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## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 (under IFRS)

July 31, 2017

Company name: JSR Corporation  
 Listing: Tokyo Stock Exchange  
 Securities code: 4185  
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Scheduled date to file quarterly securities report: August 10, 2017  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded, unless otherwise noted)

### 1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2018 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2017	101,128	13.3	12,706	84.9	13,488	109.7	10,047	93.1
June 30, 2016	89,238	–	6,873	–	6,432	–	5,203	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2017	9,449	87.0	13,238	–	42.46	42.34
June 30, 2016	5,053	–	(6,814)	–	22.40	22.34

### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
June 30, 2017	571,133	384,055	368,641	64.5	1,656.71
March 31, 2017	578,484	376,364	361,889	62.6	1,626.36

### 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2018	–				
Fiscal year ending March 31, 2018 (Forecast)		25.00	–	25.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: None

**3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018  
(from April 1, 2017 to March 31, 2018)**

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	195,000	7.0	15,000	0.3	15,500	6.6	12,000	1.0	11,500	(1.7)	51.68
Fiscal year ending March 31, 2018	405,000	4.3	35,000	(2.6)	36,000	(6.0)	28,000	(8.3)	26,500	(12.4)	119.09

Note: Revisions to the earnings forecasts most recently announced: None

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
  - a. Changes in accounting policies required by IFRS: None
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2017	226,074,545 shares
As of March 31, 2017	226,074,545 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2017	3,560,629 shares
As of March 31, 2017	3,560,532 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2017	222,513,989 shares
For the three months ended June 30, 2016	225,588,655 shares

\* Quarterly financial results reports are not required to be subjected to quarterly reviews.

\* Proper use of earnings forecasts, and other special matters

The JSR Group has adopted International Financial Reporting Standards (IFRS) from the first three months of the fiscal year ending March 31, 2018. Consolidated financial statements for the three months ended June 30, 2016, and the fiscal year ended March 31, 2017, are also presented in accordance with IFRS.

*Caution regarding forward-looking statements*

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors.

*How to obtain supplementary material on quarterly financial results*

The material on quarterly financial results is available on the Company's website on Monday, July 31, 2017.

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Business Results

Overview of the First Quarter of FY ending March 2018 (April 1, 2017 to June 30, 2017)

Among JSR Group's main customer industries, demand for automobile tires, which has progressed steadily since April, grew in China, the U.S., and Japan while it weakened in Europe. Demand in the semiconductor market expanded, and the flat panel display market was also firm.

Under these circumstances, JSR Group has focused in the Petrochemicals Business on expanding global sales of products with advantages in technological competitiveness. In the Fine Chemicals and Other Products Business, the Group has promoted expanded sales of semiconductor materials applicable to cutting-edge technologies as well as sales of display materials in the Chinese market where strong growth is expected. The Group has also focused on expansion of the Life Sciences Business, positioned as a new core business following the Petrochemicals Business and the Fine Chemicals Business.

In the first quarter of FY ending March 2018, the Company reported revenue of 101,128 million yen (up 13.3% year-on-year), operating profit of 12,706 million yen (up 84.9% year-on-year), and profit attributable to owners of parent of 9,449 million yen (up 87.0% year-on-year).

(Unit: Millions of yen)

Segment	1st Quarter of FY ended March 2017 (April 1 to June 30, 2016)		1st Quarter of FY ending March 2018 (April 1 to June 30, 2017)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Revenue						
Elastomers	40,528	45.4%	47,853	47.3%	7,325	18.1%
Plastics	11,251	12.6%	12,409	12.3%	1,158	10.3%
Fine Chemicals and Other Products	37,459	42.0%	40,866	40.4%	3,407	9.1%
Total	89,238	100.0%	101,128	100.0%	11,891	13.3%
Revenue in Japan	39,570	44.3%	43,815	43.3%	4,245	10.7%
Overseas revenue	49,668	55.7%	57,313	56.7%	7,645	15.4%
Segment	1st Quarter of FY ended March 2017 (April 1 to June 30, 2016)		1st Quarter of FY ending March 2018 (April 1 to June 30, 2017)		Change	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage
Operating profit	6,873	7.7%	12,706	12.6%	5,833	84.9%
Profit attributable to owners of parent	5,053	5.7%	9,449	9.3%	4,395	87.0%

(i) Elastomers Business Segment

The total sales volume in the Elastomers Business increased from the same period of the previous year. Revenue was up sharply from the same period of the previous year because, in addition to the higher sales volume, product prices were raised at the end of the previous FY to reflect increases in raw material prices.

Operating profit increased because of improved profits from higher sale prices, despite increased costs caused by increases in raw material prices.

Consequently, the Elastomers Business segment posted an operating profit of 5,765 million yen (up 362.6% year-on-year) on revenue of 47,853 million yen (up 18.1% year-on-year) in the first quarter of FY ending March 2018.

(ii) Plastics Business Segment

The sales volume of plastics progressed favorably both domestically and overseas, and the total sales volume increased. Revenue was up from the same period of the previous year because, in addition to the higher sales volume, product prices were raised to reflect increases in raw material prices.

Operating profit increased because of improved profits from the greater sales volume and higher product prices, despite increased costs caused by increases in raw material prices.

Consequently, the Plastics Business segment posted an operating profit of 1,418 million yen (up 190.3% year-on-year) on revenue of 12,409 million yen (up 10.3% year-on-year) in the first quarter of FY ending March 2018.

(iii) Fine Chemicals and Other Products Business Segment

Revenue for the entire Fine Chemicals and Other Products Business increased from the same period of the previous year, due in large part to increased revenue in semiconductor materials, where the sales volume rose sharply because of particularly favorable growth in the semiconductor market.

Operating profit for the entire Fine Chemicals and Other Products Business segment climbed, driven by higher profits concomitant with increased revenue in semiconductor materials.

Consequently, the Fine Chemicals and Other Products Business segment posted an operating profit of 5,523 million yen (up 7.5% year-on-year) on revenue of 40,866 million yen (up 9.1% year-on-year) in the first quarter of FY ending March 2018.

(2) Explanation of Future Forecast Information, such as Forecast of Consolidated Business Results

JSR Corporation has not revised its forecast of consolidated business results for the first six-month period and the full term of the FY ending March 31 2018, as announced in the “Consolidated Business Results for FY ended March 2017” on April 24, 2017.

## 2. Condensed Quarterly Consolidated Financial Statements and Notes

### (1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents	97,283	97,416	79,099
Trade and other receivables	91,034	111,130	104,266
Inventories	77,857	81,918	85,595
Other financial assets	28,868	44,970	42,859
Other current assets	9,101	8,695	4,719
<b>Total current assets</b>	<b>304,142</b>	<b>344,128</b>	<b>316,538</b>
Non-current assets			
Property, plant and equipment	120,612	131,748	136,250
Goodwill	9,354	9,331	18,968
Other intangible assets	8,133	9,190	9,685
Investments accounted for using equity method	23,206	21,712	22,162
Retirement benefit asset	–	373	473
Other financial assets	47,185	46,529	51,933
Other non-current assets	5,819	7,129	7,146
Deferred tax assets	7,481	8,343	7,978
<b>Total non-current assets</b>	<b>221,790</b>	<b>234,355</b>	<b>254,595</b>
<b>Total assets</b>	<b>525,933</b>	<b>578,484</b>	<b>571,133</b>

(Millions of yen)

	IFRS Date of Transition As of April 1, 2016	As of March 31, 2017	As of June 30, 2017
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	77,984	95,037	82,964
Borrowings	20,793	23,740	24,566
Income taxes payable	1,948	8,360	3,363
Other financial liabilities	546	626	833
Other current liabilities	10,191	11,357	9,967
<b>Total current liabilities</b>	<b>111,461</b>	<b>139,120</b>	<b>121,693</b>
<b>Non-current liabilities</b>			
Borrowings	22,245	38,381	39,771
Retirement benefit liability	15,180	13,904	14,137
Other financial liabilities	2,534	2,005	1,949
Other non-current liabilities	2,448	2,278	2,293
Deferred tax liabilities	6,223	6,432	7,235
<b>Total non-current liabilities</b>	<b>48,630</b>	<b>63,000</b>	<b>65,385</b>
<b>Total liabilities</b>	<b>160,091</b>	<b>202,120</b>	<b>187,078</b>
<b>Equity</b>			
<b>Equity attributable to owners of parent</b>			
Share capital	23,320	23,320	23,320
Capital surplus	26,110	18,441	18,464
Retained earnings	288,147	309,517	313,400
Treasury shares	(957)	(5,396)	(5,396)
Other components of equity	15,569	16,006	18,853
<b>Total equity attributable to owners of parent</b>	<b>352,189</b>	<b>361,889</b>	<b>368,641</b>
Non-controlling interests	13,653	14,475	15,414
<b>Total equity</b>	<b>365,842</b>	<b>376,364</b>	<b>384,055</b>
<b>Total liabilities and equity</b>	<b>525,933</b>	<b>578,484</b>	<b>571,133</b>

## (2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Revenue	89,238	101,128
Cost of sales	(62,422)	(68,209)
Gross profit	26,816	32,920
Selling, general and administrative expenses	(20,420)	(20,391)
Other operating income	648	301
Other operating expenses	(506)	(276)
Share of profit of investments accounted for using equity method	335	153
Operating profit	6,873	12,706
Finance income	254	1,007
Finance costs	(695)	(225)
Profit before tax	6,432	13,488
Income taxes	(1,228)	(3,441)
Profit	5,203	10,047
Profit attributable to:		
Owners of parent	5,053	9,449
Non-controlling interests	150	599
Total	5,203	10,047
Earnings per share		
Basic earnings per share (Yen)	22.40	42.46
Diluted earnings per share (Yen)	22.34	42.34



(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	5,203	10,047
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	(4,533)	2,187
Share of other comprehensive income of entities accounted for using equity method	3	(3)
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	(98)	(55)
Exchange differences on translation of foreign operations	(6,531)	506
Share of other comprehensive income of entities accounted for using equity method	(857)	556
Total other comprehensive income, net of tax	(12,017)	3,191
Total comprehensive income	(6,814)	13,238
Comprehensive income attributable to:		
Owners of parent	(5,972)	12,293
Non-controlling interests	(842)	945
Total	(6,814)	13,238

(4) Condensed Quarterly Consolidated Statement of Changes in Equity  
 First Quarter of FY ended March 2017 (April 1 to June 30, 2016)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2016	23,320	26,110	288,147	(957)	15,569	352,189	13,653	365,842
Profit			5,053			5,053	150	5,203
Other comprehensive income					(11,026)	(11,026)	(992)	(12,017)
Total comprehensive income	–	–	5,053	–	(11,026)	(5,972)	(842)	(6,814)
Share-based payment transactions		14				14		14
Dividends			(5,640)			(5,640)	(33)	(5,672)
Changes in treasury shares		2		8		9		9
Transfer from other components of equity to retained earnings			(139)		139	–		–
Changes in non-controlling interests		(58)				(58)	90	32
Total transactions with owners, etc.	–	(42)	(5,779)	8	139	(5,674)	57	(5,617)
Balance at June 30, 2016	23,320	26,067	287,421	(949)	4,683	340,543	12,868	353,411

First Quarter of FY ending March 2018 (April 1 to June 30, 2017)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2017	23,320	18,441	309,517	(5,396)	16,006	361,889	14,475	376,364
Profit			9,449			9,449	599	10,047
Other comprehensive income					2,844	2,844	346	3,191
Total comprehensive income	–	–	9,449	–	2,844	12,293	945	13,238
Share-based payment transactions		22				22		22
Dividends			(5,563)			(5,563)	(6)	(5,569)
Changes in treasury shares				(0)		(0)		(0)
Transfer from other components of equity to retained earnings			(2)		2	–		–2
Changes in non-controlling interests								
Other movements								
Total transactions with owners, etc.	–	22	(5,565)	(0)	2	(5,541)	(6)	(5,547)
Balance at June 30, 2017	23,320	18,464	313,400	(5,396)	18,853	368,641	15,414	384,055

(5) Notes on Condensed Quarterly Consolidated Financial Statements

(Cautionary Notes regarding Assumptions of Going Concern)

Not applicable

(Reporting Entity)

JSR Corporation (the “Company”) is incorporated in Japan. The condensed quarterly consolidated financial statements comprise the Company and its subsidiaries (collectively, the “Group”). The Group is primarily engaged in an Elastomers Business, a Plastics Business, and a Fine Chemicals and Other Products Business, as well as businesses related to these. The products of these businesses are wide ranging. See Page 19 — (Segment Information) for further details.

(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 Quarterly Consolidated Financial Statements.” Accordingly, the Group prepares condensed quarterly consolidated financial statements in accordance with IAS 34 pursuant to the provisions of Article 93 of said Ordinance.

The Group has adopted International Financial Reporting Standards (“IFRS”) from the current FY (April 1, 2017 to March 31, 2018), and the annual consolidated financial statements for the current FY will be the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was April 1, 2016, and the Group has applied IFRS 1 — *First-time Adoption of International Financial Reporting Standards*. The effects of the transition from Japanese GAAP to IFRS are stated on Page 20 — (Disclosure on Transition to IFRS).

2. Basis for Measurement

The Group’s condensed quarterly consolidated financial statements, with the exception of assets pertaining to post-employment benefit plans, financial instruments measured at fair value, etc., stated on Page 10 — (Significant Accounting Policies), are prepared on a historical cost model.

3. Presentation Currency and Units

The Group’s condensed quarterly 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.

4. Significant Accounting Estimates and Judgments

In the preparation of condensed quarterly consolidated financial statements, management uses judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. However, actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

Estimates and judgements of management that have significant effect on the Group’s consolidated financial statements are as follows:

- Evaluation of recoverability of property, plant and equipment, goodwill, and other intangible assets
- Evaluation of recoverability of deferred tax assets
- Measurements of defined benefit obligations

## 5. Matters related to Early Adoption of New Standards

The Group was in compliance with IFRS effective as of June 30, 2017 and has early adopted IFRS 9 — *Financial Instruments* (Revised in July 2014).

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 FY because their application is not yet mandatory. The effects of the application of these standards on the Group are under review and cannot be estimated at the present time.

IFRS Standard	Name of Standard	Mandatory Effective Date (applies to FY beginning on or after this date)	The Group's application FY	Summary of New / Revised Standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Reporting period ending March 2019	Revises accounting related to recognition of revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31)
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)

### (Significant Accounting Policies)

The significant accounting policies that apply to the condensed quarterly consolidated financial statements are identical to the accounting policies applied to all periods stated in the condensed quarterly consolidated financial statements (including the consolidated statement of financial position on the date of transition to IFRS).

#### 1. Basis of Consolidation

##### (1) 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.

##### (2) Associates

Associates are entities over which the Group has significant influence, but does not have control over the financial and operating policies of such entities. 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.

#### 2. Business Combinations

The Group accounts for business combinations using the acquisition method.

The consideration transferred as a result of a business combination measured at fair value on the acquisition date and the total 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 the non-controlling interests' proportionate share of the fair price of the acquired entity's identifiable net assets and liabilities.

Brokerage fees, attorney's fees, due diligence costs, and other professional fees, consulting fees, and other acquisition-related costs that occur as a result of the business combination are recognized as expenses in the periods in which the costs were incurred.

In cases which the fair value of the consideration transferred as a result of a business combination, the amount of non-controlling interests in the acquired enterprise, and the fair value on the date control commences of equity interests in the acquired entity held previously by the acquiring entity exceed the net value of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill.

If the net value of identifiable assets and liabilities at the acquisition date exceeds the sum of such amounts, the difference is recognized in net profit. 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 Transactions

#### (1) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen as the Company's functional currency. The Group's foreign operations generally use the local currency as their functional currency, but in cases when a currency other than the local currency is used in the primary economic environment in which the entity operates, that currency is used as the entity's functional currency.

#### (2) 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 using the exchange rates prevailing at the date of the transaction or using a rate similar to the exchange rate in cases which 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 net profit or loss.

#### (3) 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 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.

### 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 amortize the cost less the residual value of the asset. The estimated useful lives, residual values, and depreciation methods are reviewed and revised at the end of the reporting period. The effects of modifications of estimates are recognized in the accounting period in which the estimates were modified and 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 15 years
- Tools, furniture, and fixtures: 4 to 10 years

Net profits or losses arising from the sale or removal of property, plant and equipment are recognized in other operating income or other operating expense.

#### 7. Impairment of Non-Financial Assets

Non-financial assets, excluding inventories and deferred tax assets, of the Group are assessed each reporting period for any indications of a potential inability to recover the carrying amount due to changes in facts 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. Value in use is calculated by discounting the estimated future cash flows from the asset 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 in the smallest unit (cash-generating unit) that exists in the identifiable cash flow for each asset.

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

In terms 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 for any indications of the possibility of reversal of such impairment losses.

#### 8. Intangible Assets

##### (1) R&D Expenses

Research-related expenditures are recognized as expenses when they are incurred. Development-related expenditures are capitalized if and only if there is capacity to reliably measure the expenditures associated with the intangible assets; it is technically and commercially realistic to complete products or processes from the intangible assets; the intangible assets have a high probability of generating future economic benefits; the Group has the intent to complete the intangible assets to use or sell them; and there is capacity to use or sell the intangible assets. All other expenditures are recognized as expenses when they are incurred. Capitalized development-

related expenditures are measured after initial recognition at cost less any accumulated depreciation and accumulated impairment losses.

(2) 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 depreciation and accumulated impairment losses.

(3) Intangible Assets Acquired Individually

Other intangible assets acquired individually are accounted at cost less any accumulated depreciation and accumulated impairment losses, and software, patent rights, etc., are included. Intangible assets acquired individually are depreciated using the straight-line method over the estimated useful life of each asset.

9. Financial Instruments

(1) Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes financial assets on the contract date. Financial assets bought and sold by ordinary methods are initially recognized on the transaction date. Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value.

Financial assets measured at fair value through net 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.

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

The Group designates financial assets measured at fair value, excluding equity instruments held for trading that are required to be measured at fair value through net profit or loss, either as measured at fair value through net profit or loss or as measured at fair value through other comprehensive income for each financial instrument at the time of initial acquisition and continues to apply such designation.

(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 net profit or loss or in other comprehensive income according to the categorization of the financial asset. Received dividends arising from designated equity instruments measured at fair value through other comprehensive income are recognized in net profit or loss. In cases which the fair value of the equity instrument depreciates materially or in cases which the equity instrument is disposed, any accumulated other comprehensive income is reclassified to retained earnings.

- (iii) Derecognition

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

- (2) Financial Liabilities

- (i) Initial Recognition and Measurement

The Group initially recognizes financial liabilities on the contract date. Financial liabilities are classified into financial liabilities measured at fair value through net profit or loss and financial liabilities measured at amortized cost. Financial liabilities measured at fair value through net profit or loss are initially measured at fair value, and financial liabilities measured at amortized cost 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 fair value through net profit or loss  
Measured at fair value on the reporting date.
    - (b) Financial liabilities measured at amortized cost  
Measured at amortized cost using the effective interest method.

- (iii) Derecognition

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

- (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; and there is the intent either to settle on a net basis or to realize assets and settle liabilities simultaneously. The net offset amount is presented in the consolidated statement of financial position.



## 10. Impairment of Financial Assets

In terms of financial assets measured at amortized cost, the Group estimates expected credit losses as of the reporting date.

If credit risk has not increased materially from initial recognition, the 12-month expected credit loss is recognized as allowance for credit losses. In terms of trade receivables, however, the loss allowance is always measured at lifetime expected credit loss. If credit risk has increased materially from initial recognition, the lifetime expected credit loss is recognized as allowance for credit losses. Decisions of whether or not a material increase in credit risk has occurred from the initial recognition are based on default risk changes. Decisions of whether a change has occurred to the default risk is made in consideration of circumstances during the reporting period and the considerations as follows:

- 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

## 11. Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value on each reporting date after initial recognition. The recognition method of profits or losses arising from the results of remeasurements is determined on whether or not the derivative has been designated as a hedging instrument and, if the derivative has been designated as a hedging instrument, the nature of the hedged item. The Group has designated a portion of derivatives as hedging instruments of cash flow hedges (a particular risk related to a recognized asset or liability or a hedge of a highly probable forecast transaction).

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 price changes arising from the economic relationship; and 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 changes to the fair price of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions above are recognized in other comprehensive income. Profits or losses arising from ineffective portions are recognized immediately as net profit or loss.

Accumulated profits or losses recognized through other comprehensive income are reclassified to net profit or loss in the period when the cash flow originating from the hedged items effects net 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 a hedged future cash flow is expected to occur again, the accumulated profits or losses recognized in other comprehensive income will continue to be recognized as accumulated other comprehensive income. In cases where forecast transactions are no longer expected to occur, the accumulated profits or losses recognized in other

comprehensive income are reclassified immediately to net profit or loss.

## 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 net 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

### (1) 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.

### (2) 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 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.

In terms of defined contribution plans, the Group pays contributions to publicly or privately managed pension insurance plans. No additional payment obligations are incurred to the Group

provided that contributions are being paid. 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 Payment Plans

The Group operates an equity-settled share-based payment plan that receives services from directors, executives, and employees in compensation for equity instruments (options).

The fair price 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.

#### 17. Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of goods have been transferred to the customer; neither continuing managerial involvement associated with ownership nor effective control is retained over the goods; there is a high probability that the economic benefits associated with the transaction will flow to the Group; and costs incurred and revenue in respect of the transaction can be measured reliably.

Consumption taxes, rebates, etc., are deducted from revenue, and the inflow amount of economic benefits less these items is accounted for as revenue.

#### 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 net 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 net profit or loss over the useful lives of the depreciated assets as changes in depreciation expense.

#### 19. Finance Income and Finance Costs

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

Finance costs comprise interest payable, etc. Borrowing costs not directly attributable to acquisition, construction, or manufacturing of rated assets are recognized when they are incurred using the effective interest method.

## 20. Income Taxes

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

### (1) 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 substantively in force on the final day of the reporting period. Income tax receivable and income tax payable are measured at the estimated payment to or refund from the tax authorities.

### (2) 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 net 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 substantively 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.

Income taxes for each quarter are calculated on the basis of the estimated annual effective tax rate.

## 21. Dividends Paid

Year-end dividends are recognized as liabilities over the reporting period which the date when the general meeting of shareholders approved the year-end dividend belongs to, and interim dividends are recognized as liabilities over the reporting period which the date when the Board of Directors approved

the interim dividend belongs to.

## 22. 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 potential dilutive common stock.

(Segment Information)

I. First Quarter of FY ended March 2017 (April 1 to June 30, 2016)

1. Information on revenue and loss amounts for each reporting segment

(Unit: Millions of yen)

	Reporting Segment				Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	
Revenue from external customers	40,528	11,251	37,459	89,238	89,238
Total operating profit	1,246	488	5,138	6,873	6,873
Finance income					254
Finance costs					(695)
Quarterly profit before tax					6,432

II. First Quarter of FY ending March 2018 (April 1 to June 30, 2017)

1. Information on revenue and loss amounts for each reporting segment

(Unit: Millions of yen)

	Reporting Segment				Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	
Revenue from external customers	47,853	12,409	40,866	101,128	101,128
Total operating profit	5,765	1,418	5,523	12,706	12,706
Finance income					1,007
Finance costs					(225)
Quarterly profit before tax					13,488

(Disclosure on Transition to IFRS)

The condensed quarterly consolidated financial statements are the first condensed quarterly consolidated financial statements the Group has prepared in accordance with IFRS.

The Significant Accounting Policies stated on Page 10 were applied in the preparation of the condensed quarterly consolidated financial statements for the First Quarter of FY ending March 2018 (April 1 to June 30, 2017) and the First Quarter of FY ended March 2017 (April 1 to June 30, 2016), the consolidated financial statements for FY ended March 2017 (April 1, 2016 to March 31, 2017), and the consolidated statement of financial position on the date of transition to IFRS (April 1, 2016).

1. Exemptions of IFRS 1

The exemptions the Group adopted for the transition from Japanese GAAP to IFRS are as follows.

(1) Business Combinations

IFRS 3 can be applied retrospectively or prospectively. The Group has elected to not apply IFRS 3 retrospectively to business combinations executed prior to the date of transition to IFRS. As a result, business combinations executed prior to the date of transition to IFRS are not restated.

(2) Exchange Differences on Translating Foreign Operations

Under IFRS 1, the Group can elect to deem the cumulative amount of exchange differences on translating foreign operations as zero as of the date of transition or to recalculate the exchange differences retrospectively to when the subsidiary, etc., was established or acquired. The Group has elected to deem the cumulative amount of exchange differences on translating foreign operations as zero as of the date of transition.

(3) Recognition of Prior Designated Financial Instruments

Under IFRS 1, the Group can designate financial assets following IFRS 9 — *Financial Instruments* based on relevant facts and circumstances that existed at the date of transition to IFRS. The Group has designated equity instruments as equity instruments measured at fair value through other comprehensive income.

(4) Share-Based Payments

IFRS 1 recommends, but does not require, the application of IFRS 2 — *Share-Based Payment* to share-based payments granted on or after November 7, 2002, and vested prior to the date of transition to IFRS. The Group has elected to not apply IFRS 2 to share-based payments vested prior to the date of transition to IFRS.

## 2. Adjustments from Japanese GAAP to IFRS

In preparing the consolidated financial statements in accordance with IFRS, the Group has adjusted the amounts in the consolidated financial statements prepared in accordance with Japanese GAAP.

The effects of the transition from Japanese GAAP to IFRS are as given in the following reconciliation tables.

The Reclassification column in the reconciliation tables presents items with no effects on retained earnings or comprehensive income, whereas the Differences in Recognition and Measurement column presents items with effects on retained earnings or comprehensive income.

### (1) Adjustments to Equity on Date of Transition (April 1, 2016)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
<b>Assets</b>							<b>Assets</b>
Current assets							Current assets
Cash and deposits	52,081	7,888	37,314	-	97,283		Cash and cash equivalents
Notes and accounts receivable (net)	77,878	(879)	14,035	-	91,034		Trade and other receivables
Short-term investment securities	60,010	-	(60,010)	-			
Inventories	77,458	399	-	-	77,857		Inventories
Others	33,104	63	(24,066)	-	9,101		Other current financial assets
Total current assets	300,532	7,501	(3,891)	-	304,142		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	112,694	6,067	-	1,851	120,612	A, B	Property, plant and equipment
Intangible assets							
Goodwill	9,788	(434)	-	-	9,354		Goodwill
Others	6,875	260	998	-	8,133		Other intangible assets
Investments and other assets							
Investment securities	67,878	(6,918)	(37,727)	(27)	23,206	D	Investments accounted for using equity method
Long-term loans receivable	5,894	6	40,460	824	47,185	H	Other current financial assets
Others	12,698	38	(6,917)	-	5,819		Other non-current assets
Total non-current assets	215,827	(963)	3,891	3,034	221,790	D, E	Total non-current assets
<b>Total assets</b>	<b>516,360</b>	<b>6,539</b>	<b>-</b>	<b>3,034</b>	<b>525,933</b>		<b>Total assets</b>



(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	53,836	2,443	21,705	-	77,984		Trade and other payables
Current borrowings	20,840	(47)	-	-	20,793		Borrowings
		33	1,916	-	1,948		Income tax payable
		(20)	269	297	546	B	Other financial liabilities
Others	34,646	30	(25,513)	1,027	10,191	E	Other current liabilities
Total current liabilities	109,322	2,438	(1,623)	1,324	111,461		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	22,249	(4)	-	-	22,245		Borrowings
Retirement benefit liabilities	15,180	-	-	-	15,180		Retirement benefit liabilities
		-	344	2,189	2,534	B, F	Other financial liabilities
Others	7,254	(18)	(4,788)	-	2,448		Other non-current liabilities
		-	6,067	156	6,223	A, D, H	Deferred tax liabilities
Total non-current liabilities	44,684	(21)	1,623	2,345	48,630		Total non-current liabilities
Total liabilities	154,006	2,417	-	3,668	160,091		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	25,179	-	930	-	26,110		Capital surplus
Retained earnings	281,878	(411)	-	6,681	288,147	E, I, J	Retained earnings
Treasury shares	(957)	-	-	-	(957)		Treasury shares
Accumulated other comprehensive income	23,724	(922)	-	(7,233)	15,569	F, G, I	Other components of equity
	353,145	(1,334)	930	(552)	352,189		Total equity attributable to owners of parent
Subscription rights to shares	930	-	(930)	-			
Minority interests	8,279	5,456	-	(82)	13,653		Non-controlling interests
Total net assets	362,354	4,122	-	(634)	365,842		Total equity
Total liabilities and net assets	516,360	6,539	-	3,034	525,933		Total liabilities and equities

## (2) Adjustments to Equity in the First Quarter of FY ended March 2017 (June 30, 2016)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							Assets
Current assets							Current assets
Cash and deposits	80,853	(378)	23,157	-	103,632		Cash and cash equivalents
Notes and accounts receivable (net)	73,678	509	11,270	-	85,457		Trade and other receivables
Short-term investment securities	42,009	-	(42,009)	-			
Inventories	74,188	155	-	-	74,343		Inventories
		16	26,263	-	26,279		Other current financial assets
Others	28,555	(29)	(21,930)	-	6,596		Other current assets
Total current assets	299,283	273	(3,249)	-	296,307		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	119,485	(20)	-	1,786	121,251	A, B	Property, plant and equipment
Intangible assets							
Goodwill	9,296	(507)	-	120	8,909	C	Goodwill
Others	7,240	-	882	-	8,122		Other intangible assets
Investments and other assets							
Investment securities	53,865	-	(31,610)	(1)	22,254	D	Investments accounted for using equity method
		157	39,873	824	40,853	H	Other current financial assets
Others	18,595	(143)	(12,802)	-	5,649		Other non-current assets
		(2)	6,907	427	7,332	D, E	Deferred tax assets
Total non-current assets	208,480	(515)	3,249	3,156	214,371		Total non-current assets
Total assets	507,763	(242)	-	3,156	510,677		Total assets

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	51,433	(316)	24,086	-	75,203		Trade and other payables
Current borrowings	18,646	(1,352)	-	-	17,294		Borrowings
		(27)	1,545	-	1,517		Income tax payable
		23	265	297	585	B	Other financial liabilities
Others	35,055	(482)	(27,414)	1,027	8,185	E	Other current liabilities
Total current liabilities	105,133	(2,155)	(1,519)	1,324	102,784		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	28,004	2,053	-	-	30,058		Borrowings
Retirement benefit liabilities	15,303	-	-	-	15,303		Retirement benefit liabilities
		13	400	2,213	2,626	B, F	Other financial liabilities
Others	5,147	58	(2,904)	-	2,301		Other non-current liabilities
		6	4,023	166	4,195	A, D, H	Deferred tax liabilities
Total non-current liabilities	48,454	2,131	1,519	2,379	54,483		Total non-current liabilities
Total liabilities	153,587	(24)	-	3,703	157,267		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	25,123	-	930	14	26,067		Capital surplus
Retained earnings	280,245	121	-	7,055	287,421	I, J	Retained earnings
Treasury shares	(949)	-	-	-	(949)		Treasury shares
Accumulated other comprehensive income	12,642	(481)	-	(7,478)	4,683	F, G, I	Other components of equity
	340,381	(360)	930	(409)	340,543		Total equity attributable to owners of parent
Subscription rights to shares	930	-	(930)	-			
Minority interests	12,864	142	-	(137)	12,868		Non-controlling interests
Total net assets	354,175	(218)	-	(546)	353,411		Total equity
Total liabilities and net assets	507,763	(242)	-	3,156	510,677		Total liabilities and equities

## (3) Adjustments to Equity in FY ended March 2017 (March 31, 2017)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							Assets
Current assets							Current assets
Cash and deposits	98,933	-	(1,517)	-	97,416		Cash and cash equivalents
Notes and accounts receivable (net)	90,695	-	20,435	-	111,130		Trade and other receivables
Short-term investment securities	42,000	-	(42,000)	-			
Inventories	81,918	-	-	-	81,918		Inventories
		-	44,970	-	44,970		Other current financial assets
Others	34,667	-	(25,971)	-	8,695		Other current assets
Total current assets	348,212	-	(4,084)	-	344,128		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	130,160	-	-	1,587	131,748	A, B	Property, plant and equipment
Intangible assets							
Goodwill	8,817	-	-	513	9,331	C	Goodwill
Others	8,369	-	822	(1)	9,190		Other intangible assets
Investments and other assets							
Investment securities	61,684	-	(39,936)	(36)	21,712	D	Investments accounted for using equity method
Retirement benefit assets	373	-	-	-	373		Assets for retirement benefits
		-	46,555	(26)	46,529	H	Other current financial assets
Others	18,401	-	(11,273)	-	7,129		Other non-current assets
		-	7,914	429	8,343	D, E	Deferred tax assets
Total non-current assets	227,805	-	4,084	2,467	234,355		Total non-current assets
Total assets	576,016	-	-	2,467	578,484		Total assets

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	75,026	-	20,011	-	95,037		Trade and other payables
Current borrowings	23,740	-	-	-	23,740		Borrowings
Income tax payable	8,360	-	-	-	8,360		Income tax payable
		-	329	297	626	B	Other financial liabilities
Others	32,536	-	(22,194)	1,015	11,357	E	Other current liabilities
Total current liabilities	139,663	-	(1,854)	1,312	139,120		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	38,381	-	-	-	38,381		Borrowings
Retirement benefit liabilities	13,904	-	-	-	13,904		Retirement benefit liabilities
		-	408	1,597	2,005	B, F	Other financial liabilities
Others	7,354	-	(5,076)	-	2,278		Other non-current liabilities
		-	6,522	(90)	6,432	A, D, H	Deferred tax liabilities
Total non-current liabilities	59,639	-	1,854	1,507	63,000		Total non-current liabilities
Total liabilities	199,302	-	-	2,818	202,120		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	17,469	-	912	60	18,441		Capital surplus
Retained earnings	300,547	-	-	8,970	309,517	E, I, J	Retained earnings
Treasury shares	(5,396)	-	-	-	(5,396)		Treasury shares
Accumulated other comprehensive income	25,454	-	-	(9,448)	16,006	F, G, I	Other components of equity
	361,394	-	912	(417)	361,889		Total equity attributable to owners of parent
Subscription rights to shares	912	-	(912)	-			
Minority interests	14,409	-	-	66	14,475		Non-controlling interests
Total net assets	376,715	-	-	(351)	376,364		Total equity
Total liabilities and net assets	576,016	-	-	2,467	578,484		Total liabilities and equities

(4) Adjustments to Comprehensive Income in the First Quarter of FY ended March 2017 (April 1 to June 30, 2016)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Net sales	88,786	452	-	-	89,238		Revenue
Cost of sales	(62,482)	(49)	-	109	(62,422)	G	Cost of sales
Gross profit	26,304	403	-	109	26,816		Gross profit
Selling, general and administrative expense	(20,667)	146	(209)	309	(20,420)	A, C G, E	Selling, general and administrative expenses
		-	663	(14)	648		Other operating income
		-	(506)	-	(506)		Other operating expenses
		-	334	1	335	D	Share of profit of investments accounted for using equity method
Operating income	5,637	549	281	406	6,873		Operating profit
Non-operating income	1,252	-	(1,252)	-			
Non-operating expense	(1,215)	-	1,215	-			
Extraordinary losses	(415)	-	415	-			
		-	256	(2)	254	H	Finance income
		27	(915)	194	(695)	G, H	Finance costs
Quarterly profit before tax and other adjustments	5,259	575	-	597	6,432		Quarterly profit before tax
Corporate, inhabitant, and enterprise taxes	(1,091)	(47)	-	(91)	(1,228)	D	Income taxes
Income tax - deferred							
Quarterly profit	4,168	528	-	507	5,203		Quarterly profit

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Quarterly profit	4,168	528	-	507	5,203		Quarterly profit
Other comprehensive income							Other comprehensive income
Unrealized gains on securities, net of taxes	(4,406)	14	-	(142)	(4,533)	H	Net change on financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(6,426)	(102)	-	(3)	(6,531)	C	Net change in fair value on cash flow hedges
Remeasurements of defined benefit plans, net of tax	190	-	-	(190)	-	G	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	(854)	-	-	-	(854)		Remeasurements of defined benefit liabilities
Total other comprehensive income	(11,496)	(88)	-	(433)	(12,017)		Share of other comprehensive income of associates accounted for using equity method
Quarterly comprehensive income	(7,328)	440	-	74	(6,814)		Total other comprehensive income, net of tax
							Total quarterly comprehensive income

## (5) Adjustments to Comprehensive Income in FY ended March 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Net sales	390,599	(2,143)	-	-	388,455		Revenue
Cost of sales	(274,614)	1,752	-	440	(272,422)	G	Cost of sales
Gross profit	115,985	(391)	-	440	116,034		Gross profit
Selling, general and administrative expense	(83,615)	619	-	1,237	(81,759)	A, C G, E	Selling, general and administrative expenses
		-	4,920	(14)	4,906		Other operating income
		-	(3,916)	-	(3,916)		Other operating expenses
		-	714	(36)	678	D	Share of profit of investments accounted for using equity method
Operating income	32,370	227	1,718	1,628	35,943		Operating profit
Non-operating income	6,400	-	(6,400)	-			
Non-operating expense	(2,506)	-	2,506	-			
Extraordinary gains	5,187	-	(5,187)	-			
Extraordinary losses	(3,124)	-	3,124	-			
		-	5,950	(2,905)	3,045	H	Finance income
		55	(1,711)	962	(694)	G, H	Finance costs
Profit before tax and other adjustments	38,327	282	-	(315)	38,294		Profit before tax
Corporate, inhabitant, and enterprise taxes	(9,938)	(26)	1,889	300	(7,776)	D	Income taxes
Income tax - deferred	1,901	(13)	(1,889)	-			
Profit	30,291	243	-	(16)	30,518		Profit



(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Profit	30,291	243	-	(16)	30,518		Profit
Other comprehensive income							Other comprehensive income
Unrealized gains on securities, net of taxes	2,058	-	-	723	2,781	H	Net change on financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(730)	412	-	16	(303)	C	Net change in fair value on cash flow hedges
Remeasurements of defined benefit plans, net of tax	1,676	-	-	(758)	918	G	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	(1,130)	-	-	2	(1,128)		Remeasurements of defined benefit liabilities
Total other comprehensive income	1,874	412	-	278	2,564		Share of other comprehensive income of associates accounted for using equity method
Comprehensive income	32,165	655	-	262	33,082		Total other comprehensive income, net of tax
							Total comprehensive income

### 3. Notes on Adjustments to Equity and Adjustments to Comprehensive Income

#### (1) Notes on Change in Reporting Date and Change in Consolidation Range

Under Japanese GAAP, in cases where the reporting date of subsidiaries or investments accounted for using the equity method differs from the Company's consolidated reporting date, consolidated financial statements are still prepared based on financial statements as of the reporting date of the subsidiary or investment accounted for using the equity method.

Under IFRS, however, financial statements of subsidiaries or investments accounted for using the equity method are prepared with the Company's consolidated reporting date as the reporting date, except where impractical, either by aligning the reporting date with the Company's consolidated reporting date or by preparing provisional settlement of accounts as of the consolidated reporting date. In cases where financial statements of subsidiaries or investments accounted for using the equity method are prepared on a date different from the Company's consolidated reporting date, adjustments are made for the effects of significant transactions or circumstances arising during the period of difference from the Company's consolidated reporting date.

Even under Japanese GAAP, the Group prepared financial statements of subsidiaries and investments accounted for using the equity method with the Company's consolidated reporting date as the reporting date at the end of the previous consolidated FY, either by aligning the reporting date of subsidiaries, excluding a portion of subsidiaries, or investments accounted for using the equity method with the Company's consolidated reporting date or by preparing provisional settlement of accounts as of the consolidated reporting date.

Furthermore, under Japanese GAAP, subsidiaries of little material relevance are excluded from the consolidation range and assessed on a cost basis. Under IFRS, however, key subsidiaries of little material relevance are included in the consolidation range.

Since the First Quarter of FY ended March 2017 prepared under Japanese GAAP, the Group included in the consolidation range JSR MOL Synthetic Rubber Ltd., PT.ELASTOMIX INDONESIA, and Techno Europe N.V., which had been excluded from the consolidation range, because of an increase in their material relevance. This action has aligned the consolidation range under IFRS and the consolidation range under Japanese GAAP.

With the acquisition of Selexis S.A., Selexis S.A. is included in the consolidation range from the 1st Quarter of FY ending March 2018.

#### (2) Notes on Reclassification

Short-term time deposits with deposit terms longer than three months presented as "Cash and deposits" under Japanese GAAP have been presented as current assets in "Other current financial assets" under IFRS.

Short-term investments with original maturities of three months or less presented as "Short-term investment securities" under Japanese GAAP have been presented as "Cash and cash equivalents" under IFRS.

All deferred tax assets and deferred tax liabilities that had been presented as current items have been reclassified to non-current items.

Amounts presented separately as "Subscription rights to shares" under Japanese GAAP have been included in "Capital surplus" under IFRS.

(3) Notes on Differences in Recognition and Measurement

A. Government Grants

Under Japanese GAAP, government grants are recognized as revenue en bloc at the time of reception. Under IFRS, however, government grants are deferred by direct deduction of the carrying amount of the asset and recognized as revenue using the straight-line method over the useful life of the asset by decreasing the depreciation expense each reporting period of the asset.

B. Leases

Transactions deemed substantially as finance leases are not recognized as assets under Japanese GAAP, but they are accounted for as “Property, plant and equipment” under IFRS. Liabilities resulting from capitalization of the substantial lease transactions are presented in “Other financial liabilities.”

C. Goodwill

Under Japanese GAAP, goodwill is amortized, while under IFRS, the amount of goodwill amortization accounted for under Japanese GAAP is reversed.

D. Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets were recognized under Japanese GAAP based on company classifications specified in Implementation Guidance to Corporate Accounting Standards No. 26 — *Implementation Guidance on the Recoverability of Deferred Tax Assets*. Under IFRS, however, unused tax losses and deductible temporary differences have been recognized as tax gains when management deemed it probable the unused tax losses and deductible temporary differences will be used against future taxable profits.

Under Japanese GAAP, tax effects associated with elimination of unrealized losses and gains are calculated using the effective tax rate of the selling entity, while under IFRS, such tax effects are calculated using the effective tax rate of the buying entity.

E. Levies

Non-current asset taxes levied by the government expensed across the accounting year in which tax was paid under Japanese GAAP have been recognized en bloc to liabilities and expenses under IFRS at the time the obligation-triggering event occurs.

F. Derivative Transactions

Exemptions apply to interest rate swap contracts under Japanese GAAP provided they meet exemption provisions. Under IFRS, however, interest rate swap contracts are assessed on fair value. Changes in fair value are presented as other comprehensive income in “Net change in fair price on cash flow hedges,” and balances at the end of the reporting period are presented in “Other components of equity.”

G. Liabilities Pertaining to Defined Benefits

Under Japanese GAAP, the portion of actuarial differences occurring in the reporting period not expensed are recognized in other comprehensive income. Under IFRS, however, such actuarial differences are immediately reclassified to “Retained earnings” through other comprehensive income.

The balance of all actuarial differences at the beginning of the reporting period that had been recognized in accumulated other comprehensive income under Japanese GAAP has been directly recognized in “Retained earnings” under IFRS.

Calculations of interest under Japanese GAAP use interest expenses, calculated by multiplying post-employment benefit liabilities by the discount rate, and expected investment returns, calculated by multiplying pension assets by the expected long-term investment return rate. Under IFRS, however, calculations of interest use the net of interest, calculated by multiplying the present value of defined benefit plan obligations less the fair value of the plan assets by the discount rate.

#### H. Financial Assets Measured at Fair Value through Other Comprehensive Income

Under Japanese GAAP, gains and losses on the sales of shares and other equity instruments and impairment losses are recognized in net profit or loss. Under IFRS, however, designated equity instruments measured at fair value through other comprehensive income are not recognized in net profit or loss, and at derecognition accumulated other comprehensive income previously recognized is reclassified to retained earnings.

Privately held companies generally assessed on a cost basis with the moving average method under the Japanese GAAP have been assessed on fair value under IFRS, resulting in changes to other comprehensive income.

#### I. Amount of Exchange Differences on Translating Foreign Operations

Through application of the first-time-adoption exemption provisions of IFRS 1, the cumulative amount of exchange differences on translating foreign operations has been deemed to be nil as of the date of transition to IFRS.

#### J. Retained Earnings

The effects of IFRS application on retained earnings are as follows. The following amounts are the amounts after adjustment of associated tax effects and non-controlling interests.

(Unit: Millions of yen)

	Date of Transition (April 1, 2016)	1st Quarter of FY ended March 2017 (June 30, 2016)	FY ended March 2017 (March 31, 2017)
Adjustments related to the change in reporting date / change in consolidation range (See (1))	(411)	121	-
Adjustments related to government grants (See A)	(219)	(207)	(187)
Adjustments related to the amortization of goodwill (See C)	-	124	495
Adjustments related to deferred tax assets and deferred tax liabilities (See D)	43	99	68
Adjustments related to levies (See E)	(709)	(709)	(699)
Adjustments related to changes in immediate recognition and accounting methods for actuarial differences in defined benefit plans (See G)	(815)	(622)	913
Adjustments related to the amount of exchange differences on translating foreign operations (See I)	8,385	8,385	8,385
Others	(5)	(14)	(4)
Total retained earnings adjustment	6,270	7,177	8,970