Business Combinations." The Group does not amortize goodwill, but tests for impairment every fiscal year. Impairment of goodwill is stated in "8) Impairment of Non-Financial Assets." Impairment losses of goodwill are recognized as profit or loss and not reversed subsequently.

After the initial recognition, goodwill is presented at cost less accumulated impairment losses.

(iii) Intangible Assets Acquired as a Result of a Business Combination

Cost of intangible assets acquired as a result of a business combination is measured at fair value on the acquisition date.

Intangible assets acquired as a result of a business combination are accounted after initial recognition at cost less any accumulated amortization and accumulated impairment losses, which are amortized using straight-line method over the estimated useful life of each asset.

The estimated useful life of major assets is as follows:

- Technology-based intangible assets: 5 years

(iv) Intangible Assets Acquired Individually

Other intangible assets acquired individually inclusive of software, etc., are accounted at cost less any accumulated amortization and accumulated impairment losses, which are amortized using the straight-line method over the estimated useful life of each asset.

The estimated useful life of major asset is as follows:

- Software: 5 years

8) Impairment of Non-Financial Assets

The Group assesses its non-financial assets, excluding inventories and deferred tax assets at the end of each reporting period to identify any indications of a potential inability to recover the carrying amount due to changes in such assets or circumstances. If any such indication exists, impairment testing is conducted.

If the carrying amount of an asset exceeds its recoverable amount, the difference is recognized as impairment loss.

The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use. In calculating value in use, the estimated future cash flows from the asset are discounted to the present value using a before-tax discount rate that reflects the time value of money and the inherent risks of the asset. For the purposes of determining impairment, assets are grouped into an individual asset or the smallest asset group (cash-generating unit) generating cash inflows that are largely independent of the cash flows of other assets.

Goodwill is tested for impairment once a year periodically, regardless of whether any indications of impairment exist, and the cost at the time of acquisition less any accumulated impairment losses is recognized as the carrying amount.

In the case of property, plant and equipment and intangible assets, excluding goodwill, for which impairment losses have been recognized in prior years, an assessment is conducted at the end of each reporting period to determine if there are any possibilities of reversal of such impairment losses.

9) Financial Instruments

(9.1) Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes financial assets on the date when it becomes a party to the contract on the financial instruments concerned. Financial assets bought or sold by ordinary methods are initially recognized on the transaction date. Financial assets are subsequently classified into those measured at amortized cost or those measured at fair value.

Financial assets measured at fair value through profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Additionally, trade receivables that do not include significant financing components are initially measured at the transaction price.

(a) Financial Assets Measured at Amortized Cost

Financial assets are classified as those measured at amortized cost only when both of the following conditions are satisfied; the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial Assets Measured at Fair Value

Financial assets are classified as those measured at fair value if they fail to meet either of the two requirements given above.

Of these assets, financial assets which generate, on specified dates, cash flows that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets are classified as debt financial assets measured at fair value through other comprehensive income.

Moreover, for certain equity financial assets, the Group has made an irrevocable election to present subsequent changes in fair value in other comprehensive income and classified these assets as equity financial assets measured at fair value through other comprehensive income.

Financial assets such as derivative assets, other than the above assets, are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured according to their classification as follows:

(a) Financial Assets Measured at Amortized Cost

Measured at amortized cost using the effective interest method

(b) Financial Assets Measured at Fair Value

Measured at fair value on the reporting date

Any changes in fair value of financial assets are recognized in profit or loss or in other comprehensive income according to their respective classification of the financial asset. Dividends received arising from designated equity instruments measured at fair value through other comprehensive income are recognized in profit or loss. If the fair value of the equity instrument depreciates materially or if the equity instrument is disposed of, any accumulated other comprehensive income or loss is reclassified to retained earnings.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investment expire or when the contractual rights to the cash flows from the investment are assigned and substantially all the risks and rewards of the Group's ownership of such financial assets are transferred.

(9.2) Financial Liabilities

(i) Initial Recognition and Measurement

The Group initially recognizes financial liabilities on the contract date. Financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition of the financial liability.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial Liabilities Measured at Amortized Cost

Measured at amortized cost using the effective interest method

(b) Financial Liabilities Measured at Fair Value Through Profit or Loss

Financial liabilities measured at fair value through profit or loss, which include those designated financial liabilities measured at fair value through profit or loss, are measured at fair value.

(iii) Derecognition

Financial liabilities are derecognized when contractual obligations are discharged, cancelled, or expired.

(9.3) Offsetting Financial Instruments

Financial assets and liabilities are offset if and only if: there is a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities; there is the intent either to settle on a net basis or to realize assets and settle liabilities simultaneously.

10) Impairment of Financial Assets

The Group estimates expected credit losses as of the reporting date for financial assets measured at amortized cost.

If the credit risk has not increased materially from initial recognition, the 12-month expected credit loss is recognized as a loss allowance. In the case of trade receivables that do not include significant financial components, however, the loss allowance is always measured at lifetime expected credit loss. If the credit risk has increased materially from initial recognition, the lifetime expected credit loss is recognized as a loss allowance. Judgment as to whether or not a material increase in credit risk has occurred from the initial recognition is based on degree of changes in default risk. When the Group judges whether or not there are material changes in default risk, it reviews the information on the past due status as well as the following factors;

- External credit grades of the financial asset
- Internal credit grades
- Results of operations of the borrower
- Financial assistance from the parent company, etc. of the borrower

Expected credit losses are measured as weighted average of the present value of difference between all contractual cash flows that are due to the entity in accordance with the contract and all cash flows that the entity expects to receive, weighted by respective risks of default occurring. The Group treats any financial assets as a credit-impaired financial asset in cases where the financial asset is considered to have defaulted, including cases where the financial asset is significantly past due even after enforcement activities for the performance of obligations are taken and where the debtor files legal proceedings for bankruptcy, corporate reorganization, civil rehabilitation and special liquidation. The Group presents the financial assets measured at amortized cost at the net amount that the loss allowance is deducted from the carrying amount in the consolidated statement of financial position and recognizes the loss as profit or loss.

When the Group has no reasonable expectations of recovering all or part of a financial asset, the carrying amount of the asset is directly written off by that amount.

11) Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value at the date in which the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period after initial recognition. The method of recognizing the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedges of a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction), and certain foreign currency borrowings as hedging instruments of net investment in foreign operations.

The Group documents, at the start of the transaction, the relationship between hedging instruments and hedged items as well as the objectives and strategies for managing risk regarding execution of their hedging transactions. Furthermore, the Group documents at the start of the hedge, and on a continuing basis, assessments of whether or not the derivatives used in the hedging transaction are effective in offsetting changes in the hedged items' cash flow.

Hedge effectiveness is assessed on a continuing basis, and a hedge is deemed effective when it satisfies all of the following conditions: an economic relationship exists between hedged items and hedging instruments; the effect of credit risk is not such that it materially dominates value changes arising from the economic relationship; the hedge ratio of the hedging relationship is equivalent to the ratio arising from the volume of hedging instruments and hedged items that are actually being hedged.

The effective portions of change in the fair values of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions thereof are recognized in other comprehensive income. Gains or losses arising from ineffective portions are recognized immediately as profit or loss. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss in the period when the cash flow originating from the hedged items effects profit or loss.

When hedge accounting conditions are no longer satisfied due to forfeit, sale, etc., of hedging instruments, hedge accounting will no longer be applied prospectively. When hedged future cash flow is expected to occur again, the accumulated gains or losses recognized in other comprehensive income will continue to be recognized as other components of equity. In cases where forecast transactions are no longer expected to occur, the accumulated gains or losses recognized in other comprehensive income are reclassified immediately to profit or loss.

With regard to certain foreign currency borrowings that are retained for the purpose of hedging exposure to exchange rate fluctuation risks for net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedges of net investment in foreign operations. Of exchange differences in the hedging instruments, any ineffective portion of the hedge or any portion of the hedge not subject to the assessment of hedge effectiveness is recognized in profit or loss.

Through net investment hedges, the cumulative amount of gain or loss recognized in other comprehensive income is reclassified to profit or loss on the disposal of foreign operations.

12) Leases

Lease transactions are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, while all other leases are classified as operating leases.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract following IFRIC 4 — *Determining Whether an Arrangement Contains a Lease*, even when the contract is not legally a lease-type contract.

In finance lease transactions, lease assets and lease liabilities are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property calculated on the inception date of the lease term and the aggregate present value of the minimum lease payments. Lease payments are allocated to liabilities and finance costs. Interest components in finance costs are expensed as profit or loss over the lease term in such a way that a fixed term interest rate applies to the liability balance in each reporting period. Lease assets are depreciated using the straight-line method based on the accounting policies applied to the assets.

In operating lease transactions, lease payments are recognized as an expense over the lease term on a straight-line basis.

13) Employee Benefits

(i) Short-Term Employee Benefits

Short-term employee benefits are recognized as an expense in the period in which the employee renders the related service without discounting. Bonus payments are recognized as liabilities in the amount estimated to be paid based on the applicable bonus payment system when there is a legal or constructive obligation to pay and the obligation can be estimated reliably.

(ii) Long-Term Employee Benefits

The Group has adopted defined contribution plans and defined benefit plans as post-employment benefit plans for employees.

Liabilities (assets) recognized in connection to defined benefit pension plans are calculated at the present value of defined benefit obligations under such plans at the end of the reporting period less the fair value of the plan assets. An independent specialist calculates the defined benefit obligations each reporting period using the projected unit credit method. Any amount recognized as assets from this calculation is limited to the present value of any future economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans when there is a possibility for the assets to generate these to the Group. Calculations of the present value of economic benefits take into consideration the minimum funding requirement. The present value of defined benefit obligations is calculated by discounting estimated future cash flows in reference to market yields on high-quality corporate bonds that pay benefits and with maturities similar to the estimated timing of payment of the obligations.

Changes due to remeasurements of net defined benefit liabilities (assets) that were recognized in other comprehensive income in the period they occurred are immediately reclassified from other comprehensive income to retained earnings.

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into an independent entity and has no legal or constructive obligation to pay further contributions. Contribution obligations under the defined contribution plans are recognized as an expense in the period in which the employee renders the related service.

14) Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligation.

When the time value of money is significant, the estimated future cash flow is discounted by the present value using a before-tax discount rate that reflects the time value of money and inherent risks of the liability. Transfer-backs of the discounted amount over time are recognized as finance costs.

15) Share Capital

The issue price of equity instruments issued by the Company are recognized in share capital and capital surplus, and direct issue costs (net of tax effects) are deducted from capital surplus.

On the purchase of treasury shares, costs net of tax effects including direct transaction costs are recognized as an equity deduction. On the sale of treasury shares, including disposal of treasury shares with the exercise of stock options, the balance of disposals is recognized as capital surplus. Common shares are classified to equity.

16) Share-Based Remuneration Plans

(i) Stock Options

The Group operated an equity-settled share-based remuneration plan where the Group received services from directors, executive officers, and employees and paid equity instruments (options) as consideration thereof until June 2017.

The fair value on the date the option was granted under the plan is recognized as an expense over the option's vesting period and the same amount is recorded as an increase of equity. The plan was terminated in June 2017 (however, of share acquisition rights as share-based stock options that were already granted to directors, etc., those share acquisition rights which have not been exercised will be continued).

(ii) Restricted Share-Based Remuneration Plan

The Company has adopted the restricted share-based remuneration plan for its directors and others as a performance-linked remuneration plan and applied the accounting treatment for equity-settled share-based plans under this plan.

Fair value of the share-based remuneration is determined using fair value of ordinary shares on the grant date. The fair value is recognized as an expense over the share's vesting period, and the same amount is recorded as an increase in equity.

17) Revenue Recognition

As from the adoption of IFRS 15, the Group recognizes revenue by applying the following five steps, apart from interest and dividend income accounted for in accordance with IFRS 9 — Financial Instruments.

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to performance obligations.
Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

In case of sales contracts with customers for products and merchandise, the Group recognizes the sale as revenue when the products and merchandise are delivered to the customer, considering that control of the products and merchandise is transferred to the customer and the performance obligation is fulfilled. For rendering of services, the Group recognizes revenue over time with fulfillment of performance obligation based on the contract between the Group and the customer.

18) Government Grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the period the associated costs, which the grant is intended to compensate, are recognized as expenses.

For government grants associated with acquiring assets, the amounts of the grants are deducted directly when calculating the carrying amounts of the assets. Grants are recognized in profit or loss over the useful lives of the depreciated assets as changes in depreciation expense.

19) Finance Income and Finance Cost

Finance income comprises interest received, dividends received, etc. Interest received is recognized when it incurs using the effective interest method. Dividends received are recognized when the Group's rights to receive dividends has been established; there is a high probability that the economic benefits associated with the dividends will flow into the Group; the amounts can be measured reliably.

Finance cost comprises interest paid, etc.

With respect to an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, borrowing costs that are directly attributable to the acquisition, construction or manufacture of the asset form part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

20) Income Taxes

Income taxes comprise current taxes and deferred taxes. They are recognized in profit or loss, with the exception of income taxes associated with items recognized in other comprehensive income or items that are directly recognized in equity.

(i) Current Taxes

The Group recognizes current taxes based on taxable profits for the reporting period. Current tax amounts are calculated using the tax rates that are in force or substantially in force on the final day of the reporting period. Income taxes receivable and payable are measured at the estimated refund from or payment to the tax authorities.

(ii) Deferred Taxes

The Group recognizes deferred taxes using the asset and liability approach for temporary differences between the amounts of assets and liabilities for accounting purposes and their tax bases. In principle, deferred tax liabilities are all recognized in taxable temporary differences, and deferred tax assets are recognized only to the extent that it is probable that there will be taxable profits against which deductible temporary differences, tax losses, etc., may be utilized. Deferred tax assets and liabilities, however, are not recognized for the following temporary differences:

- Taxable temporary differences arising from initial recognition of goodwill;
- Temporary differences arising from initial recognition of assets or liabilities in transactions (excluding business combinations) that do not affect taxable profits (tax losses) in profit or loss for accounting purposes; and
- Taxable temporary differences pertaining to investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets pertaining to deductible temporary differences associated with investments in subsidiaries and associates are recognized only to the extent that the temporary difference will reverse in the foreseeable future and that it is probable that there will be adequate taxable profits against which benefits from the temporary difference can be utilized.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply to the period when the associated deferred tax assets will be realized or the period when the deferred tax liabilities will be settled, based on the tax rates that are in force or substantially in force at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities are associated with the income taxes levied on the same taxable entity, or the equivalent or different taxable entity intended to be settled on a net basis, by the same tax authority.

21) Earnings per Share

Basic quarterly earnings per share are calculated by dividing profit for the quarter attributable to ordinary shareholders by the weighted-average number of common stock outstanding during the reporting period. Diluted quarterly earnings per share are calculated through adjustments for the effect of all potentially dilutive common stock.

(5) Changes in Accounting Policies

The Group has applied the following standard from the current fiscal year.

IFRS	Summary of New / Revised Standard
IFRS 15 — Revenue from Contracts with Customers	Revision related to recognition of revenue

The Group has applied IFRS 15 — Revenue from Contracts with Customers (published in May 2014) and Clarifications to IFRS 15 (published in April 2016) (hereafter jointly referred to as "IFRS 15") from the current fiscal year. For the adoption of IFRS 15, the Group used the method to recognize the cumulative effect of IFRS15 on the date of the initial application, which is allowed as a transition approach.

As from the adoption of IFRS 15, the Group recognizes revenue by applying the following five steps, apart from interest and dividend income accounted for in accordance with IFRS 9 — Financial Instruments.

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to performance obligations.
Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

The effect of applying the new accounting standard on the Group's consolidated financial statements is immaterial compared to case where the previous accounting standard had been applied. Further details of policies on revenue recognition are provided in "(25) Revenue."

(6) Significant Accounting Estimates and Judgments Involving Estimates

In the preparation of consolidated financial statements, management is required to make judgments, estimates, and assumptions.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of the review are recognized in the period in which the review was conducted and in future periods.

Actual results may differ from these estimates.

Estimates and judgments that have significant effects on amounts recognized in the Group's consolidated financial statements are as follows. These assumptions have been determined based on management's best estimates and judgments. However, the assumptions may be affected by results of uncertain changes in economic conditions in the future and amendment or promulgation of related laws and regulations, and if a review is necessary, this may have significant effects on amounts recognized in consolidated financial statements in the following fiscal years.

1) Impairment of Non-Financial Assets

In the calculation of recoverable amount in impairment test, certain assumptions have been made for useful life of the asset, future cash flows, discount rate reflecting risks inherent to the asset, long-term growth rate and others. Details of the method for calculating recoverable amount, etc. are provided in the note "(16) Impairment of Non-Financial Assets."

2) Employee Benefits

The present value of defined benefit plan obligations, service cost, etc. pertaining to post-employment benefit plans adopted by the Group have been calculated based on actuarial assumptions. For actuarial assumptions, estimates and judgments on a variety of variables including discount rate are required. Actuarial assumptions and related sensitivity are provided in the note "(21) Employee Benefits."

3) Recoverability of Deferred Tax Assets

For the recognition of deferred tax assets, the amount is determined, assuming the probability that there will be the taxable profits, by estimating the timing when taxable profits that can be obtained in the future are available and the amount of these profits based on the business plan. The relevant content and amount of deferred tax assets are provided in the note "(18) Income Taxes."

(7) Segment Information

1) Overview of Reportable Segments

JSR Group's reportable segments are based on the Group's business segments for which separate financial information is available and which the Board of Directors determines the basis that are subject to regular reviews for decisions on the allocation of managerial resources and the evaluation of business results.

The Group has established divisions by product at its head office. Each division formulates comprehensive domestic and overseas strategies for its products and conducts business activities according to the strategies. Core Group companies also take the initiative in working out comprehensive domestic and overseas strategies and conduct business activities according to the strategies. Thus, the JSR Group's businesses consist of business segments by product based on divisions and core Group companies.

JSR Group has four reportable segments: Elastomers Business, which consists mainly of the manufacture and sale of general-purpose synthetic rubber products for automobile tires, functional special synthetic rubber for automobile components, thermoplastic elastomers for modifying plastics, and synthetic rubber latex for coated paper; Plastics Business, which engages mainly in the manufacture and sale of ABS and other resins for automobiles, office equipment, and amusement applications; Digital Solutions Business, which conducts mainly the manufacture and sale of semiconductor materials, display materials, and products related to edge computing; and Life Sciences Business. The Digital Solutions Business is a reportable segment comprising multiple segments based on the nature of the products and services, the nature of production processes, and similarity in markets and other economic characteristics.

Main Products in Each Business Segment

Business segments	Main products
Elastomers Business	Synthetic rubbers, such as styrene-butadiene rubber, poly-butadiene rubber, ethylene and propylene rubber and compounded products; thermoplastic elastomers and compounded products; latex for paper processing; general industrial-use latex; acrylic emulsions; natural latex compounded products; high-functional coating materials; high-functional dispersants; industrial particles; thermal control materials; materials for heat insulation paints; materials for batteries; butadiene monomers; etc.
Plastics Business	Synthetic resins including ABS resins, AES resins, AS resins, and ASA resins
Digital Solutions Business	<Semiconductor Materials> Lithography materials (photoresists, multilayer materials); CMP materials; mounting materials; etc. <Display Materials> Materials for color LCDs; functional coating materials; etc. <Edge Computing Materials> Heat-resistant transparent resins and functional films; high-functional UV curable resins; photo fabrication and photo molding systems; etc.
Life Sciences Business	Diagnostic and research reagents and similar materials; bio-process materials; contract bio-process development and manufacturing, etc.

Priviously, JSR Group maintained three reportable segments: Elastomers Business, Plastics Business, and Fine Chemicals and Other Products Business. With the expansion of the Life Sciences Business, which included in the Fine Chemicals and Other Products Business, Life Sciences Business has become a new reportable segment starting from the current fiscal year. Furthermore, the Fine Chemicals Business, which included in the Fine Chemicals and Other Products Business, has been renamed Digital Solutions Business and became a reportable segment. The Group does not use "Petrochemical Products Business" and "Fine Chemicals and Other Products Business" as a name of reportable segments any more. Accordingly, the Group's reportable segments from the current fiscal year are the Elastomers Business, the Digital Solutions Business, the Life Sciences Business, and the Plastics Business led by Techno-UMG Co., Ltd. With the revisions to each business's details caused by the segment changes, the Group has reclassified and presented segment information for the previous consolidated fiscal year with the segment categories used for the current fiscal year. The accounting methods for reportable segments are the same as the methods adopted for the preparation of consolidated financial statements.

2) Segment Revenues, Profits or Losses, and Other Material Items

The following information pertains to the Group's reportable segments.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Millions of yen

	Reportable Segment							
	Elastomers	Plastics	Digital Solutions	Life Sciences	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	¥ 195,693	¥ 53,842	¥ 140,394	¥ 26,424	¥ 5,256	¥ 421,609	¥ 321	¥ 421,930
Operating profit (loss)	14,866	5,579	30,684	(1,803)	(2,240)	47,086	(3,517)	43,569
Finance income						—		3,659
Finance costs						—		(1,022)
Profit before tax						—		46,206
Segment assets	282,456	38,428	129,723	58,326	16,341	525,274	122,425	647,699
Other items								
Depreciation and amortization	7,878	718	5,794	1,903	272	16,565	408	16,973
Capital expenditures	22,880	1,028	8,726	8,591	239	41,463	945	42,408

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the lithium-ion capacitor and other businesses.

Note 2: The operating profit or operating loss downward adjustment of ¥3,517 million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amount in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and long-term investment funds (securities (equity instrument assets)) owned by the parent company.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Millions of yen							
	Reportable Segment							
	Elastomers	Plastics	Digital Solutions	Life Sciences	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	¥ 200,736	¥ 105,446	¥ 142,216	¥ 43,872	¥ 4,475	¥ 496,745	¥ 1	¥ 496,746
Operating profit (loss)	7,421	9,214	32,663	781	(2,097)	47,983	(4,953)	43,030
Finance income						—		2,499
Finance costs						—		(1,352)
Profit before tax						—		44,176
Segment assets	291,256	77,794	131,779	114,353	12,061	627,242	64,193	691,435
Other items								
Depreciation and amortization	8,821	2,395	6,036	3,740	266	21,258	584	21,842
Impairment losses	—	—	—	—	438	438	—	438
Capital expenditures	19,738	3,108	7,194	5,218	—	35,257	781	36,038

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the lithium-ion capacitor and other businesses.
Note 2: The operating profit or operating loss downward adjustment of ¥4,953 million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amount in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and long-term investment funds (securities (equity instrument assets)) owned by the parent company.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars							
	Reportable Segment							
	Elastomers	Plastics	Digital Solutions	Life Sciences	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	$ 1,808,597	$ 950,051	$ 1,281,342	$ 395,281	$ 40,316	$ 4,475,586	$ 10	$ 4,475,596
Operating profit (loss)	66,866	83,020	294,285	7,033	(18,890)	432,314	(44,626)	387,688
Finance income						—		22,515
Finance costs						—		(12,184)
Profit before tax						—		398,020
Segment assets	2,624,162	700,912	1,187,303	1,030,296	108,666	5,651,340	578,364	6,229,704
Other items								
Depreciation and amortization	79,471	21,579	54,387	33,699	2,392	191,529	5,260	196,789
Impairment losses	—	—	—	—	3,948	3,948	—	3,948
Capital expenditures	177,837	28,000	64,814	47,011	—	317,661	7,039	324,700

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the lithium-ion capacitor and other businesses.
Note 2: The operating profit or operating loss downward adjustment of ¥4,953 million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amount in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and long-term investment funds (securities (equity instrument assets)) owned by the parent company.

3) Information on Products and Services

Information on products and services is stated on "1) Overview of Reportable Segments."

4) Information by Region

The following is a breakdown of revenue and non-current assets by region.

Revenue from External Customers

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Japan	¥ 183,308	**¥ 220,710**	**$ 1,988,560**
China	53,547	**64,092**	**577,455**
U.S	41,076	**58,201**	**524,384**
Other regions	143,999	**153,743**	**1,385,196**
Total	¥ 421,930	**¥ 496,746**	**$ 4,475,596**

Note: Revenue is divided into countries or regions based on the locations of customers.

Property, Plant and Equipment

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Japan	¥ 79,686	**¥ 93,327**	**$ 840,862**
Thailand	27,642	**27,202**	**245,085**
Hungary	28,280	**32,075**	**288,987**
Other regions	24,227	**30,854**	**277,985**
Total	¥ 159,834	**¥ 183,457**	**$ 1,652,918**

Note: We confine items presented to property, plant and equipment considering cost of the preparation.

5) Information on Major Customers

Information on major customers is omitted, since no single external customer accounts for more than 10% of the Group's revenue in terms of revenue through transactions with a single external customer.

(8) Business Combination and Acquisition of Non-Controlling Interest

1) Business Combination

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Subsidiary establishment by means of the acquisition of Selexis S.A.

(i) Overview

(a) Name and Business of the Company Acquired

Name: Selexis S.A.

Industry and Business

Life sciences; development and sales of products using mammalian cell line generation technologies

(b) Date of Acquisition

June 21, 2017

(c) Ownership Acquired

100%

(d) Method to Obtain Control

Acquisition of shares in exchange for cash payment

(e) Major Reason of the Business Combination

The purpose of this business combination is to expand the Group's life sciences business.

Selexis S.A. has made its mark with its technologies that facilitates the rapid, stable, and cost-effective generation of cell lines producing virtually any recombinant protein in mammalian cell line development. With our subsidiary KBI Biopharma, Inc.'s strengths in process development and analytics, the Group will be able to deliver the fastest timelines of new drug development and substantial cost savings in the pharmaceutical industry.

(ii) Fair Value of Consideration Transferred and Recognized Amount of Assets Acquired and Liabilities Received on the Date of Acquisition

	Millions of yen
Fair value of consideration	**¥ 9,307**
Current assets	
Cash and cash equivalents	**585**
Trade and other receivables	**339**
Other	**46**
Non-current assets	
Property, plant and equipment	**158**
Other intangible assets	**497**
Assets acquired	**1,624**
Current liabilities	
Borrowings	**(1,171)**
Other current liabilities	**(320)**
Non-current liabilities	
Deferred tax liabilities	**(107)**
Liabilities assumed	**1,597**
Recognized value of assets acquired and liabilities assumed (net amount)	**27**
Goodwill	**9,280**

As of March 31, 2018, the amount of goodwill incurred and the amounts of assets acquired and liabilities assumed on the date of the business combination had been calculated provisionally because the identifiable assets and liabilities on the date of the business combination were not identified and the allocation of purchase price. The allocation of purchase price has completed in the current fiscal year and therefore the provisional amounts were adjusted. The effect of this adjustment is immaterial.

Acquisition-related costs pertaining to the business combination was ¥16 million ($154 thousand) and recorded as expenses in "Selling, general and administrative expenses." The incurred goodwill is primarily composed of expected future earning power. The good will is not deductible.

(iii) Cash Flow Through the Acquisition

	Millions of yen
Cash and cash equivalents used for the acquisition	**¥ 9,307**
Cash and cash equivalents held by the company acquired on the date of acquisition	**585**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**¥ 8,722**

(iv) The Impact of the Business Combination on the Group's Result

The impact of revenue and profit or loss arisen from the acquisition of Selexis S.A. after the acquisition date was immaterial. On the assumption that the business combination had been executed on April 1, 2017, the impact on the Group's revenue and profit or loss would have been immaterial.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

1. Absorption-Type Split in which a Subsidiary is the Successor Company

(i) Overview of the Business Combination

The Company executed an absorption-type split dated April 1, 2018, with UMG ABS, Ltd., which was equally owned by Ube Industries, Ltd. (50%) and Mitsubishi Chemical Corporation (50%), as the absorbed company and Techno Polymer Co., Ltd. (renamed Techno-UMG Co., Ltd. on April 1, 2018), a wholly-owned subsidiary of the Company, as the successor company.

In keeping with the absorption-type split, Techno-UMG Co., Ltd. issued new common shares so that the Company owns 51% of the issued shares of Techno-UMG Co., Ltd.

(a) Name of Acquired Company and Business Domain

Name of acquired company: UMG ABS, Ltd.

Business domain: manufacture and sale of ABS resins

(b) Date of Business Combination

April 1, 2018

(c) Method by which the Acquiring Company Obtained Control of the Acquired Company

Absorption-type split through the allocation of 58,800 common shares of Techno Polymer Co., Ltd., with UMG ABS, Ltd. as the absorbed company and Techno Polymer Co., Ltd. as the successor company

(ii) Primary Reason for the Business Combination

The conditions surrounding the ABS resin business will become increasingly challenging both in and outside of Japan. The primary purpose of the business combination is to optimize operations, enhance manufacturing efficiencies, and secure cost competitiveness for the ABS resin business, in order to ensure the stable supply of products in Japan and expand sales in global markets.

(iii) Fair Value of Assets Acquired, Liabilities Assumed, and Goodwill Recognized on the Acquisition Date

(a) Fair Value of the Consideration Transferred

Techno-UMG Co., Ltd. common shares

¥19,350 million ($174,340 thousand)

(b) Share Valuation Method

The Company calculated the share valuation in consultation with the transaction parties, referring to a share valuation report and other materials received from a third-party appraiser.

(c) Assets Acquired, Liabilities Assumed, and Goodwill Recognized

Acquisition date (April 1, 2018)

	Millions of yen	Thousands of U.S. dollars
Current assets		
Cash and cash equivalents	¥ 2,617	$ 23,577
Trade and other receivables	10,508	94,675
Inventories	6,945	62,578
Other	736	6,634
Non-current assets		
Property, plant and equipment	11,356	102,319
Other intangible assets	357	3,219
Deferred tax assets	992	8,939
Other	1,775	15,992
Assets acquired	35,287	317,931
Current liabilities		
Trade and other payables	13,865	124,922
Borrowings	3,450	31,084
Income taxes payable	719	6,475
Other	910	8,196
Non-current liabilities		
Borrowings	80	721
Retirement benefit liability	629	5,669
Other	45	408
Liabilities assumed	19,698	177,475
Recognized value of assets acquired and liabilities assumed (net amount)	15,589	140,457
Goodwill	3,760	33,880

Goodwill is primarily composed of synergies with existing businesses and excess earning power that are expected to arise from the acquisition, which do not individually fulfill the criteria for recognition. Furthermore, the goodwill is not deductible for tax purposes.

The amount of goodwill included in the consolidated statement of financial position as of the date of the business combination was ¥1,918 million ($17,279 thousand) because of the change in ownership ratio in Techno-UMG Co., Ltd.

(iv) Acquisition-Related Costs

Acquisition-related costs pertaining to the business combination were ¥136 million ($1,227 thousand), including those incurred prior to the current fiscal year. The amount incurred in the current fiscal year is accounted for as an expense in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(v) Impacton Cash Flows of Business Combination

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents held by the company acquired on the date of acquisition	¥ 3,213	$ 28,950
Proceeds from company split	¥ 3,213	$ 28,950

(vi) Impacton the Group's Result

A quantitative statement of the impact on the Group's result has been omitted as it is difficult to calculate rationally the quantitative effect on the Group during the current fiscal year.

(vii) Effect on Non-Controlling Interests

Non-controlling interests increased by ¥17,625 million ($158,802 thousand) due to the decrease in ownership ratio in Techno-UMG Co., Ltd. from 100% to 51%.

2. Subsidiary Establishment by Means of the Acquisition of Crown Bioscience International

(i) Overview of the Business Combination

(a) Name of Acquired Company and Business Domain

Name of acquired company: Crown Bioscience International

Business domain: drug discovery and development services

(b) Acquisition Date

May 31, 2018

(c) Percentage of Voting Rights Acquired

100%

(d) Method for the Acquiring Company to Obtain Control over the Acquired Company

Acquisition of shares in exchange for cash payment

(e) Primary Reason for the Business Combination

The primary purpose of the business combination is to incorporate a drug discovery and development contracting business into the Group's Life Sciences Business and to provide seamless value to the pharmaceutical industry, from the provision of products and services for drug-discovery processes to GMP manufacturing.

(ii) Fair Value of Consideration Transferred and Recognized Value of Assets Acquired and Liabilities Assumed on the Acquisition Date

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration	¥ 40,583	$ 365,649
Current assets		
Cash and cash equivalents	4,398	39,624
Trade and other receivables	2,164	19,501
Other	429	3,864
Non-current assets		
Property, plant and equipment	2,412	21,729
Other intangible assets	2,438	21,968
Deferred tax assets	132	1,190
Other	87	785
Assets acquired	12,060	108,661
Current liabilities		
Trade and other payables	1,282	11,547
Other	3,941	35,506
Non-current liabilities		
Borrowings	2,581	23,258
Deferred tax liabilities	376	3,388
Liabilities assumed	8,180	73,699
Non-controlling interests	157	1,415
Goodwill	36,860	332,104

As of March 31, 2019, the allocation of the purchase price , for the amount of goodwill incurred and the amounts of assets acquired and liabilities assumed on the date of the business combination, has completed because the identifiable assets and liabilities on the date of the business combination wereidentified. As a result, goodwill decreased ¥1,257 million ($11,324 thousand) from the amount calculated provisionally. The increase of the assets and liabilities received from the original provisional amounts is other intangible assets of ¥1,505 million ($13,561 thousand) and deferred tax liabilities of ¥248 million ($2,238 thousand).

Acquisition-related costs pertaining to the business combination were ¥335 million ($3,017 thousand), including those incurred prior to the current fiscal year. The amount incurred in the current fiscal year is accounted for as an expense in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

The incurred goodwill is primarily composed of expected future earning power. The goodwill is not deductible.

(iii) Impact on Cash Flows of Business Combination

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents used for the acquisition	**¥ 40,583**	**$ 365,649**
Cash and cash equivalents held by the company acquired on the date of acquisition	**4,398**	**39,624**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**¥ 36,186**	**$ 326,025**

(iv) Impact on the Group's Result

Revenue of ¥8,380 million ($75,502 thousand) and profit of ¥800 million ($7,211 thousand) arising from Crown Bioscience International since the acquisition date, are respectively included in the Group's Consolidated Statement of Profit or Loss. The impact on the Group's result in the current fiscal year would have been immaterial on the assumption that the business combination had been executed at the beginning of the term.

2) Acquisition of Non-Controlling Interest

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Not Applicable

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Not Applicable

(9) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, short-term deposits (not later than three months) and short-term investments (e.g. securities redeemable not later than three months from the date of acquisition).

Cash and cash equivalents on the indicated dates consisted of the following items.

The total amount of cash and cash equivalents corresponds to cash and cash equivalents at end of period in the consolidated statement of cash flows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Cash and cash equivalents			
Cash and deposit	¥ 68,955	**¥ 55,784**	**$ 502,606**
Short-term investment	56,000	**15,001**	**135,153**
Total	¥ 124,956	**¥ 70,785**	**$ 637,759**

(10) Trade and Other Receivables

Trade and other receivables are classified as financial assets measured at amortized cost.

Trade and other receivables include following items.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Trade receivables			
Notes and account receivable-trade	¥ 101,934	**¥ 116,956**	**$ 1,053,748**
Other receivables			
Account receivables-other	20,193	**18,053**	**162,657**
Other	350	**271**	**2,445**
Total	¥ 122,476	**¥ 135,280**	**$ 1,218,851**

(11) Other Financial Assets

1) Breakdown of Other Financial Assets

The breakdown of other financial assets is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Derivative asset	¥ 160	**¥ 60**	**$ 537**
Investments (equity financial assets)	61,267	**55,005**	**495,584**
Investments (debt financial assets)	10,000	**0**	**0**
Term deposits	3,287	**4,485**	**40,410**
Other	4,033	**4,347**	**39,165**
Total	¥ 78,746	**¥ 63,896**	**$ 575,696**
Current assets	13,776	**5,002**	**45,064**
Non-current assets	64,970	**58,895**	**530,632**
Total	¥ 78,746	**¥ 63,896**	**$ 575,696**

Derivative assets are classified as financial assets measured at fair value through profit or loss. Investments (equity financial assets) are classified as financial assets measured at fair value through other comprehensive income, or those through profit or loss. Investments (debt financial assets) and time deposits are classified as financial assets measured at amortized cost.

2) Financial Assets Measured at Fair Value through Other Comprehensive Income

Major stocks classified as financial assets measured at fair value through other comprehensive income and their fair values are as follows.

	Millions of yen		Thousands of U.S. dollars
Name of Stock	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
BRIDGESTONE Corporation	¥ 22,389	**¥ 20,656**	**$ 186,107**
Tosoh Corporation	3,296	**2,717**	**24,480**
Optorun Co., Ltd.	7,900	**4,941**	**44,518**
Mitsubishi Chemical Holdings Corporation	1,652	**1,249**	**11,256**
Carbon, Inc.	3,359	**3,509**	**31,616**

Amounts of dividends received recognized related to financial assets measured at fair value through other comprehensive income are as follows.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Dividends received	¥ 2,083	**¥ 1,409**	**$ 12,691**

3) Derecognition of Financial Assets Measured at Fair Value through Other Comprehensive Income

The Group has derecognized certain financial assets measured at fair value through other comprehensive income by disposing of such assets for the purpose of improving the asset efficiency. Fair value and accumulated gains or losses (net of tax) recognized as other comprehensive income at the time of disposal in each fiscal year are as follows:

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended March 31, 2018		**Fiscal year ended March 31, 2019**		**Fiscal year ended March 31, 2019**	
Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses
¥ 1,179	¥ 183	**¥ 1,656**	**¥ 629**	**$ 14,924**	**$ 5,666**

For financial assets measured at fair value through other comprehensive income, accumulated gains or losses recognized as other comprehensive income are transferred to retained earnings when the assets are derecognized.

(12) Inventories

Inventories consist of following items.

	Millions of yen		Thousands of U.S. dollars
Name of Stock	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Finished goods and merchandise	¥ 55,979	**¥ 78,707**	**$ 709,136**
Work in process	4,161	**3,665**	**33,022**
Raw materials and supplies	27,427	**34,674**	**312,409**
Total	¥ 87,567	**¥ 117,046**	**$ 1,054,567**

The amount of valuation losses on inventories recognized as expenses was ¥131 million as of March 31, 2018 and ¥835 million ($7,526 thousand) as of March 31, 2019, respectively. The write-off amount is included in "cost of sales" on the consolidated statement of profit or loss. The amount included in cost of sales was ¥280,273 million as of March 31, 2018 and ¥330,718 million ($2,979,707 thousand) as of March 31, 2019, respectively.

(13) Other Assets

The breakdown of other assets is as shown below.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Other current assets			
Excise tax receivable	¥ 5,803	**¥ 6,650**	**$ 59,916**
Income taxes receivable	485	**566**	**5,099**
Prepaid expenses	1,007	**1,446**	**13,030**
Other	1,839	**2,208**	**19,892**
Total	¥ 9,134	**¥ 10,870**	**$ 97,937**
Other non-current assets			
Long-term prepaid expenses	379	**472**	**4,256**
Other	1,484	**1,833**	**16,514**
Total	¥ 1,862	**¥ 2,305**	**$ 20,770**

(14) Property, Plant and Equipment

Changes in carrying amounts and the balance of acquisition costs and accumulated depreciation of property, plant and equipment are as follows. For the information of impairment losses, see "(16) Impairment of Non-Financial Assets."

Changes in Carrying Amounts

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
April 1, 2017	¥ 33,652	¥ 55,371	¥ 8,181	¥ 15,734	¥ 18,804	¥ 5	¥ 131,748
Acquisition	64	2,056	490	—	37,417	203	40,230
Acquisition from business combination	1	140	24	—	—	—	165
Depreciation	(2,758)	(8,957)	(3,449)	—	—	0	(15,163)
Sales and disposals	(68)	(121)	(40)	(524)	(630)	—	(1,382)
Transfer	7,694	10,282	3,867	—	(21,838)	(5)	—
Exchange differences of foreign operations	(49)	955	23	(58)	1,360	(3)	2,228
Other	(24)	(264)	(2)	—	2,298	0	2,009
March 31, 2018	¥ 38,512	¥ 59,463	¥ 9,095	¥ 15,153	¥ 37,412	¥ 199	¥ 159,834
Acquisition	525	2,194	1,090	102	30,198	(182)	33,927
Acquisition from business combination	6,403	4,616	701	2,171	924	—	14,816
Depreciation	(3,717)	(11,552)	(3,899)	—	—	—	(19,167)
Impairment loss	(46)	(117)	(101)	(163)	(2)	—	(430)
Sales and disposals	(187)	(492)	(130)	(32)	0	—	(840)
Transfer	6,115	13,502	4,342	(3)	(23,956)	—	—
Exchange differences of foreign operations	(2)	574	(47)	13	(1,423)	5	(879)
Other	(309)	1,508	(23)	—	(4,980)	—	(3,804)
March 31, 2019	**¥ 47,295**	**¥ 69,697**	**¥ 11,029**	**¥ 17,240**	**¥ 38,173**	**¥ 23**	**¥ 183,457**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2018	$ 346,991	$ 535,750	$ 81,945	$ 136,522	$ 337,076	$ 1,797	$ 1,440,080
Acquisition	4,726	19,771	9,823	918	272,075	(1,639)	305,674
Acquisition from business combination	57,689	41,593	6,315	19,560	8,328	—	133,486
Depreciation	(33,487)	(104,080)	(35,125)	—	—	—	(172,692)
Impairment loss	(414)	(1,053)	(912)	(1,470)	(21)	—	(3,871)
Sales and disposals	(1,682)	(4,433)	(1,167)	(285)	0	—	(7,566)
Transfer	55,096	121,648	39,123	(29)	(215,838)	—	—
Exchange differences of foreign operations	(17)	5,172	(421)	113	(12,817)	49	(7,921)
Other	(2,781)	13,587	(209)	—	(44,868)	—	(34,271)
March 31, 2019	**$ 426,120**	**$ 627,957**	**$ 99,371**	**$ 155,329**	**$ 343,935**	**$ 206**	**$ 1,652,918**

Acquisition Cost

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2018	¥ 117,510	¥ 312,766	¥ 60,729	¥ 15,153	¥ 37,412	¥ 199	¥ 543,769
March 31, 2019	**¥ 141,647**	**¥ 356,983**	**¥ 65,906**	**¥ 17,240**	**¥ 38,173**	**¥ 156**	**¥ 620,105**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2019	**$ 1,276,218**	**$ 3,216,350**	**$ 593,805**	**$ 155,329**	**$ 343,935**	**$ 1,402**	**$ 5,587,039**

Accumulated Depreciation and Impairment

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2018	¥ 78,998	¥ 253,303	¥ 51,634	¥ —	¥ —	¥ —	¥ 383,935
March 31, 2019	**¥ 94,352**	**¥ 287,286**	**¥ 54,877**	**¥ —**	**¥ —**	**¥ 133**	**¥ 436,648**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2019	**$ 850,098**	**$ 2,588,392**	**$ 494,434**	**$ —**	**$ —**	**$ 1,196**	**$ 3,934,120**

(Notes) 1. Depreciation expenses of property, plant and equipment are recorded as "inventories" on the consolidated statement of financial position, or "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.
2. "Other" in the changes of carrying amounts includes transfer to/from "inventories" on the consolidated statement of financial position, or "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.
3. Amounts of property, plant and equipment pledged as collateral for liabilities are stated in "(19) Borrowings and Other Financial Liabilities."

(15) Goodwill and Other Intangible Assets

Changes in carrying amounts and the balance of acquisition costs and accumulated amortization of goodwill and other intangible assets are as follows. For the information of impairment losses, see "(16) Impairment of Non-Financial Assets."

Changes in Carrying Amounts

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
April 1, 2017	¥ 9,331	¥ 3,834	¥ 5,356	¥ 9,190
Acquisition	—	2,032	146	2,179
Acquisition from business combination	10,593	9	78	87
Amortization	—	(895)	(914)	(1,809)
Sales and disposals	—	(134)	(66)	(199)
Transfer to other property, plant and equipment	—	(2,593)	2,593	—
Exchange differences of foreign operations	(535)	135	462	597
Other	0	345	14	359
March 31, 2018	¥ 19,389	¥ 2,734	¥ 7,670	¥ 10,403
Acquisition	—	1,773	339	2,112
Acquisition from business combination	38,549	444	2,898	3,342
Amortization	—	(1,138)	(1,536)	(2,675)
Impairment loss	—	(9)	—	(9)
Sales and disposals	—	(11)	(59)	(71)
Transfer to other property, plant and equipment	—	(153)	153	—
Exchange differences of foreign operations	1,128	18	132	150
Other	—	480	471	951
March 31, 2019	**¥ 59,066**	**¥ 4,137**	**¥ 10,068**	**¥ 14,205**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2018	$ 174,690	$ 24,629	$ 69,104	$ 93,733
Acquisition	—	15,974	3,051	19,026
Acquisition from business combination	347,322	4,003	26,110	30,114
Amortization	—	(10,256)	(13,841)	(24,097)
Impairment loss	—	(78)	—	(78)
Sales and disposals	—	(102)	(533)	(636)
Transfer to other property, plant and equipment	—	(1,381)	1,381	—
Exchange differences of foreign operations	10,165	159	1,193	1,352
Other	—	4,322	4,245	8,566
March 31, 2019	**$ 532,177**	**$ 37,270**	**$ 90,710**	**$ 127,980**

Acquisition Cost

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2018	¥ 19,389	¥ 18,141	¥ 20,927	¥ 39,068
March 31, 2019	**¥ 59,066**	**¥ 21,045**	**¥ 24,315**	**¥ 45,359**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2019	**$ 532,177**	**$ 189,608**	**$ 219,073**	**$ 408,681**

Accumulated Amortization and Impairment

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2018	¥ —	¥ 15,408	¥ 13,257	¥ 28,665
March 31, 2019	**¥ —**	**¥ 16,908**	**¥ 14,247**	**¥ 31,155**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2019	**$ —**	**$ 152,338**	**$ 128,363**	**$ 280,701**

(Notes) 1. Amortization expenses of other intangible assets are recorded as "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.
2. "Other" in the changes of carrying amounts includes transfer to/from "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.

(16) Impairment of Non-Financial Assets

1) Impairment Losses on Property, Plant and Equipment and Intangible Assets Other Than Goodwill

Impairment losses in the fiscal years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Property, plant and equipment			
Buildings and structures	¥ —	**¥ 46**	**$ 414**
Machinery and vehicles	—	**117**	**1,053**
Tools, fixtures and fittings	—	**101**	**912**
Land	—	**163**	**1,470**
Construction in progress	—	**2**	**21**
Subtotal	—	**430**	**3,871**
Other intangible asset			
Software	—	**9**	**78**
Total	¥ —	**¥ 438**	**$ 3,948**

The impairment losses were recognized in the fiscal year ended March 31, 2019 due to the decrease of future profitability regarding a part of non-current assets in the Other Business segment. The carrying amounts of above assets were reduced to the recoverable amount and impairment loss of ¥438 million ($3,948 thousand) was recorded in other operating expenses on the consolidated statement of profit or loss. The recoverable amount was measured at the value in use and that of the relevant assets was calculated as zero.

2) Impairment Test on Goodwill

Carrying amount of goodwill allocated to cash-generating units (or groups of cash-generating units) is as follows:

		Millions of yen		Thousands of U.S. dollars
Segment	Cash-generating units (groups of cash-generating units)	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Plastics business	Plastics	¥ 585	**¥ 2,598**	**$ 23,411**
Life Sciences business	In-vitro Diagnostics and Research Reagents	3,641	**3,641**	**32,806**
	Contract Development and Manufacturing for Biomedicine	5,002	**5,226**	**47,086**
	Contract of the Services for Development and Generation of Cell-lines	9,330	**9,133**	**82,290**
	Drug Discovery and Development Services	—	**37,637**	**339,105**
	Other	830	**830**	**7,479**
Total		¥ 19,389	**¥ 59,066**	**$ 532,177**

Of the above goodwill, major goodwill was tested for impairment as follows. The recoverable amount was measured as the higher of the value in use or the fair value less costs of disposal.

Measured at the Value in Use

Cash-generating units (groups of cash-generating units)	The continued growth rate	The pre-tax discount rate	The term to estimate cash flows
Plastics	0.0%	17.5%	5 years
In-vitro Diagnostics and Research Reagents	1.0%	8.0%	5 years
Contract Development and Manufacturing for Biomedicine	2.0%	15.7%	5 years
Contract of the Services for Development and Generation of Cell-lines	2.0%	11.2%	5 years
Drug Discovery and Development Services	2.0%	12.1%	5 years

The value in use was calculated by discounting estimated cash flows to the present value based on the plan reflecting past experience and external information and approved by the management.

In cash-generating units apart from drug discovery and development services, the recoverable amounts sufficiently exceed the carrying amounts in the four cash-generating units other than the drug discovery and development services. The Group considers that the recoverable amounts will not fall below the carrying amounts even if there is a change in future cash flows, discount rates, etc. used for the calculation of the recoverable amounts within a reasonable range.

As for the drug discovery and development services, if the discount rate increased by 0.4%, or the continued growth rate used to calculate the terminal value for business decreased by 0.7%, the recoverable amount would equate to the carrying amount.

(17) Investments Accounted for Using Equity Method

1) Investments in Associates

There are no investments in significant associates.

Carrying amount of investments in associates that are not individually significant is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Carrying amount	¥ 2,892	**¥ 3,628**	**$ 32,691**

The Group's share of comprehensive income of associates that are not individually significant is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Share of profit (loss)	¥ 408	**¥ 442**	**$ 3,982**
Share of other comprehensive income	2,124	**(39)**	**(352)**
Share of total comprehensive income	¥ 2,532	**¥ 403**	**$ 3,630**

2) Investments in Joint Ventures

There are no investments in significant joint ventures.

Carrying amount of investments in joint ventures that are not individually significant is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Carrying amount	¥ 21,893	**¥ 20,641**	**$ 185,969**

The Group's share of comprehensive income of joint ventures that are not individually significant is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Share of profit (loss)	¥ (70)	**¥ 91**	**$ 822**
Share of other comprehensive income	(593)	**(1,169)**	**(10,531)**
Share of total comprehensive income	¥ (663)	**¥ (1,078)**	**$ (9,708)**

(18) Income Taxes

1) Deferred Tax Assets and Liabilities

(i) Deferred Tax Assets and Liabilities Recognized

The breakdown of deferred tax assets and liabilities by major causes for occurrence in each fiscal year is as follows:

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	Millions of yen				
	April 1, 2017	Recognized through profit (loss)	Recognized through other comprehensive income	Other	March 31, 2018
Deferred Tax Assets					
Inventories	¥ 1,507	¥ (354)	¥ —	¥ —	¥ 1,153
Accrued bonuses	1,432	140	—	2	1,574
Non-current assets	2,747	(849)	—	—	1,898
Retirement benefit liability	4,083	184	(71)	9	4,205
Unused tax losses	281	109	—	—	390
Other	3,879	(1,004)	(140)	15	2,751
Total	¥ 13,930	¥ (1,774)	¥ (210)	¥ 26	¥ 11,972
Deferred Tax Liabilities					
Non-current assets	(2,479)	965	—	—	(1,513)
Financial asset measured at fair value through other comprehensive income	(7,629)	—	(3,468)	—	(11,097)
Other	(1,912)	148	—	—	(1,764)
Total	¥ (12,019)	¥ 1,113	¥ (3,468)	¥ —	¥ (14,374)

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Millions of yen				
	April 1, 2018	Recognized through profit (loss)	Recognized through other comprehensive income	Other	**March 31, 2019**
Deferred Tax Assets					
Inventories	¥ 1,153	¥ (20)	¥ —	¥ —	**¥ 1,133**
Accrued bonuses	1,574	(18)	—	154	**1,710**
Non-current assets	1,898	58	—	—	**1,956**
Retirement benefit liability	4,205	426	(24)	173	**4,780**
Unused tax losses	390	(97)	—	132	**425**
Other	2,751	(50)	181	679	**3,562**
Total	¥ 11,972	¥ 299	¥ 157	¥ 1,138	**¥ 13,566**
Deferred Tax Liabilities					
Non-current assets	(1,513)	(111)	—	—	**(1,625)**
Financial asset measured at fair value through other comprehensive income	(11,097)	—	2,334	—	**(8,763)**
Other	(1,764)	243	0	(471)	**(1,992)**
Total	¥ (14,374)	¥ 132	¥ 2,334	¥ (471)	**¥ (12,380)**

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars				
	April 1, 2018	Recognized through profit (loss)	Recognized through other comprehensive income	Other	**March 31, 2019**
Deferred Tax Assets					
Inventories	$ 10,390	$ (180)	$ —	$ —	**$ 10,210**
Accrued bonuses	14,181	(160)	—	1,387	**15,408**
Non-current assets	17,104	522	—	—	**17,626**
Retirement benefit liability	37,888	3,839	(216)	1,556	**43,066**
Unused tax losses	3,513	(876)	—	1,190	**3,827**
Other	24,789	(451)	1,633	6,120	**32,092**
Total	$ 107,864	$ 2,694	$ 1,417	$ 10,253	**$ 122,228**
Deferred Tax Liabilities					
Non-current assets	(13,636)	(1,002)	—	—	**(14,638)**
Financial asset measured at fair value through other comprehensive income	(99,983)	—	21,027	—	**(78,956)**
Other	(15,892)	2,190	1	(4,246)	**(17,947)**
Total	$ (129,511)	$ 1,188	$ 21,028	$ (4,246)	**$ (111,542)**

(ii) Temporary Differences, etc. for Which Deferred Tax Assets Have Not Been Recognized

The Group assesses the recoverability of deferred tax assets in each period and recognizes deferred tax assets taking into account significant uncertainty on the recoverability of its deferred tax assets.

The amount of tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Unused tax losses	¥ 5,274	**¥ 8,211**	**$ 73,980**
Deductible temporary differences	3,128	**3,086**	**27,800**
Total	¥ 8,402	**¥ 11,297**	**$ 101,780**

Expiration schedule of tax losses carried forward for which no deferred tax asset is recognized is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Not later than one year	¥ 208	**¥ 88**	**$ 788**
Later than one year and not later than five years	1,159	**4,017**	**36,193**
Later than five year	3,907	**4,107**	**36,999**
Total	¥ 5,274	**¥ 8,211**	**$ 73,980**

The amount of taxable temporary differences pertaining to investments in subsidiaries, etc. for which deferred tax liabilities have not been recognized was ¥16,899 million as of March 31, 2018 and ¥26,338 million ($237,303 thousand) as of March 31, 2019, respectively. For these temporary differences, deferred tax liabilities have not been recognized because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2) Income Tax Expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Current tax expenses	¥ 10,566	**¥ 11,021**	**$ 99,301**
Deferred tax expenses	661	**(431)**	**(3,882)**
Total	¥ 11,227	**¥ 10,591**	**$ 95,419**

Deferred tax expenses include tax losses of ¥243 million ($2,191 thousand) which had not been recognized previously in the current consolidated fiscal year. Also, the amounts of benefits arising from temporary differences in past periods are included in the previous consolidated fiscal year and the current consolidated fiscal year, which were ¥304 million and ¥232 million ($2,095 thousand) respectively.

Differences between statutory income tax rates and average effective tax rates can be explained with following factors.

	%	
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**
Statutory income tax rate	30.9	**30.6**
Tax credit on experiment and research expenses	(3.6)	**(3.9)**
Differences in tax rates applied to foreign operations	(3.6)	**(2.2)**
Special deduction for reconstruction district	(0.2)	**(0.6)**
Share of loss (profit) of entities accounted for using equity method	(0.2)	**(0.4)**
Valuation allowance	0.3	**0.8**
Other	0.7	**(0.4)**
Average effective tax rate	24.3	**24.0**

(19) Borrowings and Other Financial Liabilities

1) Financial Liabilities

Borrowings and other financial liabilities consisted of the followings.

	Millions of yen		Thousands of U.S. dollars	%	
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**	Average interest rates	Payment Due
Current borrowings	¥ 18,901	**¥ 21,695**	**$ 195,465**	1.69%	—
Current portion of non-current borrowings	7,047	**11,824**	**106,536**	1.97%	—
Non-current borrowings	53,456	**50,777**	**457,492**	1.68%	Over one year within 7 years
Current lease obligations	523	**515**	**4,640**	—	—
Non-current lease obligation	1,674	**1,216**	**10,954**	—	Over one year within 9 years
Derivative liabilities	119	**17**	**152**	—	—
Other	—	**460**	**4,140**	—	—
Total	¥ 81,719	**¥ 86,503**	**$ 779,379**	—	—
Current liabilities	26,589	**34,051**	**306,793**	—	—
Non-current liabilities	55,130	**52,452**	**472,586**	—	—
Total	¥ 81,719	**¥ 86,503**	**$ 779,379**	—	—

Borrowings and lease obligations are classified as financial liabilities measured at cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

No restrictive financial covenants have been attached to the Group's borrowings.

Payment schedules of non-current borrowings are as follows:

	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Millions of yen	¥ 11,998	¥ 11,678	¥ 9,265	¥ 7,687	¥ 10,149	¥ 50,777
Thousands of U.S. dollars	$ 108,101	$ 105,217	$ 83,474	$ 69,261	$ 91,439	$ 457,492

2) Pledged Assets

The Company and its consolidated subsidiaries have pledged collateral under standard customary terms in standard borrowing contracts.

Pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Cash and cash equivalents	¥ 393	**¥ 590**	**$ 5,316**
Trade and other current receivables	4,884	**8,283**	**74,625**
Current inventories	2,170	**3,656**	**32,944**
Other current financial assets	0	**44**	**395**
Other current non-financial assets	837	**279**	**2,509**
Property, plant and equipment	12,098	**20,319**	**183,071**
Intangible assets	694	**671**	**6,045**
Non-current assets	2,007	**1,099**	**9,899**
Total	¥ 23,082	**¥ 34,940**	**$ 314,801**

Corresponding liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Current borrowings and current portion of non-current borrowings	¥ 1,912	**¥ 7,037**	**$ 63,400**
Non-current portion of non-current borrowings	4,203	**2**	**18**
Total	¥ 6,116	**¥ 7,039**	**$ 63,418**

3) Reconciliation of Liabilities Arising from Financing Activities

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	Millions of yen							
			Non-cash items					
	As of April 1, 2017	Cash flow	Business Combination	Acquisition	Exchange differences	Transfer between non-current and current	Other	As of March 31, 2018
Borrowings (non-current)	¥ 38,381	¥ 18,154	¥ 362	¥ —	¥ 232	¥ (4,779)	¥ 1,106	¥ 53,456
Borrowings (current)	23,740	(2,554)	37	—	(115)	4,779	60	25,947
Lease obligations	2,601	(667)	—	288	(32)	—	6	2,196
Total	¥ 64,723	¥ 14,933	¥ 399	¥ 288	¥ 85	¥ —	¥ 1,173	¥ 81,600

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Millions of yen							
			Non-cash items					
	As of April 1, 2018	Cash flow	Business Combination	Acquisition	Exchange differences	Transfer between non-current and current	Other	**As of March 31, 2019**
Borrowings (non-current)	¥ 53,456	**¥ 8,641**	**¥ 828**	**¥ —**	**¥ (586)**	**¥ (11,610)**	**¥ 48**	**¥ 50,777**
Borrowings (current)	25,947	**(9,323)**	**3,450**	**—**	**1,831**	**11,610**	**3**	**33,519**
Lease obligations	2,196	**(551)**	**0**	**63**	**23**	**—**	**(1)**	**1,731**
Total	¥ 81,600	**¥ (1,233)**	**¥ 4,278**	**¥ 63**	**¥ 1,268**	**¥ —**	**¥ 51**	**¥ 86,027**

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars							
			Non-cash items					
	As of April 1, 2018	Cash flow	Business Combination	Acquisition	Exchange differences	Transfer between non-current and current	Other	**As of March 31, 2019**
Borrowings (non-current)	$ 481,631	**$ 77,852**	**$ 7,457**	**$ —**	**$ (5,283)**	**$ (104,601)**	**$ 436**	**$ 457,492**
Borrowings (current)	233,782	**(83,995)**	**31,084**	**—**	**16,499**	**104,601**	**30**	**302,002**
Lease obligations	19,789	**(4,969)**	**4**	**566**	**207**	**—**	**(5)**	**15,593**
Total	$ 735,202	**$ (11,112)**	**$ 38,545**	**$ 566**	**$ 11,423**	**$ —**	**$ 462**	**$ 775,087**

(20) Trade and Other Payables

Trade and other payables are classified as financial liabilities measured at amortized cost. The breakdown is show below.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Trade Payable			
Notes and accounts payable-trade	¥ 82,942	**¥ 89,240**	**$ 804,033**
Other Payable			
Accounts payable-other, and accrued expenses	26,626	**28,134**	**253,481**
Other	735	**680**	**6,126**
Total	¥ 110,303	**¥ 118,053**	**$ 1,063,640**

(21) Employee Benefits

1) Outline of Post-Employment Benefit Plans

The Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans, and virtually all employees of these companies are covered by these plans. In Japan, as defined benefit plans under the Defined-Benefit Corporate Pension Act, defined benefit corporate pension plans and lump-sum retirement benefit plans have been operated. The amount of these benefits is calculated based on certain points, etc. given in accordance with service years and contribution. These pension plans are exposed to general investment risk, interest rate risk, inflation risk and others.

Funded defined benefit plans have been operated by a corporate pension fund that is legally separated from the Group in accordance with laws and regulations including Defined-Benefit Corporate Pension Act. The board of the corporate pension fund and the pension-managing trustee are required by laws and regulations to act in the best interests of plan participants, and are responsible for managing plan assets based on predetermined policies.

The management of plan assets is conducted based on basic asset allocation aimed to ensure stable revenue in the medium to long term within the limits of tolerable risks, in order to ensure the payment of pension benefits, etc. now and in the future. The basic asset allocation is periodically reviewed in order to respond to changes in the market environment and the funding position from initial assumptions made.

2) Defined Benefit Plans

(i) Reconciliation of Defined Benefit Plan Obligations and Plan Assets

The relationship between defined benefit plan obligations and plan assets, and net defined benefit liabilities and assets recorded in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Present value of funded retirement benefit obligation	¥ 37,795	**¥ 39,636**	**$ 357,116**
Fair value of plan assets	(36,227)	**(37,772)**	**(340,320)**
Subtotal	1,568	**1,864**	**16,796**
Present value of unfunded retirement benefit obligation	11,929	**12,503**	**112,650**
Total Net liability (asset) for retirement benefit	¥ 13,498	**¥ 14,367**	**$ 129,445**
Amounts on consolidated statement of financial position			
Retirement benefit liability	14,500	**15,870**	**142,987**
Retirement benefit asset	(1,003)	**(1,503)**	**(13,541)**
Total Net liability (asset) for retirement benefit	¥ 13,498	**¥ 14,367**	**$ 129,445**

(ii) Reconciliation of Present Value of Defined Benefit Plan Obligations

Increase or decrease in the present value of defined benefit plan obligations is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Balance of present value of retirement benefit obligation at the beginning of the fiscal year	¥ 50,124	**¥ 49,724**	**$ 448,008**
Service cost	2,461	**2,382**	**21,463**
Interest expense	221	**194**	**1,746**
Remeasurement			
Actuarial gains (losses) arising from changes in demographic assumptions	(487)	**(259)**	**(2,330)**
Actuarial gains (losses) arising from changes in financial assumptions	352	**444**	**4,003**
Benefits paid	(2,989)	**(2,600)**	**(23,430)**
Other	42	**2,254**	**20,307**
Balance of present value of retirement benefit obligation at the end of the fiscal year	¥ 49,724	**¥ 52,139**	**$ 469,766**

The weighted average duration of defined benefit plan obligations was 13.7 years in the fiscal year ended March 31, 2018 and 13.7 years in the fiscal year ended March 31, 2019.

(iii) Reconciliation of Fair Value of Plan Assets

Increase or decrease in the fair value of plan assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
The balance of fair value of plan assets at the beginning of the fiscal year	¥ 36,593	**¥ 36,227**	**$ 326,397**
Interest revenue	172	**177**	**1,594**
Remeasument			
Return on plan assets	95	**264**	**2,379**
Contributions paid by the employer	1,470	**1,620**	**14,593**
Benefits paid	(2,092)	**(2,027)**	**(18,265)**
Other	(12)	**1,512**	**13,621**
The balance of fair value of plan assets at the end of the fiscal year	¥ 36,227	**¥ 37,772**	**$ 340,320**

For contributions to defined benefit plans, contributions are determined by making an actuarial review periodically so that balanced budgets can be maintained in the future. In the actuarial review, the Group reviews assumptions related to the determination of contributions (such as expected rate of interest, expected mortality rate and expected withdrawal rate) and verifies the appropriateness of contributions determined.

The Group will make contributions of ¥1,600 million ($14,413 thousand) in the fiscal year ending March 31, 2020.

(iv) Items of Plan Assets

Plan assets consisted of the following items.

	Millions of yen					
	As of March 31, 2018			**As of March 31, 2019**		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total	Assets for which active market prices are available	Assets for which active market prices are not available	Total
Cash and cash equivalents	¥ 3,961	¥ —	¥ 3,961	**¥ 4,041**	**¥ —**	**¥ 4,041**
Equity instruments						
Domestic equity securities	1,042	—	1,042	**1,313**	**—**	**1,313**
Foreign equity securities	3,111	—	3,111	**3,540**	**—**	**3,540**
Debt instruments						
Domestic bonds	8,740	—	8,740	**9,279**	**—**	**9,279**
Foreign bonds	10,054	—	10,054	**10,249**	**—**	**10,249**
General accounts of life insurance	—	551	551	**—**	**650**	**650**
Alternative investments*	—	8,768	8,768	**—**	**8,700**	**8,700**
Total	¥ 26,908	¥ 9,319	¥ 36,227	**¥ 28,422**	**¥ 9,350**	**¥ 37,772**

*Alternative investments include hedge funds.

	Thousands of U.S. dollars		
	As of March 31, 2019		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total
Cash and cash equivalents	**$ 36,411**	**$ —**	**$ 36,411**
Equity instruments			
Domestic equity securities	**11,831**	**—**	**11,831**
Foreign equity securities	**31,891**	**—**	**31,891**
Debt instruments			
Domestic bonds	**83,599**	**—**	**83,599**
Foreign bonds	**92,346**	**—**	**92,346**
General accounts of life insurance	**—**	**5,855**	**5,855**
Alternative investments*	**—**	**78,388**	**78,388**
Total	**$ 256,078**	**$ 84,242**	**$ 340,320**

*Alternative investments include hedge funds.

(v) Main Components Used for Actuarial Assumption

	%	
	As of March 31, 2018	**As of March 31, 2019**
Discount rates (Weighted average)	0.44	**0.36**

(vi) Sensitivity Analysis

In the fiscal year ended March 31, 2019, a 0.5% increase (decrease) in the discount rate used in actuarial calculation would have resulted in a decrease (increase) in the present value of defined benefit plan obligations by ¥2,848 million ($25,661 thousand). This provisional calculation assumes that variables other than the assumptions used in the calculation are constant. In reality, since individual assumptions are affected by changes in economic indicators and conditions at the same time, the assumptions are expected to change independently or in a correlated fashion, and actual effects of such changes on defined benefit plan obligations may differ.

3) Defined Contribution Plans

The amount recognized as expenses in relation to defined contribution plans was ¥406 million in the fiscal year ended March 31, 2018 and ¥1,025 million ($9,234 thousand) in the fiscal year ended March 31, 2019.

4) Employee Benefits Expense

The total amount of employee benefits expense included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of profit or loss in the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019 was ¥2,865 million and ¥3,377 million ($30,424thousand), respectively.

(22) Other Liabilities

Other liabilities includes following items.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Other current liabilities			
Unearned revenue	¥ 4,860	**¥ 34**	**$ 307**
Contract liabilities	—	**5,969**	**53,780**
Accrued bonuses	4,523	**5,353**	**48,229**
Accrued consumption taxes	751	**752**	**6,777**
Other	2,473	**2,644**	**23,824**
Total	¥ 12,607	**¥ 14,752**	**$ 132,916**
Other non-current assets			
Provision for environmental measures	701	**929**	**8,366**
Other	1,778	**1,804**	**16,256**
Total	¥ 2,480	**¥ 2,733**	**$ 24,621**

(23) Equity and Other Equity Items

1) Share Capital and Capital Surplus

Capital surplus consists of legal capital surplus and other capital surplus.

The Companies Act of Japan (hereinafter the "Companies Act") stipulates that at least half of payment or contribution at the share issue shall be credited to share capital, and the remaining amount may be recorded as legal capital surplus included in capital surplus. In addition, under the Companies Act, legal capital surplus may be credited to share capital by resolution of the general meeting of shareholders.

Increase or decrease in the number of authorized shares and the number of issued shares is as follows:

	Number of shares authorized	Number of shares issued
As of April 1, 2017	696,061,000	226,074,545
Increase/Decrease	—	51,600
As of March 31, 2018	696,061,000	226,126,145
Increase/Decrease	—	—
As of March 31, 2019	**696,061,000**	**226,126,145**

(Notes) 1. All shares issued by the Company are ordinary shares with no rights limitations and without par value and restricted shares. Issued shares are fully paid up.
2. Major factors for the increase or decrease during the period are changes related to directors' remuneration.

2) Treasury Shares

The Companies Act stipulates that entities may determine the number of shares to be acquired, the total amount of acquisition price, etc. and acquire treasury shares by resolution of the general meeting of shareholders, to the extent of the distributable amount. Moreover, in the case of acquisition through market transactions or a takeover bid, treasury shares may be acquired by resolution of the Board of Directors within the requirements prescribed in the Companies Act in accordance with the provisions of the Articles of Incorporation.

Increase or decrease in the number of treasury shares is as follows:

	Number of shares
As of April 1, 2017	3,560,532
Increase/Decrease	(25,753)
As of March 31, 2018	3,534,779
Increase/Decrease	2,160,170
As of March 31, 2019	**5,694,949**

(Note) Increase or decrease during the period is mainly due to purchase of shares resolved at the Board of Directors.

3) Retained Earnings

Retained earnings consist of legal retained earnings and other retained earnings.

The Companies Act stipulates that one tenth of the amount paid as dividends of surplus shall be reserved as legal capital surplus or legal retained earnings until the sum of legal capital surplus included in capital surplus and legal retained earnings included in retained earnings reaches one quarter of share capital. Accumulated legal retained earnings may be appropriated to cover a deficit. It is specified that legal retained earnings may be reversed by resolution of general meeting of shareholder.

4) Other Components of Equity

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	Millions of yen						
	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2017	¥ 17,213	¥ (8)	¥ (1,198)	¥ —	¥ —	¥ —	¥ 16,006
Other comprehensive income	8,034	79	1,822	110	—	—	10,045
Total comprehensive income	8,034	79	1,822	110	—	—	10,045
Share-based remuneration plan	—	—	—	—	(25)	—	(25)
Transfer from other components of equity to retained earnings	(183)	—	—	(110)	—	—	(292)
Changes in non-controlling interests	—	—	4	—	—	—	4
Other movements	—	—	(206)	—	—	(460)	(666)
Total transactions with owners, etc.	(183)	—	(202)	(110)	(25)	(460)	(980)
As of March 31, 2018	¥ 25,064	¥ 70	¥ 422	¥ —	¥ (25)	¥ (460)	¥ 25,071

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Millions of yen						
	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2018	¥ 25,064	¥ 70	¥ 422	¥ —	¥ (25)	¥ (460)	¥ 25,071
Other comprehensive income	(4,754)	(40)	(770)	60	—	—	(5,505)
Total comprehensive income	(4,754)	(40)	(770)	60	—	—	(5,505)
Share-based remuneration plan	—	—	—	—	(1)	—	(1)
Transfer from other components of equity to retained earnings	(629)	—	—	(60)	—	—	(689)
Acquisition from business combination	(173)	—	54	—	—	—	(119)
Other movements	(0)	—	1	—	—	—	1
Total transactions with owners, etc.	(802)	—	55	(60)	(1)	—	(808)
As of March 31, 2019	**¥ 19,508**	**¥ 30**	**¥ (293)**	**¥ —**	**¥ (26)**	**¥ (460)**	**¥ 18,758**

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars						
	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2018	$ 225,822	$ 632	$ 3,799	$ —	$ (226)	$ (4,140)	$ 225,887
Other comprehensive income	(42,834)	(365)	(6,939)	538	—	—	(49,600)
Total comprehensive income	(42,834)	(365)	(6,939)	538	—	—	(49,600)
Share-based remuneration plan	—	—	—	—	(11)	—	(11)
Transfer from other components of equity to retained earnings	(5,666)	—	—	(538)	—	—	(6,204)
Acquisition from business combination	(1,560)	—	488	—	—	—	(1,072)
Other movements	(3)	—	9	—	—	—	7
Total transactions with owners, etc.	(7,229)	—	498	(538)	(11)	—	(7,280)
As of March 31, 2019	**$ 175,760**	**$ 267**	**$ (2,643)**	**$ —**	**$ (237)**	**$ (4,140)**	**$ 169,007**

(a) Exchange Differences on Translation of Foreign Operations

They represent translation differences on foreign operations' financial statements.

(b) Net Change in Financial Assets Measured at Fair Value through Other Comprehensive Income

It represents valuation differences on fair value of equity instruments measured at fair value through other comprehensive income.

(c) Net Change in Fair Value of Cash Flow Hedges

It represents change in profit or loss on valuation of derivatives as hedging instruments that were recorded in the statement of comprehensive income on and before the date of cessation of hedge accounting.

(d) Remeasurements of Defined Benefit Liabilities (Assets)

Remeasurements of defined benefit liabilities (assets) are changes in actuarial differences, return on plan assets (excluding the amount included in interest revenue) and the effect of the asset ceiling (excluding the amount included in interest revenue). Actuarial differences are adjustments based on actual results related to defined benefit plan obligations (differences between actuarial assumptions at the beginning of the period and actual results) and the effect of changes in actuarial assumptions. These items are recognized in other comprehensive income when they arise, and immediately transferred from other components of equity to retained earnings.

(e) Restricted Shares

Under the restricted share-based remuneration plan, monetary remuneration to be used as contributed properties for restricted shares is provided. The amount equivalent to fair value of remuneration determined at the initial recognition is recorded in share capital, and recognized as the amount debited to other components of equity. Over the vesting period, other components of equity recognized as the debited amount are deducted at the time when remuneration cost is recognized.

Details of the restricted share-based remuneration plan are provided in the note "(31) Share-Based Remuneration."

(24) Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 16, 2017	Ordinary shares	¥ 5,563million	¥ 25	March 31, 2017	June 19, 2017	Retained Earnings
Board of Directors Meeting on October 30, 2017	Ordinary shares	¥ 5,564 million	¥ 25	September 30, 2017	November 30, 2017	Retained Earnings

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 15, 2018	**Ordinary shares**	**¥ 5,565million ($ 50,138 thousand)**	**¥ 25 ($ 0.23)**	**March 31, 2018**	**June 18, 2018**	**Retained Earnings**
Board of Directors Meeting on October 29, 2018	**Ordinary shares**	**¥ 6,610 million ($ 59,556 thousand)**	**¥ 30 ($ 0.27)**	**September 30, 2018**	**November 28, 2018**	**Retained Earnings**

Dividends of which record dates belong to the current consolidated fiscal year and of which effective dates of dividends fall after the end of the current consolidated fiscal year are as follows:

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 15, 2018	Ordinary shares	¥ 5,565 million	¥ 25	March 31, 2018	June 18, 2018	Retained Earnings

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 18, 2019	**Ordinary shares**	**¥ 6,613 million ($ 59,581 thousand)**	**¥ 30 ($0.27)**	**March 31, 2019**	**June 19, 2019**	**Retained Earnings**

(25) Revenue

1) Disaggregation of Revenue

Regarding the revenue arising from contracts with the Group's customers, the breakdown of revenue into domestic and overseas and its relation to the reportable segments are as follows.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

		Millions of yen		
		Domestic	Overseas	Total
	Elastomers	¥ 118,016	¥ 82,720	¥ 200,736
	Plastics	60,840	44,606	105,446
	Digital Solutions	30,995	111,221	142,216
Reporting Segments	Semiconductor Materials	17,056	59,044	76,100
	Display Materials	5,557	47,114	52,671
	Edge Computing Materials	8,382	5,063	13,445
	Life Sciences	9,038	34,834	43,872
Other		1,819	2,655	4,475
Total		¥ 220,709	¥ 276,036	¥ 496,745
Adjustment		1	—	1
Amount Recorded in the Consolidated Financial Statements		¥ 220,710	¥ 276,036	¥ 496,746

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

		Thousands of U.S. dollars		
		Domestic	Overseas	Total
	Elastomers	$ 1,063,302	$ 745,295	$ 1,808,597
	Plastics	548,160	401,891	950,051
	Digital Solutions	279,262	1,002,080	1,281,342
Reporting Segments	Semiconductor Materials	153,669	531,979	685,648
	Display Materials	50,069	424,487	474,556
	Edge Computing Materials	75,524	45,614	121,138
	Life Sciences	81,434	313,846	395,281
Other		16,391	23,926	40,316
Total		$ 1,988,549	$ 2,487,037	$ 4,475,586
Adjustment		10	—	10
Amount Recorded in the Consolidated Financial Statements		$ 1,988,559	$ 2,487,037	$ 4,475,596

(i) Elastomers Business

In Elastomers business, the Group manufactures and sells general-purpose synthetic rubber products for automobile tires, functional special synthetic rubber for automobile components, thermoplastic elastomers for modifying plastics, and synthetic rubber latex for coated paper, etc.

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(ii) Plastics Business

In Plastics business, the Group manufactures and sells ABS and other resins for automobiles, office equipment, and amusement applications, etc.

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(iii) Digital Solutions Business

In Digital Solutions business, the Group manufactures and sells semiconductor materials, display materials, and products related to edge computing, etc.

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(iv) Life Sciences Business

(a) Manufacturing and Sale of In-vitro Diagnostics and Research Reagents, Related Materials, and Bioprocess Materials

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(b) Contract Development and Manufacturing for Bioprocess, etc.

The Group renders services in the contract research and manufacturing businesses related to bioprocess, etc.

For rendering of services, the Group recognizes revenue at over time with fulfillment of performance obligation based on the contract between the Group and the customer.

2) Liabilities Arising from Contracts with the Customers

The Group recognizes unearned revenue arising from contracts with the customers as contract liabilities.

The Group recognized all balances of contract liabilities at the beginning of the current fiscal year as revenue in that year.

Also, in the current consolidated fiscal year, there is no significant amount of revenue arisen from the performance obligations which were satisfied in the past periods.

There are no significant changes in the contract liabilities in the current consolidated fiscal year.

3) Transaction Price Allocated to the Remaining Performance Obligations

The Group applies the practical expedient and omits information on the remaining performance obligations because there are no significant transactions with initial expected contractual terms exceeding one year.

There are no significant amounts of consideration from contracts with customers that are not included in transaction prices.

The consideration does not include a significant financing component, since the consideration for transaction prices is mainly collected within one year from the time of delivery of products and merchandise to customers or the agreement based on the contract such as milestone achievement.

4) Assets Recognized from the Costs of Obtaining or Fulfilling Contracts with Customers

There is no significance in the amount of assets recognized from the costs incurred to obtain or fulfill a contract with a customer in the current consolidated fiscal year.

The Group applies the practical expedient of recognizing the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

(26) Selling, General and Administrative Expenses

1) Major items in selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Transportation and warehousing expenses	¥ 8,776	**¥ 11,712**	**$ 105,526**
Salaries and allowances	18,949	**23,613**	**212,748**
Retirement benefit expenses	860	**1,489**	**13,418**
Experiment and research expenses	20,678	**24,318**	**219,104**
Depreciation	2,320	**3,489**	**31,437**
Supplies expenses	3,695	**4,025**	**36,266**
Business consignment expenses	3,631	**3,440**	**30,998**
Other	28,067	**30,993**	**279,238**
Total	¥ 86,977	**¥ 103,080**	**$ 928,735**

2) Amount of research and development expense included in general and administrative expenses and manufacturing costs

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Research and development expense	¥ 20,322	**¥ 24,733**	**$ 222,836**

(27) Other Operating Income and Expenses

Other operating Income consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Gain on sales of non-current assets	¥ 170	**¥ 52**	**$ 465**
Rent income	94	**90**	**809**
Gain on bargain purchase	441	**—**	**—**
Settlement received	602	**266**	**2,395**
Other	954	**1,316**	**11,858**
Total	¥ 2,262	**¥ 1,723**	**$ 15,527**

Other operating expenses consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Loss on abandonment of non-current assets	¥ 921	**¥ 237**	**$ 2,137**
Loss on sales of non-current assets	11	**21**	**193**
Impairment loss	—	**438**	**3,948**
Provision for environmental measures	—	**399**	**3,593**
Extra payments for early retirements	—	**199**	**1,796**
Other	1,255	**1,600**	**14,414**
Total	¥ 2,187	**¥ 2,895**	**$ 26,082**

(28) Financial Income and Costs

Financial income consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Financial assets measured at amortized cost			
Interest income	¥ 238	**¥ 222**	**$ 2,001**
Equity financial assets measured at fair value through other comprehensive income			
Dividend income	2,083	**1,409**	**12,691**
Foreign exchange gains	1,338	**868**	**7,825**
Total	¥ 3,659	**¥ 2,499**	**$ 22,515**

Financial costs consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
Financial liabilities measured at amortized cost			
Interest expenses	¥ 1,022	**¥ 1,352**	**$ 12,184**
Total	¥ 1,022	**¥ 1,352**	**$ 12,184**

(29) Other Comprehensive Income

Changes in items of other comprehensive income are shown below.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	Millions of yen				
	Amount incurred	Reclassification	Before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	¥ 11,588	¥ —	¥ 11,588	¥ (3,541)	¥ 8,046
Remeasurements of defined benefit plans	230	—	230	(71)	160
Share of other comprehensive income of investments accounted for using equity method	(50)	—	(50)	—	(50)
Total	11,768	—	11,768	(3,612)	8,156
Items that may be reclassified to profit or loss					
Cash flow hedges	95	59	154	—	154
Exchange differences on translation of foreign operations	1,001	—	1,001	—	1,001
Share of other comprehensive income of investments accounted for using equity method	1,581	—	1,581	—	1,581
Total	2,677	59	2,736	—	2,736
Total	¥ 14,445	¥ 59	¥ 14,504	¥ (3,612)	¥ 10,892

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Millions of yen				
	Amount incurred	Reclassification	Before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	**¥ (6,813)**	**¥ —**	**¥ (6,813)**	**¥ 2,135**	**¥ (4,678)**
Remeasurements of defined benefit plans	**78**	**—**	**78**	**(24)**	**54**
Share of other comprehensive income of investments accounted for using equity method	**5**	**—**	**5**	**—**	**5**
Total	**(6,729)**	**—**	**(6,729)**	**2,111**	**(4,618)**
Items that may be reclassified to profit or loss					
Cash flow hedges	**(30)**	**(49)**	**(79)**	**—**	**(79)**
Exchange differences on translation of foreign operations	**476**	**—**	**476**	**—**	**476**
Share of other comprehensive income of investments accounted for using equity method	**(1,213)**	**—**	**(1,213)**	**—**	**(1,213)**
Total	**(768)**	**(49)**	**(817)**	**—**	**(817)**
Total	**¥ (7,497)**	**¥ (49)**	**¥ (7,546)**	**¥ 2,111**	**¥ (5,435)**

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars				
	Amount incurred	Reclassification	Before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	**$ (61,380)**	**$ —**	**$ (61,380)**	**$ 19,235**	**$ (42,145)**
Remeasurements of defined benefit plans	**706**	**—**	**706**	**(216)**	**490**
Share of other comprehensive income of investments accounted for using equity method	**48**	**—**	**48**	**—**	**48**
Total	**(60,626)**	**—**	**(60,626)**	**19,019**	**(41,607)**
Items that may be reclassified to profit or loss					
Cash flow hedges	**(272)**	**(443)**	**(715)**	**—**	**(715)**
Exchange differences on translation of foreign operations	**4,285**	**—**	**4,285**	**—**	**4,285**
Share of other comprehensive income of investments accounted for using equity method	**(10,931)**	**—**	**(10,931)**	**—**	**(10,931)**
Total	**(6,917)**	**(443)**	**(7,360)**	**—**	**(7,360)**
Total	**$ (67,544)**	**$ (443)**	**$ (67,986)**	**$ 19,019**	**$ (48,967)**

(30) Earnings per Share

	Fiscal year ended March 31, 2018	**Fiscal year ended March 31, 2019**	**Fiscal year ended March 31, 2019**
1) Basic earnings per share	¥ 149.32	**¥ 140.62**	**$ 1.27**
(Basis of calculation)			
Profit attributable to owners of parent	¥ 33,230 million	**¥ 31,116 million**	**$ 280,348 thousand**
Average shares outstanding during the year (1,000 shares)	222,551	**221,276**	**221,276**
2) Diluted earnings per share	¥148.89	**¥140.27**	**$ 1.26**
(Basis of calculation)			
Increase in common stock due to stock options (1,000 shares)	637	**551**	**551**
Average diluted shares outstanding during the year (1,000 shares)	223,187	**221,827**	**221,827**

(31) Share-Based Remuneration

1) Stock Options

(i) Overview of Share-Based Remuneration Plan

The Group operated an equity-settled share-based remuneration plan where the Group received services from directors, executive officers, and employees and paid equity instruments (options) as consideration thereof until June 2018.

The fair value on the date the option was granted under the plan is recognized as an expense over the option's vesting period and the same amount is recorded as an increase of equity. The plan was terminated in June 2018 (however, of share acquisition rights as share-based stock options that were already granted to directors, etc., those share acquisition rights which have not been exercised will be continued).

(ii) Number and Weighted Average Exercise Prices of Stock Options

	Shares	Yen	Shares	Yen
	Fiscal year ended March 31, 2018		**Fiscal year ended March 31, 2019**	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning	642,100	¥ 1	**615,300**	**¥ 1**
Granted	—	—	**—**	**—**
Exercised	(26,800)	1	**(135,100)**	**1**
Forfeited	—	—	**—**	**—**
Expired	—	—	**—**	**—**
Outstanding at the end	615,300	1	**480,200**	**1**
Exercisable at the end	364,500	1	**267,700**	**1**

The weighted average share price as of the exercise date of stock options exercised during the period was ¥2,353 and ¥1,784 ($16.07) in the fiscal years ended March 31, 2018 and 2019, respectively.

In the fiscal years ended March 31, 2018 and 2019, the exercise price of unexercised stock options was ¥1 each. The weighted average remaining contract terms in the fiscal years ended March 31, 2018 and 2019 were 10.7 years and 11.0 years, respectively, for the unexercised balance at the end of the fiscal year, and 12.3 years and 12.3 years, respectively, for the exercisable balance at the end of the fiscal year.

2) Restricted Share-Based Remuneration Plan

The Group employs the restricted share-based remuneration plan in order to further promote sharing of values with shareholders and establish a remuneration structure that contributes to sustained improvement in corporate value in the medium to long term. Under this plan, to grant restricted shares to directors, excluding outside directors, and executive officers (hereinafter “Eligible Directors, etc.”), the Company is to provide the Eligible Directors, etc. with claims for monetary remuneration in principle in each period and have them contribute these claims in kind as contributed properties to the Company. Accordingly, the Company is to issue or dispose of ordinary shares of the Company to the Eligible Directors, etc. and make them hold the shares.

The Company enters into an agreement with Eligible Directors, etc. for allotment of restricted shares, and Eligible Directors, etc. cannot transfer, pledge or dispose of in any other way shares granted under the allotment agreement at will during a given period of time stipulated in the agreement (hereinafter the “Transfer Restriction Period”) (hereinafter, the “Transfer Restriction”). The Transfer Restriction is lifted for all shares held by Eligible Directors, etc. when the Transfer Restriction Period expires, on the condition that the Eligible Directors, etc. continued to hold a position of directors, executive officers, audit & supervisory board members, employees, or any other equivalent position of the Company or its subsidiaries during the Transfer Restriction Period. On the other hand, under this structure, shares for which the Transfer Restriction has not been lifted at the time when the Transfer Restriction Period expires are acquired by the Company without any payment in principle.

Details of restricted shares granted during the period are as follows:

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Number of restricted shares granted	56,200 shares
Fair value on the grant date	¥1,870 per share ($16.85 per share)
Calculation method for fair value measurement	Calculated on the basis of closing price of ordinary shares of the Company at the Tokyo Stock Exchange on the business day proceeding the date when the Board of Directors adopted a resolution.
Transfer Restriction Period	3 years

3) Share-Based Remuneration Expense

The amount of share-based remuneration expense included in “selling, general and administrative expenses” on the consolidated statement of profit or loss was, ¥98 million in fiscal year ended March 31,2018 and ¥104 million ($936 thousand) in fiscal year ended in March 31, 2019, respectively.

(32) Financial Instruments

1) Capital Management Policy

The Group considers it vitally important to improve corporate performance on a long-term basis and achieve improvement in corporate value in the medium to long term by strengthening its research and development activities from a long-term viewpoint and enhancing competitiveness through development of new businesses. For capital efficiency, the Group monitors ROE on a timely basis.

2) Financial Risks

The Group is exposed to financial risks related to operating activities (market risk, credit risk and liquidity risk), and conducts risk management based on certain policy to avoid or mitigate effects of the risks. For fund management, approval of the Company's Board of Directors is received in principle at the beginning of each period. Transactions and risk management during the period are principally conducted based on internal management regulations. The Group uses derivatives to avert risks described below, and as its policy, does not perform any speculative transaction.

(i) Market Risks

(a) Exchange Rate Risks

The Group operates business globally and sells products manufactured by the Company and each subsidiary and others abroad. Thus, the Group is exposed to the risk that profit or loss, cash flows, etc. are affected by fluctuations in exchange rates.

To avoid exchange rate risks, the Group mainly utilizes foreign exchange forward contracts as derivative transactions for trade receivables and payables denominated in foreign currencies.

The Company's responsible department manages risks in accordance with the derivative transaction management regulations that specify authority for transactions, maximum amount, etc. and reports monthly trading results to responsible Directors.

Details of currency derivatives are as follows:

Derivative Transactions which Hedge Accounting is Not Applied

	Millions of yen					
	As of March 31, 2018			**As of March 31, 2019**		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
U.S. dollar						
Forward exchange contracts						
Purchase	¥ 1,454	¥ —	¥ (33)	**¥ 911**	**¥ —**	**¥ (3)**
Sell	2,336	—	27	**6,543**	**—**	**(34)**
Total	¥ 3,790	¥ —	¥ (6)	**¥ 7,454**	**¥ —**	**¥ (37)**

	Thousands of U.S. dollars		
	As of March 31, 2019		
	Contracted Amount	Later than one year	Fair value
U.S. dollar			
Forward exchange contracts			
Purchase	**$ 8,204**	**$ —**	**$ (28)**
Sell	**58,951**	**—**	**(307)**
Total	**$ 67,155**	**$ —**	**$ (335)**

Although the Group does not apply hedge accounting to these derivative transactions, it considers that the transactions effectively offset effects of exchange fluctuations.

Exposure to Exchange Rate Risks

The Group's exposure of Japanese yen, Korean won and Thai baht as functional currencies against US dollar, the major foreign currency, is as follows. These amounts are after deduction of amounts of exchange rate risks hedged through derivative transactions, etc.

	Millions of yen		Thousands of U.S. dollars
Functional Currency	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Japanese yen	¥ 14,702	**¥ 6,232**	**$ 56,145**
Korean won	3,998	**4,753**	**42,825**
Thai baht	(11,231)	**4,008**	**36,115**

Foreign Exchange Sensitivity Analysis

With regard to foreign currency receivables and payables held by the Group at the end of each fiscal year, effects of 1% depreciation of US dollar against each functional currency on profit before tax in the consolidated statement of profit or loss are as follows. If each currency moves inversely, this will have effects opposite to and at the same amount as the table below. The calculation is based on the assumption that currencies other than the currency used do not fluctuate.

	Millions of yen		Thousands of U.S. dollars
Functional Currency	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Japanese yen (weak U.S. dollar)	¥ (147)	**¥ (62)**	**$ (561)**
Korean won (weak U.S. dollar)	(40)	**(48)**	**(428)**
Thai baht (weak U.S. dollar)	112	**(40)**	**(361)**

The Group hedges against the risk of exchange rate fluctuations regarding net investment in foreign operations by using foreign currency borrowings. The Group designates it as hedges of net investment.

(b) Equity Price Risks

Equity instruments held by the Group are principally shares of companies with which the Group has business relationships. These shares were acquired to expand businesses mutually and enhance the transaction relationships, and the Group does not hold the shares for the purpose of short-term trading.

Equity instruments include listed shares and unlisted shares. The Group periodically monitors market value, financial conditions of the issuers (business partners), etc. and reviews the ownership in light of the relationships with the business partners.

If the share price increases (decreases) by 5% with other changing factors remaining constant, other components of equity (net of related tax effects) will increase (decrease) by ¥1,889 million ($17,022 thousand) for the fiscal year ended March 31, 2019 (fiscal year ended March 31, 2018: ¥2,332 million) due to the change in fair value.

(c) Interest Rate Risks

The Group is exposed to interest rate fluctuation risks because it receives variable-rate loans from financial institutions.

For variable-rate, long-term borrowings involving interest rate fluctuation risks, the Group mitigates the risks by fixing cash flows using interest rate swap transactions, and applies cash flow hedges.

Exposure to interest rate fluctuation risks for the Group is limited, and effects of interest rate fluctuations are insignificant.

(ii) Credit Risks

The Group's trade and other receivables, other financial assets, etc. are exposed to credit risks of customers.

The Group establishes terms of collection and credit limit for transaction partners. In addition, the Group confirms the credit status periodically by obtaining the latest credit report on transaction partners from external organizations where necessary and analyzing the report as well as past results of collection and other factors. If it is considered that there is any change or abnormality in the credit status as a result of the confirmation, measures for protection of receivables are taken appropriately, including change in the credit limit, modification of the terms of collection or obtaining transaction credit insurance.

In the execution of derivative transactions, the Group conducts transactions only with financial institutions with high credit ratings in principle to mitigate credit risks.

The Group classifies receivables, etc. based on nature of the credit risk to calculate loss allowance.

In terms of trade receivables that do not include significant financial components, the loss allowance is always determined as the same amount as lifetime expected credit loss (simplified approach). The amount of expected credit loss is calculated by classifying receivables, etc. according to nature of the credit risk of the counterparty and multiplying the receivables amount by the allowance rate set according to the classification. This allowance rate is set in view of the probability of future occurrence of credit loss based on external credit reports.

In terms of other receivables, etc., the loss allowance is measured as the same amount as the 12-month expected credit loss in principle. The amount of expected credit loss is calculated by multiplying the gross carrying amount by the allowance rate established as stated above, in accordance with the general approach.

Of other receivables, etc., in terms of assets for which the credit risk has significantly increased from the initial recognition, including the case where the receivable is past due for payment, and credit-impaired financial assets, the loss allowance is recognized at the same amount as lifetime expected credit loss. In doing so, the amount of expected credit loss is determined as the difference between the present value, which is calculated by discounting future estimated cash flows using the original effective interest rate for the asset, and the gross carrying amount.

Gross carrying amount and loss allowance of financial assets for which loss allowance is recognized are as shown below. Investments (debt financial assets) and time deposits are excluded from the table below as those are judged as they are not exposed to credit risks.

	Millions of yen		Thousands of U.S. dollars
	Gross carrying amount		
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Trade and other receivables			
Measured at 12-month expected credit losses	¥ 20,520	**¥ 18,321**	**$ 165,066**
Measured at lifetime expected credit losses	287	**0**	**0**
Measured by simplified approach	99,059	**117,573**	**1,059,315**
Other financial assets			
Measured at 12-month expected credit losses	2,783	**2,884**	**25,986**
Measured at lifetime expected credit losses	390	**309**	**2,785**

* Financial assets for which loss allowance is measured at the amount equivalent to lifetime expected credit loss are principally credit-impaired financial assets.

* Credit risk rating:
For financial assets for which loss allowance is measured at 12-month expected credit loss, the credit risk rating for expected credit loss (assets to which the simplified approach is applied also correspond to this) is relatively high compared to financial assets for which loss allowance is measured at the amount equivalent to lifetime expected credit loss, and the credit rating of financial assets falling in the same category is basically the same.

	Millions of yen				
	Loss Allowance				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses
As of April 1, 2017	¥ —	¥ 410	¥ 237	¥ 1	¥ 433
Increase	—	77	16	—	54
Decrease (Utilization)	—	(220)	—	—	—
Decrease (Reversal)	—	(13)	(15)	(0)	(35)
Other	—	10	34	—	(62)
As of March 31, 2018	¥ —	¥ 263	¥ 273	¥ 1	¥ 390
Increase	—	—	196	—	4
Decrease (Utilization)	—	—	(339)	—	(30)
Decrease (Reversal)	—	(17)	(137)	(0)	(54)
Other	—	(246)	624	—	(1)
As of March 31, 2019	**¥ —**	**¥ 0**	**¥ 618**	**¥ 1**	**¥ 309**

	Thousands of U.S. dollars				
	Loss Allowance				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at life-time expected credit losses	Measured by simpli-fied approach	Measured at 12-month expected credit losses	Measured at life-time expected credit losses
As of March 31, 2018	$ —	$ 2,370	$ 2,461	$ 6	$ 3,517
Increase	—	—	1,770	—	37
Decrease (Utilization)	—	—	(3,054)	—	(274)
Decrease (Reversal)	—	(151)	(1,231)	(1)	(483)
Other	—	(2,220)	5,621	—	(13)
As of March 31, 2019	**$ —**	**$ 0**	**$ 5,567**	**$ 5**	**$ 2,785**

* There is no significant change in gross carrying amount that could affect a change in loss allowance.

The maximum exposure for credit risk of financial assets is the carrying amount presented in the consolidated statement of financial position.

With regard to debt guarantees, the maximum exposure for credit risk is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Guarantee Obligation	¥ 2,764	**¥ 3,032**	**$ 27,320**

* Loss allowance related to losses that could arise due to performance of a debt guarantee contract has not been recorded.

(iii) Liquidity Risks

Liquidity risks are the risk that the Group cannot execute a payment on the due date. Funds of the Group as a whole are in a position of net cash where funds held exceed borrowings. The Group formulates a financial plan based on the annual business plan, and then manages liquidity risks by ensuring an appropriate balance between direct and indirect financing and between short-term and long-term financing to prepare for these risks.

The balance of financial liabilities of the Group by maturity is as follows:

	Millions of yen							
As of March 31, 2018	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	¥ 110,303	¥ 110,303	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 110,303
Borrowings	79,404	26,163	11,633	11,654	11,079	8,695	11,732	80,956
Derivative liabilities	119	119	—	—	—	—	—	119
Other	2,196	520	456	344	320	286	271	2,196
Total	¥ 192,022	¥ 137,105	¥ 12,089	¥ 11,998	¥ 11,399	¥ 8,981	¥ 12,003	¥ 193,574

	Millions of yen							
As of March 31, 2019	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	**¥ 118,053**	**¥ 118,053**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 118,053**
Borrowings	**84,296**	**33,818**	**12,910**	**11,697**	**10,093**	**7,849**	**10,182**	**86,549**
Derivative liabilities	**17**	**17**	**—**	**—**	**—**	**—**	**—**	**17**
Other	**1,731**	**515**	**309**	**267**	**230**	**203**	**207**	**1,731**
Total	**¥ 204,097**	**¥ 152,403**	**¥ 13,219**	**¥ 11,964**	**¥ 10,323**	**¥ 8,052**	**¥ 10,389**	**¥ 206,350**

	Thousands of U.S. dollars							
As of March 31, 2019	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	**$ 1,063,640**	**$ 1,063,640**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,063,640**
Borrowings	**759,493**	**304,696**	**116,319**	**105,385**	**90,935**	**70,717**	**91,740**	**779,792**
Derivative liabilities	**152**	**152**	**—**	**—**	**—**	**—**	**—**	**152**
Other	**15,593**	**4,640**	**2,782**	**2,404**	**2,074**	**1,831**	**1,863**	**15,593**
Total	**$ 1,838,878**	**$ 1,373,127**	**$ 119,101**	**$ 107,788**	**$ 93,009**	**$ 72,548**	**$ 93,603**	**$ 1,859,177**

3) Fair Value of Financial Instruments

The Group classifies financial instruments into the following three levels in the fair value hierarchy according to the observability of inputs used for fair value measurement in markets:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: Directly or indirectly observable inputs that are not included in Level 1
Level 3: Fair value that is determined using a valuation technique including unobservable inputs

Carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	Millions of yen				Thousands of U.S. dollars	
	As of March 31, 2018		**As of March 31, 2019**		**As of March 31, 2019**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loans payable	¥ 60,503	¥ 60,360	**¥ 62,601**	**¥ 61,868**	**$ 564,028**	**$ 557,418**

The above figures include balances to be collected within one year or to be repaid and redeemed within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value are not included in the table above.

For fair value of long-term borrowings, the method where the fair value is calculated by discounting the total amount of principal and interest using the interest rate assumed for a similar new loan is used.

Borrowings are classified as Level 3 in the fair value hierarchy.

Assets and liabilities measured at fair value by the Group are as follows:

	Millions of yen			
As of March 31, 2018	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	¥ —	¥ —	¥ 4,620	¥ 4,620
Derivatives	—	22	—	22
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	46,636	—	10,011	56,646
Financial assets defined as hedging instruments				
Derivatives	—	138	—	138
Total	¥ 46,636	¥ 160	¥ 14,631	¥ 61,426
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	119	—	119
Total	¥ —	¥ 119	¥ —	¥ 119

	Millions of yen			
As of March 31, 2019	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	**¥ —**	**¥ —**	**¥ 4,570**	**¥ 4,570**
Derivatives	**—**	**1**	**—**	**1**
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	**37,786**	**—**	**12,649**	**50,434**
Financial assets defined as hedging instruments				
Derivatives	**—**	**58**	**—**	**58**
Total	**¥ 37,786**	**¥ 60**	**¥ 17,219**	**¥ 55,064**
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	**—**	**17**	**—**	**17**
Total	**¥ —**	**¥ 17**	**¥ —**	**¥ 17**

As of March 31, 2019	Thousands of U.S. dollars Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	$ —	$ —	$ 41,179	$ 41,179
Derivatives	—	13	—	13
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	340,443	—	113,962	454,405
Financial assets defined as hedging instruments				
Derivatives	—	524	—	524
Total	$ 340,443	$ 537	$ 155,141	$ 496,121
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	152	—	152
Total	$ —	$ 152	$ —	$ 152

(Note) Other than the above assets and liabilities, the Company has entered into an agreement with non-controlling shareholders that the Company purchases all interests held by the non-controlling shareholders under certain terms and conditions. With regard to the obligations to purchase these interests, ¥460 million ($4,140 thousand) that is the present value of the purchase amount has been recognized as financial liabilities. These are classified as Level 3 in the fair value hierarchy.

Transfer between levels in the fair value hierarchy is recognized on the day when the event or change in circumstances that caused the transfer occurred. In each fiscal year, there was no significant transfer between Level 1 and Level 2 in the fair value hierarchy.

Changes in financial instruments classified as Level 3 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	**Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**	**Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**
Balance at the beginning	¥ 6,536	**¥ 14,631**	**$ 131,823**
Total gains and losses	2,165	**195**	**1,753**
Profit or loss	32	**(53)**	**(482)**
Other comprehensive income(Note)	2,133	**248**	**2,234**
Purchase	4,515	**3,430**	**30,905**
Selling	(673)	**—**	**—**
Other	2,088	**(1,037)**	**(9,340)**
Balance at the end	¥ 14,631	**¥ 17,219**	**$ 155,141**

(Note) Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as at the reporting date. These gains and losses are included in "net change in financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial assets and liabilities classified as Level 2 are derivative transactions related to foreign exchange forward contracts, interest rate swaps, etc. Fair value of foreign exchange forward contracts, interest rate swaps, etc. is calculated based on observable market data such as interest rate presented by financial institutions with which the Group has transactions and others.

Financial assets classified as Level 3 are mainly unlisted shares.

With regard to valuation of unlisted shares, principally, the fair value is measured taking into account future profitability or cash flows of the investees comprehensively. The results are reviewed and approved by a person with appropriate authority. For financial instruments classified as Level 3, an increase or decrease in fair value if unobservable inputs are changed to reasonably possible alternative assumptions is not significant.

4) Hedge Accounting

Effects of hedging instruments designated as hedge on the Group's consolidated statement of financial position are as follows:

As of March 31, 2018	Millions of yen			
	Notional principal of hedging instruments	Carrying amount of hedging instruments: Asset	Carrying amount of hedging instruments: Liability	Item on the consolidated statement of financial position
Cash flow hedges				
Interest rate swap				
Interest rate swap	¥ 11,467	¥ 138	¥ —	Other financial liabilities

As of March 31, 2019	Millions of yen			
	Notional principal of hedging instruments	Carrying amount of hedging instruments: Asset	Carrying amount of hedging instruments: Liability	Item on the consolidated statement of financial position
Cash flow hedges				
Interest rate risk				
Interest rate swap	**¥ 7,869**	**¥ 58**	**¥ —**	**Other financial liabilities**
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	**17,471**	**—**	**17,471**	**Borrowings**

As of March 31, 2019	Thousands of U.S. dollars			
	Notional principal of hedging instruments	Carrying amount of hedging instruments: Asset	Carrying amount of hedging instruments: Liability	Item on the consolidated statement of financial position
Cash flow hedges				
Interest rate risk				
Interest rate swap	**$ 70,900**	**$ 524**	**$ —**	**Other financial liabilities**
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	**157,408**	**—**	**157,408**	**Borrowings**

There are no cash flow hedge reserve arising from hedge relationship for which the hedge accounting was discontinued, and no ineffective portion of hedges recognized in profit or loss.

Effects of hedging instruments designated as cash flow hedges and hedges of net investment on the Group's profit or loss and other comprehensive income are as follows:

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Millions of yen		
	Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	¥ 154	¥ 59	Financial costs

(Note) Before tax effect

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Millions of yen Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	¥ (79)	¥ (49)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	337	—	—

(Note) Before tax effect

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	$ (715)	$ (443)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	3,035	—	—

(Note) Before tax effect

(33) Subsidiaries

The number of consolidated subsidiaries as of March 31, 2019 is 61 (48 as of March 31, 2018).

Changes in the consolidated subsidiaries in the current fiscal year are as follows:

The number of company consolidated by acquisition, establishment, etc.: 16

The number of subsidiaries excluded by liquidation, sales, etc.: 3

The condensed financial information for consolidated subsidiaries which the Group has recognized significant non-controlling interests are as follows. The condensed financial information shows the amount before elimination of transactions within the Group.

Techno-UMG Co., Ltd.

1. Proportion of Non-Controlling Interests and the Cumulative Amount of Non-Controlling Interests

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2019
Proportion of share of non-controlling interests	49%	49%
The cumulative amount of non-controlling interests	¥ 18,613	$ 167,698

2. Profit or Loss Allocated to Non-Controlling Interests and Dividends Paid for Non-Controlling Interests

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019
Profit or loss allocated to non-controlling interests	¥ 2,678	$ 24,124
Dividends paid for non-controlling interests	573	5,164

3. The Condensed Financial Information

(i) Condensed Statement of Financial Position

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2019	**As of March 31, 2019**
Current assets	**¥ 46,648**	**420,293**
Non-current assets	**23,186**	**208,905**
Total assets	**69,835**	**629,198**
Current liabilities	**26,973**	**243,018**
Non-current liabilities	**800**	**7,206**
Total current liabilities	**¥ 27,772**	**$ 250,225**
Total equity	**¥ 42,062**	**$ 378,974**
Total Liabilities and equity	**¥ 69,835**	**$ 629,198**

(ii) Condensed Statements of Profit or Loss and Comprehensive Income

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2019	**Fiscal year ended March 31, 2019**
Revenue	**¥ 90,053**	**$ 811,358**
Profit (loss)	**5,712**	**51,460**
Comprehensive income	**5,648**	**50,890**

(iii) Condensed Statement of Cash Flows

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2019	**Fiscal year ended March 31, 2019**
Cash flows from operating activities	**¥ 2,526**	**$ 22,758**
Cash flows from investing activities	**(291)**	**(2,624)**
Cash flows from financing activities	**(3,970)**	**(35,766)**
Net increase (decrease) in cash and cash equivalents	**(1,735)**	**(15,632)**
Cash and cash equivalents at end of period	**3,653**	**32,914**

(34) Related Parties

1) Transactions with Joint Venture

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

			Millions of yen	
Attribute	Name of company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	¥ 11,032	¥ 6,123
		Supply of raw material gas	5,343	3,118

(Notes) 1. Transactions with joint venture have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.
2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been made for the receivables.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

			Millions of yen	
Attribute	Name of company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	**¥ 11,134**	**¥ 6,150**
		Supply of raw material gas	**5,558**	**3,013**

(Notes) 1. Transactions with joint venture have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.
2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been made for the receivables.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

			Thousands of U.S. dollars	
Attribute	Name of company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	**¥ 100,313**	**$ 55,406**
		Supply of raw material gas	**50,081**	**27,147**

(Notes) 1. Joint venture transactions have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.
2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been established for the receivables.

2) Key Management Personnel Compensation

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	**Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)**	**Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)**
Basic compensation	¥ 268	**¥ 276**	**$ 2,490**
Bonuses	44	**103**	**930**
Share-based remuneration	37	**37**	**330**
Total	¥ 348	**¥ 416**	**$ 3,751**

(35) Commitments

Commitments related to expenditures taking place after the last day of the fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Acquisition of property, plant and equipment	¥ 4,429	**¥ 1,573**	**$ 14,171**
Acquisition of intangible assets	40	**—**	**—**

(36) Subsequent Events Purchase of treasury shares

On April 24, 2019, the Board of Directors of the Company resolved to purchase its treasury shares pursuant to the provisions of Article 156, which is applicable in accordance with Article 165 (3) of the Corporation Act of Japan.

1. Purpose of Purchase

It aims to improve capital efficiency and exercise agile capital policies corresponding to changes in the business environment. Based on the Company's shareholders return policy, which is approx. 50% of total shareholders return ratio while maintaining financial soundness for growth investments, it intends to purchase its own shares.

2. Details of Purchase

1) Type of shares to be purchased:
Common shares of the company
2) Maximum number of shares:
Up to 6,250,000 shares
(approximately 2.83% of total number of shares issued (excluding treasury stock))
3) Maximum value of buyback:
Up to ¥10,000 million ($90,098 thousand)
4) Method of purchase:
Market purchase through a securities company based on a trade contract
5) Period of purchase:
From April 25, 2019, to September 30, 2019
(Japan Standard Time)

KPMG

Independent Auditor's Report

To the Board of Directors of JSR Corporation

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries , which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended , and notes on consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSR Corporation and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 28, 2019
Tokyo, Japan