MATERIALS INNOVATION

Annual Report 2023

From April 2022 to March 2023

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, 2023 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 the 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 Financial Statements and Notes

1. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	Note	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	45,567	72,640	543,998
Trade and other receivables	9, 34	76,106	78,825	590,315
Inventories	11	104,934	118,437	886,970
Other financial assets	10, 34	1,289	2,657	19,899
Other current assets	13	17,807	26,716	200,072
Subtotal		245,704	299,275	2,241,254
Assets related to disposal group classified as held for sale	12	191,298	—	—
Total current assets		437,002	299,275	2,241,254
Non-current assets				
Property, plant and equipment	14, 15, 17	159,539	169,621	1,270,286
Goodwill	16, 17	117,640	147,874	1,107,419
Other intangible assets	16, 17	24,571	34,202	256,137
Investments accounted for using equity method	18	2,984	2,479	18,566
Retirement benefit asset	22	5,192	5,674	42,489
Other financial assets	10, 34	31,408	33,157	248,309
Other non-current assets	13	2,830	3,438	25,745
Deferred tax assets	19	28,205	20,240	151,576
Total non-current assets		372,369	416,684	3,120,528
Total assets		809,371	715,959	5,361,782

	Note	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	21, 34	63,548	79,627	596,323
Contract liabilities		12,824	22,407	167,809
Bonds and borrowings	20, 34	69,170	62,510	468,134
Income taxes payable		13,479	3,046	22,808
Provisions	23	2,718	1,474	11,039
Other financial liabilities	20, 34	3,489	3,243	24,286
Other current liabilities	24	7,461	9,454	70,798
Subtotal		172,689	181,761	1,361,198
Liabilities related to disposal group classified as held for sale	12	115,576	—	—-
Total current liabilities		288,265	181,761	1,361,198
Non-current liabilities				-
Contract liabilities		11,582	5,062	37,908
Bonds and borrowings	20, 34	48,737	95,683	716,566
Retirement benefit liability	22	10,278	10,485	78,518
Provisions	23	8,033	7,423	55,590
Other financial liabilities	20, 34	17,795	23,514	176,092
Other non-current liabilities	24	4,809	4,373	32,750
Deferred tax liabilities	19	5,133	6,724	50,356
Total non-current liabilities		106,366	153,263	1,147,780
Total liabilities		394,631	335,024	2,508,978
Equity				
Equity attributable to owners of parent				
Share capital	25	23,370	23,370	175,019
Capital surplus	25	11,799	6,637	49,705
Retained earnings	25	333,335	288,919	2,163,702
Treasury shares	25	(18,874)	(2,109)	(15,796)
Other components of equity	25	26,381	38,709	289,887
Total equity attributable to owners of parent		376,011	355,526	2,662,518
Non-controlling interests		38,728	25,409	190,285
Total equity		414,739	380,935	2,852,804
Total liabilities and equity		809,371	715,959	5,361,782

(2) Consolidated Statement of Profit or Loss

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Continuing operations				
Revenue	6, 27	340,997	408,880	3,062,084
Cost of sales		(214,937)	(265,792)	(1,990,506)
Gross profit		126,060	143,088	1,071,578
Selling, general and administrative expenses	28	(87,330)	(109,847)	(822,637)
Other operating income	17, 29	10,819	7,071	52,958
Other operating expenses	17, 29	(5,952)	(11,029)	(82,598)
Share of profit (loss) of investments accounted for using equity method	18	163	87	651
Operating profit	6	43,760	29,370	219,951
Finance income	6, 30	3,415	3,523	26,382
Finance costs	6, 30	(1,655)	(3,047)	(22,821)
Profit before tax	6	45,521	29,846	223,512
Income tax expense	19	(8,370)	(13,427)	(100,554)
Profit from continuing operations		37,151	16,419	122,958
Discontinued operations				
Profit from discontinued operations	12	2,289	—	—
Profit		39,440	16,419	122,958
Profit attributable to:				
Owners of parent		37,303	15,784	118,208
Non-controlling interests		2,136	634	4,750
Total		39,440	16,419	122,958
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share		173.49	75.56	0.57
Continuing operations	32	162.52	75.56	0.57
Discontinued operations	32	10.97	—	—
Diluted earnings per share		173.26	75.47	0.57
Continuing operations	32	162.30	75.47	0.57
Discontinued operations	32	10.96	—	—

(3) Consolidated Statement of Comprehensive Income

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		39,440	16,419	122,958
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	31	1,141	(118)	(883)
Remeasurements of defined benefit plans	31	281	734	5,497
Share of other comprehensive income of investments accounted for using equity method	31	(2)	—	—
Items that may be reclassified to profit or loss				
Effective portion of cash flow hedges	31	34	5	36
Exchange differences on translation of foreign operations	31	17,573	12,035	90,133
Share of other comprehensive income of investments accounted for using equity method	31	640	414	3,103
Total other comprehensive income, net of tax		19,665	13,071	97,886
Total comprehensive income		59,105	29,489	220,844
Comprehensive income attributable to:				
Owners of parent		56,124	28,479	213,281
Non-controlling interests		2,981	1,010	7,563
Total		59,105	29,489	220,844

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Note	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, 2021		23,370	11,562	302,916	(19,202)	15,348	333,995	36,741	370,736
Profit				37,303			37,303	2,136	39,440
Other comprehensive income						18,821	18,821	845	19,665
Total comprehensive income		-	-	37,303	-	18,821	56,124	2,981	59,105
Share-based payment transactions			226		248	(32)	441		441
Dividends	26			(13,975)			(13,975)	(1,127)	(15,102)
Purchase and disposal of treasury shares	25		(17)		79		63		63
Transfer from other components of equity to retained earnings				7,663		(7,663)	-		-
Proceeds from sale of shares of subsidiaries			34				34	133	167
Changes in non-controling interests							-		-
Other			(6)	(573)		(92)	(671)		(671)
Total transactions with owners, etc.		-	237	(6,884)	327	(7,788)	(14,108)	(994)	(15,102)
Balance at March 31, 2022		23,370	11,799	333,335	(18,874)	26,381	376,011	38,728	414,739

Fiscal year ended March 31, 2023

(Millions of yen)

	Note	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, 2022		23,370	11,799	333,335	(18,874)	26,381	376,011	38,728	414,739
Profit				15,784			15,784	634	16,419
Other comprehensive income						12,695	12,695	376	13,071
Total comprehensive income		—	—	15,784	—	12,695	28,479	1,010	29,489
Share-based payment transactions			408		371	(0)	779		779
Dividends	26			(14,793)			(14,793)	(800)	(15,593)
Purchase and disposal of treasury shares	25		(549)	(45,913)	16,394		(30,067)		(30,067)
Transfer from other components of equity to retained earnings				477		(477)	—		—
Proceeds from sale of shares of subsidiaries							—	(13,518)	(13,518)
Changes in non-controling interests			(5,021)			111	(4,911)	(11)	(4,922)
Other				28			28		28
Total transactions with owners, etc.		—	(5,162)	(60,200)	16,765	(367)	(48,964)	(14,329)	(63,294)
Balance at March 31, 2023		23,370	6,637	288,919	(2,109)	38,709	355,526	25,409	380,935

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Note	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, 2022		175,019	88,366	2,496,331	(141,350)	197,563	2,815,930	290,035	3,105,965
Profit				118,208			118,208	4,750	122,958
Other comprehensive income						95,073	95,073	2,813	97,886
Total comprehensive income		-	-	118,208	-	95,073	213,281	7,563	220,844
Share-based payment transactions			3,056		2,777	(2)	5,831		5,831
Dividends	26			(110,782)			(110,782)	(5,992)	(116,774)
Purchase and disposal of treasury shares	25		(4,111)	(343,839)	122,776		(225,174)		(225,174)
Transfer from other components of equity to retained earnings				3,575		(3,575)	-		-
Proceeds from sale of shares of subsidiaries							-	(101,236)	(101,236)
Changes in non-controling interests			(37,606)			829	(36,777)	(85)	(36,861)
Other				210			210		210
Total transactions with owners, etc.		-	(38,660)	(450,837)	125,554	(2,749)	(366,692)	(107,313)	(474,005)
Balance at March 31, 2023		175,019	49,705	2,163,702	(15,796)	289,887	2,662,518	190,285	2,852,804

(5) Consolidated Statement of Cash Flows

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		45,521	29,846	223,512
Profit before tax from discontinued operations	12	3,371	―	―
Depreciation and amortization		22,482	28,425	212,870
Interest and dividend income		(1,782)	(785)	(5,880)
Interest expenses		2,535	3,047	22,821
Share of loss (profit) of investments accounted for using equity method		(163)	(87)	(651)
Impairment losses	17	5,650	7,801	58,423
Loss (gain) on step acquisition	7	(7,467)	(3,429)	(25,681)
Decrease (increase) in trade and other receivables		(12,532)	2,274	17,033
Decrease (increase) in inventories		(46,454)	(4,761)	(35,657)
Increase in trade and other payables		10,066	(5,895)	(44,149)
Other		8,884	(563)	(4,216)
Dividends received		1,801	474	3,546
Interest received		367	349	2,617
Interest paid		(2,300)	(3,420)	(25,615)
Income taxes refund (paid)		(11,706)	(24,005)	(179,775)
Net cash provided by (used in) operating activities		18,271	29,270	219,200
Cash flows from investing activities				
Net decrease in time deposits		397	(1,211)	(9,067)
Purchase of property, plant and equipment		(47,614)	(31,202)	(233,672)
Proceeds from sale of property, plant and equipment		778	2,445	18,312
Purchase of investments		(1,652)	(1,745)	(13,070)
Proceeds from sale of investments		17,203	1,124	8,417
Purchase of shares of subsidiaries resulting in change in scope of consolidation	7	(47,348)	(23,116)	(173,113)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	12	―	51,160	383,135
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation		(45)	―	―
Proceeds from sale of investments in associates		15,224	―	―
Payments for loans receivable		(471)	(1,792)	(13,423)
Collection of loans receivable		811	16	117
Other		(400)	276	2,066
Net cash provided by (used in) investing activities		(63,117)	(4,046)	(30,298)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	20	39,338	(13,183)	(98,730)
Net increase in commercial papers	20	10,003	9,995	74,850
Repayments of long-term borrowings	20	(15,338)	(9,543)	(71,465)
Proceeds from long-term borrowings	20	7,863	26,768	200,461
Proceeds from issuance of bonds	20	―	24,872	186,269
Purchase of treasury shares	25	(4)	(30,137)	(225,695)
Dividends paid	26	(13,972)	(14,791)	(110,766)
Dividends paid to non-controlling interests		(1,127)	(781)	(5,845)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	7	―	(4,922)	(36,861)
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation		160	―	―
Repayments of lease liabilities	20	(4,348)	(3,744)	(28,035)

Other		419	262	1,966
Net cash provided by (used in) financing activities		22,994	(15,203)	(113,852)
Effect of exchange rate changes on cash and cash equivalents		(1,534)	628	4,700
Net increase (decrease) in cash and cash equivalents		(23,386)	10,649	79,750
Cash and cash equivalents at beginning of period		85,377	45,567	341,251
Cash and cash equivalents included in assets associated with disposal groups classified as held for sale	12	(16,424)	16,424	122,997
Cash and cash equivalents at end of period	8	45,567	72,640	543,998

2. Notes of Consolidated Financial Statements

(1) Reporting Entity

JSR Corporation (the "Company") is incorporated in Japan. The consolidated financial statements comprise the financial statements of 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 Digital Solutions Business, the Life Sciences Business and the Plastics Business as well as businesses related to these. The products of these businesses are wide ranging. See the note "(6) 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 the 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 US dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2023, which was ¥133.53 to $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 US dollars at this or any other rates of exchange.

4) Authorization of Consolidated Financial Statements

The consolidated financial statements have been authorized by Eric Johnson, the Company's representative director, CEO and president, and Ken-ichi Emoto, the Company's CFO, on June 19, 2023.

(3) Explanation of New Standards and Interpretations Not Applied

The major new or revised standards and interpretations published prior to the date of authorization of the consolidated financial statements have no significant impact.

(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 the Company gains control until the date it loses control of the subsidiary.

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 the parent company.

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 the reporting period of the Group, the Company uses financial statements of the subsidiary based on the provisional accounting as of the end of the reporting period of the Group.

(ii) Associates

Associates are entities over which the Group has significant influence but does not have control over the financial and operating policies. The equity method is applied to all associates from the date on which the Group acquires significant influence to the date on which 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 takes in account 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, other professional fees, consulting fees, as well as 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 combination 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 retrospectively revised.

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, which is 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 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 （Excluding Right-of-use Assets）

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, 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: 10 to 50 years
- Machinery, equipment, and vehicles: 4 to 8 years
- Tools, furniture, and fixtures: 3 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; and the Group intends 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 the 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: 5-15 years
・ Customer-related intangible assets: 17 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 a major asset is as follows:

・ Software: 5-10 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 the value in use, the estimated future cash flows from the asset are discounted to the present value using a 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; 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 those measured at fair value if they fail to meet either of the two requirements given above.

Of these assets, financial assets that generate, on specified dates, cash flows that are solely payments of principal and interest on the principal amount outstanding and 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 to classify 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 the 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 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 the 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 the 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 asset 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 or 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 on 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 the 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; 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 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 has an effect on 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

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

Apart from short-term leases or leases of low-value assets, the group records right-of-use assets and lease liabilities in the consolidated statement of profit or loss at the lease commencement date when a contract is, or contains a lease. The lease payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured under the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of right-of-use assets is initially measured based on the initial measurement amount of the lease liability adjusted for any initial direct costs incurred or any lease payments made at or before the commencement date, plus any costs to restore the underlying asset or the site at which it is located and other related costs required in the lease contract. Right-of-use assets are depreciated over the lease term on a straight-line basis. Right-of-use assets are recorded in Property, plant and equipment on the current Consolidated Statement of Financial Position. Lease liability is measured at the present value of unpaid lease payments at the calculated interest rate of the lease or when the calculated interest rate cannot be easily calculated, discounted by the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. Lease payments are apportioned between finance costs and repayments of lease liability under the effective interest rate method. Finance costs are recognized in the consolidated statement of profit or loss.

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 for 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 the 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 to 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.

(ⅲ) Termination benefits

The Group pays termination benefits when the Group ends an employee's employment before the normal retirement date, or when the employee accepts an offer of benefits in exchange for the termination of employment. The group recognise a liability and expense for termination benefits at the earlier of the following dates: (a) when the group cannot withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that involves the payment of termination benefits.

14) Non-current Assets Held for Sale and Discontinued Operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use.

The conditions for classifying an asset or disposal group as held for sale are that it must be available for immediate sale in its present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is generally expected to complete within one year. After classification as held for sale, an asset or disposal group is measured at the lower of the carrying amount and the fair value less costs to sell, and is not depreciated or amortized.

A discontinued operation includes a component of the Group that either has been disposed of or is classified as held for sale, represents a line of business or geographical area of the Group, and is recognized when there is a plan to dispose of that line of business or geographical area.

15) 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.

16) Share Capital

The issue price of equity instruments issued by the Company is 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.

17) 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 as well as 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 in 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 the 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.

(iii) Performance Share Unit Remuneration Plan

The Company has adopted a Performance Share Unit Remuneration plan for directors and executive officers of the Company and officers of certain subsidiaries of the Company, under which the number of shares to be delivered and the amount of individual cash payments are adjusted according to the attainment level of predetermined performance targets, and applied cash-settled share-based payment transactions and equity-settled share-based payment transactions under this plan.

Expenses related to the cash-settled payment transactions are recognized over the applicable period and the same amounts are recognized as an increase in liabilities.

Expenses related to the equity-settled payment transactions are calculated using the fair value of common stock at the grant date and are recognized over the applicable period and the same amounts are recognized as an increase in equity.

18) Revenue Recognition

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.

19) 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.

20) Finance Income and Finance Cost

Finance income comprises interest received, dividends received, etc. Interest received is recognized when it incurred using the effective interest method. Dividends received are recognized when the Group’s rights to receive dividends have 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.

21) 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 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.

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 shares outstanding during the reporting period. Diluted quarterly earnings per share are calculated through adjustments for the effect of all potentially dilutive common shares.

(5) 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 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 "(17) Impairment of Non-Financial Assets."

2) Recoverability of Deferred Tax Assets

For the recognition of deferred tax assets, the amount is determined, assuming the probability that there will be 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 "(19) Income Taxes."

(6) Segment Information

1) Overview of Reportable Segments

JSR Group’s reportable segments are based on its business segments for which separate financial information is available and which the Board of Directors determines are 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, JSR Group’s businesses consist of business segments by product based on divisions and core Group companies.

The Group has three reportable segments. The Digital Solutions Business manufactures and sells semiconductor materials, display materials, and products related to edge computing , etc. The Life Sciences Business provides bioprocess materials, diagnostics, and drug discovery and development services. The Plastics Business manufactures and sells ABS and other resins for automobiles office equipment, and amusement applications.

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.

The accounting methods for reportable segments are the same as the methods adopted for the preparation of consolidated financial statements.

Main Products in Each Business Segment

Business segments	Main products
Digital Solutions Business	<Semiconductor Materials> Lithography materials (photoresists, multilayer materials); mounting materials; Cleaning Solution; CMP materials; etc. <Display Materials> Materials for color LCDs; functional coating materials; etc. <Edge Computing Materials> Heat-resistant transparent resins and functional films; photo fabrication and photo molding systems; etc.
Life Sciences Business	Diagnostic and research reagents and similar materials; bio-process materials; drug discovery and development services, etc.
Plastics Business	Synthetic resins including ABS resins, AES resins, AS resins, and ASA resins

2) Segment Revenues, Profits or Losses, Assets and Other Material Items
The following information pertains to the Group's reportable segments.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	165,030	72,452	90,606	12,910	340,997	0	340,997
Segment profit (loss) (core operating profit)[Note 3]	39,002	3,168	5,323	987	48,480	(5,174)	43,306
Segment assets	241,824	210,371	75,996	11,528	539,719	269,652	809,371
Other items							
Depreciation and amortization	9,394	8,021	2,753	627	20,795	1,687	22,482
Impairment losses	3,228	-	-	-	3,228	-	3,228
Capital expenditures	17,192	19,692	2,816	260	39,960	1,891	41,851

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss) downward adjustment of (5,174) million yen contains company-wide profits and losses not allocated to the reportable segments. Adjustments to segment assets are corporate assets not allocated to each reportable segment and assets from discontinued operations. 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)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	170,439	126,478	95,802	16,162	408,880	-	408,880
Segment profit (loss) (core operating profit) [Note 3]	27,790	8,450	1,853	441	38,534	(4,510)	34,025
Segment assets	267,733	269,688	76,713	18,504	632,639	83,320	715,959
Other items							
Depreciation and amortization	11,475	11,720	2,800	807	26,802	1,623	28,425
Impairment losses	7,801	-	-	-	7,801	-	7,801
Capital expenditures	20,154	15,873	3,253	4,546	43,826	392	44,218

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss) downward adjustment of (4,510) million yen 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)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	1,276,410	947,184	717,455	121,034	3,062,084	-	3,062,084
Segment profit (loss) (core operating profit) [Note 3]	208,117	63,280	13,880	3,304	288,582	(33,773)	254,809
Segment assets	2,005,043	2,019,679	574,504	138,578	4,737,804	623,978	5,361,782
Other items							
Depreciation and amortization	85,933	87,771	20,972	6,043	200,719	12,151	212,870
Impairment losses	58,423	-	-	-	58,423	-	58,423
Capital expenditures	150,930	118,874	24,360	34,048	328,212	2,936	331,148

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss) downward adjustment of $(33,773) thousand 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 longterm investment funds (securities (equity instrument assets)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Adjustments to reconcile segment profit to profit before tax are as follows.

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Segment profit	43.306	34,025	254,809
Reversal of impairment loss	1,348	-	-
Profit from sales of shares of affiliated companies	332	-	-
Business restructuring expenses [Note]	-	(9,002)	(67,413)
Gain on step acquisitions	-	3,429	25,681
Loss on sales of fixed assets	-	(222)	(1,662)
Loss on valuation of investments in subsidiaries	(1,411)	-	-
Gain on sales of subsidiaries' stock	-	1,020	7,637
Others	186	120	899
Operating profit	43,760	29,370	219,951
Finance income	3,415	3,523	26,382
Finance costs	(1,655)	(3,047)	(22,821)
Profit before tax	45,521	29,846	223,512

Note : Business restructuring expenses of 8,219 million yen ($61,550 thousand), mainly for restructuring of the semiconductor materials business, and 600 million yen ($4,491 thousand), mainly for restructuring of "other businesses," are included in "Other operating expenses. This includes impairment losses on fixed assets of 7,801 million yen ($58,423 thousand). Please refer to "29. Other operating revenues and expenses" for the breakdown of other operating expenses.

3) Information on Products and Services

Information on products and services is omitted, since similar information is stated in (1) Outline of Reportable Segments.

4) Information by Region

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

Revenue from External Customers

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	110,688	154,641	1,158,103
China	65,757	72,016	539,324
U.S.	61,253	76,771	574,931
Other regions	103,300	105,452	789,726
Total	340,997	408,880	3,062,084

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

Property, Plant and Equipment

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	80,863	78,891	590,811
U.S.	55,492	65,500	490,530
Other regions	23,183	25,230	188,946
Total	159,539	169,621	1,270,286

Note: The presentation of non-current assets has been restricted to property, plant, and equipment to avoid unreasonable preparation costs

5) Information on Major Customers

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

(7) Business Combination and Acquisition of Non-controlling Interest

1) Business Combination

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Wholly Owned Subsidiary through Acquisition of Shares of Inpria Corporation)

(1) Outline of the Business Combination

On October 29, 2021, the Company acquired an additional 78.7% stake in Inpria Corporation (Location: Oregon, USA; CEO: Andrew Grenville, “Inpria”) which develops and manufactures metal oxide resists, making it a wholly owned subsidiary of the Company.

1) Name and Business of the Acquired Company
   Name: Inpria Corporation
   Business: Development and manufacturing of metal oxide resists

2) Date of Acquisition
   October 29, 2021

3) Percentage of Voting Rights Acquired
   Percentage of Voting Rights Held Immediately before the Date of Acquisition 21.3%
   Percentage of Voting Rights Additionally Acquired on the Date of Acquisition 78.7%
   Percentage of Voting Rights at Date of Acquisition 100.0%

4) Method of Acquiring Control
   Acquisition of Shares for Cash

5) Purpose of Business Combination
   Inpria has been working on the development of metal oxide resists since its establishment in 2007. Its main product, which is composed primarily of tin oxide, has achieved the world's highest resolution using EUV exposure systems. In addition, the metal oxide resists is superior to conventional resists in terms of pattern transfer performance during dry etching and is highly suitable for semiconductor mass production processes. With the completion of this acquisition, JSR will add metal resists, a promising future technology, to its photoresist product portfolio, which is one of its strengths, and aims to seamlessly provide value as an advanced materials company that supports the further shrinking in the technologies of its customers.

(2) Fair value of Consideration Paid, Assets Acquired, and Liabilities Assumed at the Date of Acquisition

	Amount
	Millions of yen
Fair value of equity interests held immediately prior to the acquisition date	9,447
Cash	46,654
Total Fair value of consideration paid	56,101
Current Assets	
Cash and cash equivalents	1,043
Trade and other receivables	151
Other current assets	151
Non-current assets	
Property, plant and equipment	357
Other intangible assets *	8,218
Other non-current assets	9
Acquired assets	9,929
Current liabilities	
Trade and other payables	572
Other current liabilities	76
Non-current liabilities	
Deferred tax liabilities	2,219

Other non-current liabilities	9
Total liabilities assumed	2,877
Goodwill	49,049

*The item allocated to other intangible assets are technology assets of ¥8,218 million. The fair value of the intangible assets were calculated using the excess earnings method valuation model. Measurements with the valuation model are based on such assumptions as future sales and technology obsolescence rates.

As of March 31, 2022, 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, was completed because the identifiable assets and liabilities on the date of the business combination were identified.

The valuation gain recognized as a result of the remeasurement of equity interests held by the Company immediately prior to the date of acquisition at its fair value on the date of acquisition of control was ¥7,467 million and is accounted for in the “Other operating income” line item in the consolidated statement of profit or loss. Acquisition-related costs pertaining to the business combination were ¥123 million. The amount incurred in the fiscal year ended March 31, 2022 is accounted for as an expense in the “Selling, general and administrative expenses” line item in the consolidated statement of profit or loss.

Goodwill is primarily composed of expected future earning power. The goodwill cannot be reported as a deductible for tax purposes.

(3) Effect of Business Combination on Cash Flows

	Amount
	Millions of yen
Cash and cash equivalents paid for the acquisition	46,654
Cash and cash equivalents held by the acquired company at the time of acquisition	1,043
Purchase of shares of subsidiaries resulting in change in scope of consolidation	45,611

(4) Impact on the Group's Performance

The impact on revenue and profit arising from Inpria included in the consolidated statement of profit or loss and the impact on revenue and profit assuming that the business combination was carried out at the beginning of the current fiscal year is insignificant.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Wholly Owned Subsidiary through Acquisition of Shares of JSR Electronic Materials Korea Co., Ltd.)

(1) Outline of Business Combination

On January 10, 2023, the company acquired an additional 60.0% stake in JSR Electronic Materials Korea Co., Ltd. ("JEMK"), a distributor of semiconductor materials, making it a wholly owned subsidiary of the company.

1) Name and Business of the Acquired Company
Name: JSR Electronic Materials Korea Co., Ltd.
Business: Sales agency business for semiconductor materials, etc.

2) Date of Acquisition
January 10, 2023

3) Percentage of Voting Rights Acquired
Percentage of Voting Rights Held Immediately before the Date of Acquisition 40.0%
Percentage of Voting Rights Additionally Acquired on the Date of Acquisition 60.0%
Percentage of Voting Rights at Date of Acquisition 100%

4) Method of Acquiring Control
Acquisition of Shares for Cash

5) Purpose of Business Combination

Established in 2014, JEMK has been contributing to the growth and expansion of the company's semiconductor business in South Korea. As our customers continue to develop advanced technologies, including metal oxide resists from Inpria Corporation, which was acquired by the company in October 2021, it is becoming increasingly important for us to develop our business in a better and closer relationship with our customers. The company has decided to make JEMK a wholly-owned subsidiary of its company in order to improve customer satisfaction and speed up service delivery through integrated group operations, and to further strengthen our global cooperation in the semiconductor materials business.

(2) Fair value of Consideration Paid, Assets Acquired, and Liabilities Assumed at the Date of Acquisition

	Amount	
	Millions of yen	Thousands of U.S. dollars
Fair value of equity interests held immediately prior to the acquisition date	3,468	25,972
Fair value of consideration paid	5,275	39,502
Total	8,743	65,474
Current Assets		
Cash and cash equivalents	798	5,977
Inventories	3,574	26,762
Trade and other receivables	1,018	7,624
Other current assets	816	6,112
Non-current assets		
Property, plant and equipment	31	232
Other intangible assets *	6,539	48,967
Other financial assets	662	4,959
Other non-current assets	76	569
Acquired assets	13,514	101,203
Current liabilities		
Trade and other payables	4,309	32,266
Other financial liabilities	1,735	12,990
Non-current liabilities		
Deferred tax liabilities	1,437	10,759
Total liability assumed	7,480	56,016
Goodwill	2,709	20,287

*The item allocated to other intangible assets are Customer-related intangible assets of 6,530 million yen ($ 48,906 thousand). The fair value of the intangible assets were calculated using the excess earnings method valuation model. Measurements with the valuation model are based on such assumptions as future sales etc.

The valuation gain recognized by our company as a result of remeasuring the equity interest held immediately prior to the acquisition date at fair value as of the date of acquisition of control is 3,429 million yen ($25,681 thousand) and is included in "Other operating income" in the consolidated statements of income. In addition, acquisition 26 million yen ($197 thousand) related costs related to the business combination are yen and the amount incurred in the current fiscal year is expensed in "Selling, general and administrative expenses" in the consolidated statements of income.
Goodwill is primarily composed of expected future earning power. The goodwill cannot be reported as a deductible for tax purposes.

(3) Effect of Business Combination on Cash Flows

	Amount	
	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents paid for acquisition	5,275	39,502
Cash and cash equivalents held by the acquired company at the time of acquisition	798	5,977
Purchase of shares of subsidiaries resulting in change in scope of consolidation	4,477	33,525

(4) Impact on our Group's performance

The impact on sales revenue and net income from JEMK included in the consolidated statements of income, and on sales revenue and net income if the business combination is assumed to have taken place at the beginning of the fiscal year is immaterial.

(Acquisition of Indivumed Services GmbH & Co. KG)

(1) Outline of Business Combination

On March 31, 2023, Crown Bioscience International (“Crown Bioscience”), a JSR Life Sciences Company, acquired a 100.0% stake in Indivumed Services GmbH& Co. KG (" Indivumed Services"), a provider of biospecimens, biobanks and clinical services, making it a wholly owned subsidiary of our company.

1) Name and Business of the Acquired Company

Name: Indivumed Services GmbH & Co. KG

Business: Biospecimens, biobank and clinical services business, etc.

2) Date of Acquisition

March 31, 2023

3) Percentage of Voting Rights Acquired

100.0%

4) Method of Acquiring Control

Acquisition of Shares for Cash

5) Purpose of Business Combination

The Company has decided to make Indivumed Services a wholly-owned subsidiary of Crown Bioscience in order to further accelerate drug discovery and create solutions to meet customer needs by bringing a variety of synergistic service platforms to Crown Bioscience's drug discovery and development services, enabling the acquisition of high-quality biospecimens, biobanks and access to fresh patient samples.

(2) Fair value of Consideration Paid, Assets Acquired, and Liabilities Assumed at the Date of Acquisition

	Amount	
	Millions of yen	Thousands of U.S. dollars
Cash	18,765	140,532
Contingent consideration	5,217	39,069
Total Fair value of consideration paid	23,982	179,600
Current Assets		
Cash and cash equivalents	126	944
Inventories	5,214	39,045
Trade and other receivables	378	2,830
Other current assets	53	395
Non-current assets		
Property, plant and equipment	314	2,350
Other intangible assets	8	62
Acquired assets	6,092	45,626
Current liabilities		
Trade and other payables	146	1,093
Other financial liabilities	334	2,504
Total liability assumed	480	3,597
Goodwill	18,370	137,571

At the end of the current fiscal year, the amounts of items, such as goodwill accrued, assets accepted and liabilities assumed on the date of the business combination have been provisionally accounted for because the identification of identifiable assets and liabilities on the date of the business combination is under scrutiny and the allocation of acquisition costs has not been completed.
Acquisition-related costs related to the business combination were 566 million yen ($4,239 thousand), and the amount incurred during the current fiscal year is expensed in in the “Selling, general and administrative” line item in the consolidated statements of income.
Goodwill is primarily composed of expected future earning power. The goodwill cannot be reported as a deductible for tax purposes.

(3) Contingent Consideration

Contingent consideration is a payment agreement that fluctuates according to the level of achievement of certain indicators, such as sales after the business combination and the number of biological samples acquired, and our group estimates the attainability and recognizes the amount of 5,217 million yen ($39,069 thousand) as unpaid acquisition consideration. The amount is calculated based on the level of achievement of each target indicator. The maximum amount of contingent consideration is 8,743 million yen ($65,478 thousand). The fair value hierarchy of contingent consideration is Level 3.

(4) Effect of Business Combination on Cash Flows

	Amount	
	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents paid for acquisition	18,765	140,542
Cash and cash equivalents held by the acquired company at the time of acquisition	126	944
Purchase of shares of subsidiaries resulting in change in scope of consolidation	18,639	139,587

(5) Impact on our group's performance

The impact on sales revenue and net income generated from Individualized Services included in the consolidated statements of income, and on sales revenue and net income assuming the business combination is implemented at the beginning of the fiscal year is immaterial.

2) Acquisition of Non-controlling Interest

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Not Applicable

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

On February 13, 2023, the company acquired an additional 10.0% shares in KBI Biopharma, Inc., microbial and mammalian, clinical and commercial biopharmaceutical contract development and manufacturing services, to make KBI Biopharma, Inc. a wholly owned subsidiary of the company.

As the consideration for additional acquisition, cash of ¥ 4,922 million ($36,861 thousand) was paid to the non-controlling-interest shareholders, and the Group accounted for ¥ 5,021 million ($37,606 thousand) as the decreasing capital surplus ,which is the difference between the consideration for the additional acquisition and ¥ (99) million ($(744) thousand) which is the total amount of non-controlling interest reduced because of the additional acquisition, the exchange differences on translation of foreign operations and valuation difference on available-for-sale securities.

(8) Cash and Cash Equivalents

Cash and cash equivalents for each fiscal year are as follows.

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 the end of the period in the consolidated statement of cash flows.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposit	45,563	72,635	543,962
Short-term investment	4	5	36
Total	45,567	72,640	543,998

(9) Trade and Other Receivables

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

Trade and other receivables include the following items.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Trade receivables			
Notes and account receivable-trade	68,674	70,421	527,377
Other receivables			
Account receivables-other	7,158	8,292	62,099
Other	274	112	839
Total	76,106	78,825	590,315

(10) Other financial assets

1) Breakdown of Other financial assets

The breakdown of other financial assets is as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Derivative asset	-	78	582
Investments (equity financial assets)	30,269	31,632	236,890
Term deposits	1,060	2,285	17,114
Other	1,366	1,819	13,622
Total	32,696	35,814	268,208
Current assets	1,289	2,657	19,899
Non-current assets	31,408	33,157	248,309
Total	32,696	35,814	268,208

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. Term 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:

Name of Stock	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carbon, Inc.	5,782	6,309	47,245
Optorun Co., Ltd.	4,863	5,114	38,301
Cambridge Quantum Computing	3,382	3,690	27,637
Vedanta Biosciences Inc	2,724	2,972	22,260
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	2,146	1,509	11,302
Other	9,598	9,081	68,009
Total	28,495	28,676	214,754

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividends received	1,232	434	3,250

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:

Fiscal year ended March 31, 2022		Fiscal year ended March 31,2023		Fiscal year ended March 31, 2023	
Millions of yen		Millions of yen		Thousands of U.S. dollars	
Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses
17,203	7,523	1,124	(226)	8,417	(1,692)

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.

(11) Inventories

Inventories consist of the following items.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Finished goods and merchandise	60,669	62,437	467,589
Work in process	2,233	2,629	19,687
Raw materials and supplies	42,032	53,371	399,694
Total	104,934	118,437	886,970

The amount of valuation losses on inventories recognized as expenses was ¥ 814 million as of March 31, 2022 and ¥ 466 million ($ 3,492 thousand) as of March 31, 2023. The write-off amount is included in “cost of sales” in the consolidated statement of profit or loss.

The amount included in cost of sales was ¥ 178,766 million as of March 31, 2022 and ¥ 204,695 million ($ 1,532,948 thousand) as of March 31, 2023.

(12) Notes on Disposal Groups Classified as Held for Sale and Discontinued Operations

The Group classifies as discontinued operations those business segments that have been disposed of or are classified as held for sale.

1) Disposal Groups Classified as Held for Sale

(The Separation of the Elastomers Business and Transfer of Shares to the Successor Company)

At the Board of Directors meeting held on May 11, 2021, the Company decided to transfer the Eastomers Business to the newly established Japan Synthetic Rubber Spin-off Preparation Co., Ltd., a subsidiary of the Company, through an absorption-type company split, and to transfer all its shares to ENEOS Corporation. The Company concluded a share transfer agreement with ENEOS Corporation on the same date.

As a result of the transfer decision, the assets and liabilities of the Elastomers Business have been classified as disposal groups classified as held for sale and the Elastomers Business has been classified as discontinued operations from the fiscal year ended March 31, 2022.

The share transfer has been completed on April 1, 2022.

The following are the assets and liabilities related to disposal groups classified as held for sale.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets associated with disposal groups classified as held for sale			
Cash and cash equivalents	16,424	-	-
Trade and other receivables	66,318	-	-
Inventories	50,115	-	-
Other financial assets (Current)	364	-	-
Other current assets	3,145	-	-
Property, plant and equipment	46,466	-	-
Other intangible assets	1,740	-	-
Investments accounted for using equity method	1,528	-	-
Other financial assets (Non-current)	3,920	-	-
Other non-current assets	70	-	-
Deferred tax assets	1,208	-	-
Total assets	191,298	-	-
Liabilities associated with disposal groups classified as held for sale			
Trade and other payables	51,238	-	-
Bonds and borrowings (Current)	21,500	-	-
Income taxes payable	333	-	-
Other financial liabilities (Current)	807	-	-

Other current liabilities	2,115	-	-
Bonds and borrowings (Non-Current)	28,838	-	-
Retirement benefit liability	5,765	-	-
Other financial liabilities (Non-Current)	4,336	-	-
Other non-current liabilities	644	-	-
Deferred tax liabilities	0	-	-
Total liabilities	115,576	-	-

*Other components of equity related to the assets and liabilities associated with the disposal group held for sale at the end of the previous consolidated fiscal year were ¥669 million, net of tax.

2)Discontinued Operations
As described in "1) Disposal Groups Classified as Held for Sale", the Elastomers Business is classified as discontinued operations.

(i) Profit or Loss from Discontinued Operations

The following are the profit or loss from discontinued operations.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	189,318	-	-
Cost of sales and expenses	(185,947)	-	-
Profit before tax from discontinued operations	3,371	-	-
Income tax expenses	(1,082)	-	-
Profit from discontinued operations	2,289	-	-

Cost of sales and expenses for the previous consolidated fiscal year include a loss of ¥1,495 million that was recognized by measuring the assets or disposal groups comprising discontinued operations at fair value less costs to sell. The fair value is calculated primarily on the basis of the business value to be transferred. The fair value hierarchy is classified as Level 3.
For basic and diluted earnings per share related to discontinued operations, please refer to the consolidated statement of profit or loss.

(ii) Cash Flows Arising from Discontinued Operations

The following are cash flows from discontinued operations.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars

Cash flows from operating activities	12,261	-	-
Cash flows from investing activities*	8,088	50,880	381,035
Cash flows from financing activities	1,205	-	-
Effect of exchange rate changes on cash and cash equivalents	1,107	-	-
Total	22,661	50,880	381,035

Note: On April 1, 2022, the Elastomers Business in the company was transferred to Japan Synthetic Rubber Spin-off Preparation Co., Ltd., which was established on May 12, 2021 as a subsidiary of the company, through an absorption-type company split.
Based on the share transfer agreement with ENEOS Corporation entered into on May 11, 2021, the transfer of all shares of the said successor company to ENEOS Corporation has been completed.
The relationship between consideration received for the transfer of shares and income and expenditure of the transfer is as follows:

	Millions of yen	Thousands of U.S. dollars
Consideration received	68,473	512,789
Cash and cash equivalents of transferred subsidiaries	(17,593)	(131,754)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	50,880	381,035

(13) Other Assets

The breakdown of other assets is as shown below.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets			
Excise tax receivable	9,154	7,719	57,805
Income taxes receivable	2,357	10,689	80,048
Prepaid expenses	2,237	2,892	21,659
Other	4,059	5,416	40,559
Total	17,807	26,716	200,072
Other non-current assets			
Long-term prepaid expenses	182	224	1,678
Other	2,648	3,214	24,067
Total	2,830	3,438	25,745

(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 information on impairment losses, see “(17) Impairment on 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, 2021	68,299	51,194	10,122	19,350	21,342	120	170,428
Acquisition	3,891	5,023	1,260	98	32,381	128	42,782
Acquisition by business combination	-	364	40	-	-	-	405
Depreciation	(7,593)	(8,160)	(3,985)	(131)	-	-	(19,869)
Impairment loss	(1,248)	(2,047)	(60)	-	(44)	-	(3,400)
Reversal of impairment losses	1,422	1,199	58	-	19	1	2,699
Sales and disposals	(76)	(817)	(125)	-	-	(32)	(1,050)
Transfer	6,400	10,405	4,236	-	(20,971)	(71)	-
Assets associated with disposal group classified as held for sale	(13,764)	(24,671)	(1,994)	(4,485)	(1,532)	(21)	(46,466)
Exchange differences of foreign operations	4,458	4,056	406	266	2,775	10	11,970
Other	2,593	(27)	(10)	-	(517)	-	2,040
March 31, 2022	64,383	36,521	9,948	15,098	33,452	135	159,539
Acquisition	2,600	5,252	884	826	30,071	936	40,570
Acquisition by business combination	7	317	21	-	-	-	345
Depreciation	(8,747)	(10,485)	(4,300)	(127)	-	-	(23,659)
Impairment loss	(3,245)	(4,416)	(112)	-	(29)	-	(7,801)
Sales and disposals	(1,214)	(185)	(530)	-	(74)	(77)	(2,079)
Transfer	29,846	7,675	4,507	-	(41,974)	(54)	-
Exchange differences of foreign operations	1,432	1,227	185	204	4,098	17	7,162
Other	(1,930)	(341)	14	205	(2,403)	-	(4,455)
March 31, 2023	83,133	35,565	10,617	16,206	23,143	957	169,621

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2022	482,163	273,507	74,502	113,071	250,523	1,012	1,194,778
Acquisition	19,469	39,336	6,623	6,186	225,203	7,010	303,826
Acquisition by business combination	55	2,373	154	-	-	-	2,582
Depreciation	(65,509)	(78,520)	(32,200)	(949)	-	-	(177,178)
Impairment loss	(24,300)	(33,074)	(835)	-	(214)	-	(58,423)
Sales and disposals	(9,092)	(1,382)	(3,970)	-	(552)	(575)	(15,571)
Transfer	223,518	57,474	33,753	-	(314,339)	(407)	-

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
Exchange differences of foreign operations	10,725	9,186	1,384	1,526	30,692	125	53,639
Other	(14,452)	(2,555)	104	1,534	(17,995)	-	(33,364)
March 31, 2023	622,578	266,345	79,512	121,368	173,318	7,166	1,270,286

Acquisition Cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2022	140,435	160,389	61,969	16,908	33,452	135	413,289
March 31, 2023	166,329	166,043	65,787	18,161	23,172	957	440,449

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2023	1,245,633	1,243,489	492,679	136,006	173,532	7,166	3,298,506

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, 2022	76,052	123,867	52,021	1,810	-	-	253,751
March 31, 2023	83,197	130,478	55,170	1,955	29	-	270,828

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2023	623,056	977,144	413,167	14,639	214	-	2,028,220

(Note) 1. Depreciation expenses of property, plant and equipment are recorded as “inventories” in the consolidated statement of financial position, or “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment loss is recorded as “other operating expenses” and “Profit from discontinued operations” in the consolidated statement of profit or loss.
3. The reversal of impairment losses is included in "Other operating income " and " Profit from discontinued operations" in the consolidated statement of profit or loss.
4. “Other” in the changes of carrying amounts includes transfer to/from “inventories” in the consolidated statement of financial position, or “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss.
5. Amounts of property, plant and equipment pledged as collateral for liabilities are stated in “(20) Borrowings and bonds (including Other financial liabilities).”
6. Right-of-use asset included in carrying amounts of property, plant and equipment is stated in “(15) Lease.”

(15) Leases

The Group leases Offices, Production equipment, Company cars, Land and Other assets as the lessee. Certain lease contracts include an extension option. No significant restrictions are imposed by lease contracts, such as restrictions regarding additional borrowings or leases.

1) Right-of-use Asset

Carrying amount of right-of-use assets and the breakdown of depreciation expenses are as follows:

Fiscal year ended March 31, 2022 (from April1, 2021 to March 31, 2022)

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	17,704	2,016	60	79	19,859
Depreciation	(3,497)	(118)	(5)	(88)	(3,708)

(Note) 1. Increase amount of right-of-use asset is ¥2,405 million.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of the financial position or "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	16,419	2,056	48	778	19,302
Depreciation	(3,614)	(34)	(12)	(127)	(3,787)

(Note) 1. Increase amount of right-of-use asset is ¥ 2,650 million.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of the financial position or "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	122,962	15,400	361	5,826	144,550
Depreciation	(27,069)	(253)	(87)	(949)	(28,357)

(Note) 1. Increase amount of right-of-use asset is $ 19,848 thousand.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of financial position or “Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2) Finance Costs Related to Lease

Finance costs related to leases are as follows:

Fiscal year ended March 31, 2022(from April 1, 2021 to March 31, 2022)

	Millions of yen
Finance costs related to leases	631
Expenses relating to short-term leases	401
Expenditures relating to leases of low-value assets	542
Variable lease payments	34
The amount of cash outflow related to leases	4,348

Fiscal year ended March 31, 2023(from April 1, 2022 to March 31, 2023)

	Millions of yen	Thousands of U.S. dollars
Finance costs related to leases	434	3,253
Expenses relating to short-term leases	328	2,457
Expenditures relating to leases of low-value assets	472	3,534
Variable lease payments	68	508
The amount of cash outflow related to leases	3,744	28,035

(Note) 1. Finance costs related to leases are included in "Finance costs" and "Profit from discontinued operations" in the consolidated statement of profit or loss.

2. Expenses relating to short-term leases, expenditures relating to leases of low-value assets and variable lease payments are included in "Cost of sales,"
"Selling, general and administrative expenses" and "Profit from discontinued operations" in the consolidated statement of profit or loss.

3. The amounts of cash outflow related to leases are included in “Repayments of lease liabilities” which include cash flows from discontinued operations in the consolidated statement of cash flow.

For the information on Maturity analysis for lease liabilities, see “(34) Financial Instruments, 2) Financial Risks, (iii) Liquidity Risks.”

(16) 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 information of impairment losses, see “(17) Impairment on Non-financial Assets.”

Changes in Carrying Amounts

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
April 1, 2021	58,633	8,755	6,258	15,014
Acquisition	-	5,335	540	5,875
Acquisition by business combination	50,172	1	8,646	8,646
Amortization	-	(1,245)	(1,273)	(2,518)
Impairment loss	-	(2,250)	-	(2,250)
Reversal of impairment losses	-	84	34	118
Sales and disposals	-	(58)	(2)	(60)
Transfer to other property, plant and equipment	-	9	(9)	-
Assets associated with disposal group classified as held for sale	-	(742)	(998)	(1,740)
Exchange differences of foreign operations	8,835	129	794	923
Other	-	288	274	562
March 31, 2022	117,640	10,307	14,264	24,571
Acquisition	-	716	4,516	5,232
Acquisition by business combination	21,256	16	6,530	6,547
Amortization	-	(2,567)	(2,199)	(4,766)
Sales and disposals	(830)	(43)	(25)	(68)
Transfer to other property, plant and equipment	-	365	(365)	-
Exchange differences of foreign operations	9,808	73	749	822
Other	-	1,022	842	1,864
March 31, 2023	147,874	9,889	24,313	34,202

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2022	881,001	77,191	106,823	184,014
Acquisition	-	5,362	33,822	39,184
Acquisition by business combination	159,182	122	48,906	49,029
Amortization	-	(19,226)	(16,467)	(35,693)
Sales and disposals	(6,217)	(321)	(188)	(509)
Transfer to other property, plant and equipment	-	2,733	(2,733)	-
Exchange differences of foreign operations	73,454	550	5,607	6,156
Other	-	7,651	6,306	13,956
March 31, 2023	1,107,419	74,061	182,076	256,137

Acquisition Cost

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2022	117,640	30,123	33,452	63,574
March 31, 2023	147,874	33,906	42,219	76,125

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2023	1,107,419	253,919	316,179	570,098

Accumulated Amortization and Impairment

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2022	-	19,815	19,188	39,003
March 31, 2023	-	24,016	17,907	41,923

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2023	-	179,858	134,103	313,961

(Note) 1. Amortization expenses of other intangible assets are recorded as “cost of sales” and “selling, general and administrative expenses”.
2. Impairment losses are included in “profit from discontinued operations” in the consolidated statement of profit or loss.
3. The reversal of impairment losses is included in "Other operating income " and "Net profit from discontinued operations" in the consolidated statement of profit or loss.
4. “Other” in the changes of carrying amounts includes transfer to from “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss.

(17) Impairment on 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, 2022 and 2023 are as follows:

	Fiscal year ended March 31, 2022 Millions of yen	Fiscal year ended March 31, 2023 Millions of yen	Fiscal year ended March 31, 2023 Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	1,236	3,245	24,300
Machinery and vehicles	1,934	4,416	33,074
Tools, fixtures and fittings	59	112	835
Construction in progress	-	29	214
Total	3,228	7,801	58,423

In the previous fiscal year, the carrying amount of assets for which recovery of the investment amount cannot be expected due to the delay in the start-up of the U.S. plant in the cleaning solutions business was reduced to the recoverable amount (value in use), and ¥3,228 million was recorded as an impairment loss in "Other operating expenses."
In the current fiscal year, due to a significant decline in the revenue outlook in the wake of the deterioration of the U.S. business environment in the cleaning solutions business, the book value of the assets of the U.S. plant was reduced to the recoverable amount (value in use). The reduction amount of ¥7,801 million($58,423 thousand) was recorded as an impairment loss in "Other operating expenses."

2) Reversal of impairment losses

In the previous fiscal year, among business assets for which impairment losses were recognized in previous years in the Display Materials Business, the carrying amount of assets that are expected to be sold has been reversed to their recoverable amount, and the reversal of impairment losses (¥1,348 million) of ¥1,109 million for Buildings and structures, ¥212 million for Machinery and vehicles, ¥16 million for tools, fixtures and fittings, and ¥10 million for software has been recorded. The reversal of the impairment loss is included in "Other operating income" in the consolidated statement of profit or loss.Recoverable value of Display Materials Business is measured at fair value less costs of disposal. The fair value is calculated based on the sale price to a third party. The fair value hierarchy is classified as Level 3.

3) Impairment Test on Goodwill

The goodwill listed on the consolidated statement of financial position is mainly the goodwill related to drug discovery and development service that happened in the 2018 acquisition of Crown Bioscience International, and the goodwill related to development and manufacture of Metal Oxide Resists for EUV that happened in previous fiscal year acquisition of Inpria Corporation. The carrying amount of goodwill allocated to cash-generating units (or groups of cash-generating units) is as follows:

Segment	Cash-generating units (groups of cash-generating units)	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Plastics business	Plastics	2,598	2,598	19,460
Life Sciences business	In-vitro Diagnostics and Research Reagents	3,641	3,641	27,267
	Contract Development and Manufacturing for Biomedicine	5,763	6,287	47,086
	Contract of the Services for Development and Generation of Cell-lines	9,864	10,877	81,459
	Drug Discovery and Development Services(note)	42,042	64,204	480,822
Digital Solutions Business	Metal Oxide Resists	44,208	48,149	360,588
	Lithography Materials	8,694	12,116	90,737
	Other	830	-	-
Total		117,640	147,874	1,107,421

(Note).

In the current fiscal year, the fair value of the identifiable assets as of the date of the business combination has not been determined and the allocation of acquisition costs has not been completed, so a portion of goodwill (Drug Discovery and Development Services ¥18,370 million ($137,571 thousand)) is calculated on a provisional basis based on reasonable information available at the end of the current fiscal year.

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.

The value in use was calculated by reflecting the external information such as past experience and market growth rate which each cash-generating unit or cash-generating unit groups belong to and internal information such as equipment capacity, and it was discounting the estimated amount of cash flows to the present value based on the plan approved by management.

A terminal growth rate used for impairment test of major goodwill, pre-tax discount rate and term to estimate cash flows are as below.

Measured at the Value in Use

Cash-generating units (groups of cash-generating units)	Terminal growth rate	Pre-tax discount rate	Term to estimate cash flows
Plastics	0.0%	9.9%	5 years
In-vitro Diagnostics and Research Reagents	1.0%	7.3%	5 years
Contract Development and Manufacturing for Biomedicine	2.0%	14.9%	5 years
Contract of the Services for Development and Generation of Cell-lines	2.0%	13.7%	5 years
Drug Discovery and Development Services	2.0%	15.7%	5 years
Lithography Materials	2.0%	10.2%	5 years

Recoverable amount of metal oxide resists are measured at fair value less costs of disposal. Such fair value is calculated by discounting to present value, at a pre-tax discount rate (pre-tax weighted average cost of capital) of 15.2%, the estimated future cash flows based on a business plan approved by the management of the company that has been prepared to reflect Inpria's past experience, external information and future sales generated from Inpria's metal oxide resists technology. The estimated period of cash flows is based on the validity of the patents on technology assets held by Inpria. Terminal growth rate is 2.2%. The fair value hier archy is classified as Level 3.

As a result of the above calculation, the recoverable amounts well exceed the carrying amount of each cash-generating units, as for those cash-generating units, the Group considers that the carrying amount will not exceed the recoverable amount even if there is a change in the key assumptions used in the estimation of the recoverable amounts within a reasonable range.

(18) Investments Accounted for Using the Equity Method

1) Investments in Associates

There are no investments in significant associates.

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount	2,984	2,479	18,566

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	72	87	651
Share of other comprehensive income	232	414	3,103
Share of total comprehensive income	304	501	3,754

2) Investments in Joint Ventures

There are no investments in significant joint ventures.

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount	-	-	-

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	91	-	-
Share of other comprehensive income	406	-	-
Share of total comprehensive income	497	-	-

(19) 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, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	April 1, 2021	Recognized through profit(loss)	Recognized through other comprehensive income	Other	March 31, 2022
Deferred Tax Assets					
Inventories	1,122	151	-	-	1,274
Accrued bonuses	1,867	339	-	-	2,206
Non-current assets	25,729	419	-	-	26,148
Retirement benefit liability	3,719	(310)	-	-	3,409
Unused tax losses	344	(172)	-	-	172
Other	6,086	2,215	(50)	(797)	7,454
Total	38,868	2,642	(50)	(797)	40,663
Deferred Tax Liabilities					
Non-current assets	(1,514)	49	-	-	(1,465)
Financial asset measured at fair value through other comprehensive income	(6,794)	-	(248)	3,158	(3,884)
Retained earnings	(13,059)	3,756	-	-	(9,303)
Other	(427)	(126)	-	(2,385)	(2,938)
Total	(21,794)	3,679	(248)	772	(17,590)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	April 1, 2022	Recognized through profit(loss)	Recognized through other comprehensive income	Other	March 31, 2023
Deferred Tax Assets					
Inventories	1,274	(149)	-		1,124
Accrued bonuses	2,206	(908)	-		1,297
Non-current assets	26,148	(24,043)	-		2,106
Retirement benefit liability	3,409	(2,046)	-		1,364
Unused tax losses	172	10,898	-		11,070
Other	7,454	967	(134)	(164)	8,123
Total	40,663	(15,281)	(134)	(164)	25,084
Deferred Tax Liabilities					
Non-current assets	(1,465)	(64)	-	-	(1,529)
Financial asset measured at fair value through other comprehensive income	(3,884)	-	(295)	66	(4,114)
Retained earnings	(9,303)	7,973	-	-	(1,330)
Other	(2,938)	(253)	-	(1,404)	4,595
Total	(17,590)	7,656	(295)	(1,338)	11,568

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

	April 1, 2022	Recognized through profit(loss)	Recognized through other comprehen sive income	Other	March 31, 2023
Deferred Tax Assets					
Inventories	9,539	(1,119)	-	-	8,420
Accrued bonuses	16,519	(6,803)	-	-	9,716
Non-current assets	195,823	(180,055)	-	-	15,769
Retirement benefit liability	25,532	(15,320)	-	-	10,211
Unused tax losses	1,288	81,618	-	-	82,905
Other	55,820	7,242	(1,000)	(1,231)	60,831
Total	304,522	(114,438)	(1,000)	(1,231)	187,852
Deferred Tax Liabilities					
Non-current assets	(10,973)	(479)	-	-	(11,452)
Financial asset measured at fair value through other comprehensive income	(29,090)	-	(2,208)	492	(30,806)
Retained earnings	(69,668)	59,707	-	-	(9,961)
Other	(22,003)	(1,896)	-	(10,515)	(34,413)
Total	(131,734)	57,333	(2,208)	(10,022)	(86,632)

(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.

Tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	16,531	21,827	163,458
Deductible temporary differences	5,631	14,868	111,347
Total	22,161	36,695	274,806

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Not later than one year	-	-	-
Later than one year and not later than five years	12,424	6,455	48,340
Later than five years	4,106	15,372	115,119
Total	16,531	21,827	163,459

The amount of taxable temporary differences pertaining to investments in subsidiaries, etc. for which deferred tax liabilities have not been recognized was ¥30,051million as of March 31, 2022 and ¥50,347million ($377,048 thousand) as of March 31, 2023. 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:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expenses	15,773	5,802	43,449
Deferred tax expenses	(6,322)	7,625	57,106
Total	9,452	13,427	100,554
Continuing operations	8,370	13,427	100,554
Discontinued operations	1,082	-	-

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	%	%
Statutory income tax rate	30.6	30.6
Retained earnings	(5.0)	(0.6)
Tax credit on experiment and research expenses	(3.1)	-
Differences in tax rates applied to foreign operations	(2.4)	2.2
Special deduction for reconstruction district	0.2	2.1
Share of loss (profit) of entities accounted for using the equity method	(0.1)	10.4
Other	(1.8)	0.3
Average effective tax rate	18.4	45.0

(20) Borrowings and bonds (including Other financial liabilities)

1) Financial Liabilities

Borrowings and bonds (including Other financial liabilities) consisted of the following:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023	Average interest rates	Payment Due
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Current borrowings	50,631	36,780	275,441	4.43%	-
Commercial Papers	10,003	19,998	149,765	0.01%	
Current portion of non-current borrowings	8,536	5,732	42,928	2.55%	-
Non-current borrowings	13,847	35,878	268,690	1.00%	2024-32
Bonds Payable	34,890	59,805	447,876	0.39%	2025-32
Current lease liabilities	2,984	3,195	23,924	-	-
Non-current lease liabilities	16,231	15,647	117,180	-	2024-42
Derivative liabilities	2,069	2,698	20,206	-	-
Contingent consideration	-	5,217	39,069	-	-
Total	139,192	184,950	1,385,079	-	-
Current liabilities	72,659	65,753	492,421	-	-
Non-current liabilities	66,533	119,197	892,658	-	-
Total	139,192	184,950	1,385,079	-	-

Borrowings and bonds are classified as financial liabilities measured at cost. Derivative liabilities and Contingent consideration 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 and bonds payable are as follows:

(Millions of yen)

	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
Non-current borrowings	14,778	2,339	3,755	6	15,000	35,878
Bonds Payable	-	13,000	-	15,000	32,000	60,000

(Thousands of U.S. dollars)

	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
Non-current borrowings	110,673	17,520	28,118	45	112,334	268,690
Bonds Payable	-	97,356	-	112,334	239,647	449,337

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:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	7	-	-
Property, plant and equipment	7,391	7,719	57,808
Total	7,398	7,719	57,808

Corresponding liabilities are as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities associated with disposal groups classified as held for sale	2	-	-
Non-current portion of non-current borrowings	30	30	225
Total	32	30	225

3) Reconciliation of Liabilities Arising from Financing Activities

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	As of April 1, 2021	Cash flow	Non-cash items				As of March 31, 2022
			Lease	Exchange differences	Transfer between non-current and current	Other*	
Borrowings (non-current)	46,537	7,691	-	3,040	(14,598)	(28,822)	13,847
Bonds Payable	34,869	-	-	-	-	22	34,890
Borrowings (current)	37,872	24,173	-	4,003	14,598	(21,479)	59,167
Commercial Papers	-	10,003	-	-	-	-	10,003
Lease liabilities	22,373	(4,348)	4,441	1,765	-	(25)	19,215
Total	141,650	37,519	4,441	8,808	-	(50,305)	137,123

*Includes transfers to disposal groups held for sale.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	As of April 1, 2022	Cash flow	Non-cash items				As of March 31, 2023
			Lease	Exchange differences	Transfer between non-current and current	Other	
Borrowings (non-current)	13,847	26,610	-	1,236	(5,815)	-	35,878
Bonds Payable	34,890	24,872	-	-	-	42	59,805
Borrowings (current)	59,167	(22,569)	-	127	5,815	(28)	42,512
Commercial Papers	10,003	9,995	-	-	-	-	19,998
Lease liabilities	19,215	(3,744)	2,251	1,218	-	(100)	18,842
Total	137,123	35,165	2,251	2,581	-	(86)	177,035

(Thousands of U.S. dollars)

	As of April 1, 2022	Cash flow	Non-cash items				As of March 31, 2023
			Lease	Exchange differences	Transfer between non-current and current	Other	
Borrowings (non-current)	103,700	199,282	-	9,258	(43,549)	-	268,690
Bonds Payable	261,292	186,269	-	-	-	315	447,876
Borrowings (current)	443,097	(169,015)	-	951	43,549	(212)	318,369
Commercial Papers	74,915	74,850	-	-	-	-	149,765
Lease liabilities	143,903	(28,035)	16,860	9,124	-	(747)	141,104
Total	1,026,908	263,350	16,860	19,332	-	(645)	1,325,805

(21) Trade and Other Payables

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Trade Payable			
Notes and accounts payable - trade	38,749	40,697	304,775
Other Payable			
Accounts payable - other, and accrued expenses	24,395	38,605	289,108
Other	405	326	2,441
Total	63,548	79,627	596,323

(22) 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, defined benefit plans under the Defined-benefit Corporate Pension Act, defined benefit corporate pension plans and lump-sum retirement benefit plans have been operational. 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. at present 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:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Present value of funded retirement benefit obligation	35,248	28,983	217,055
Fair value of plan assets	(38,103)	(32,415)	(242,757)
Subtotal	(2,855)	(3,432)	(25,702)
Present value of unfunded retirement benefit obligation	7,940	8,243	61,731
Total Net liability (asset) for retirement benefit	5,085	4,811	36,029
Amounts on consolidated statement of financial position			
Retirement benefit liability	10,278	10,485	78,518
Retirement benefit asset	(5,192)	(5,674)	(42,489)
Total Net liability (asset) for retirement benefit	5,085	4,811	36,029

(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:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U,S, dollars
Balance of present value of retirement benefit obligation at the beginning of the fiscal year	51,643	43,188	323,436
Service cost	2,390	1,539	11,522
Interest expense	227	213	1,594
Remeasurement			
Actuarial gains (losses) arising from changes in demographic assumptions	1,103	829	6,205
Actuarial gains (losses) arising from changes in financial assumptions	(725)	(1,846)	(13,823)
Benefits paid	(3,600)	(2,308)	(17,284)
Transfer to liabilities associated with disposal group classified as held for sale	(7,458)	(4,890)	(36,620)
Other	(391)	502	3,757
Balance of present value of retirement benefit obligation at the end of the fiscal year	43,188	37,226	278,786

The weighted average duration of defined benefit plan obligations was 13.6 years in the fiscal year ended March 31, 2022 and 12.9 years in the fiscal year ended March 31, 2023.

(iii) Reconciliation of Fair Value of Plan Assets

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance of fair value of plan assets at the beginning of the fiscal year	40,114	38,103	285,353
Interest revenue	166	149	1,117
Remeasurement			
Return on plan assets	242	(25)	(188)
Contributions paid by the employer	1,396	940	7,039
Benefits paid	(1,901)	(1,589)	(11,902)
Transfer to liabilities associated with disposal group classified as held for sale classified as held for sale	(1,694)	(5,137)	(38,472)
Other	(220)	(25)	(190)
Balance of fair value of plan assets at the end of the fiscal year	38,103	32,415	242,757

Contributions to defined benefit plans are determined by performing 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 ¥1,391 million ($10,417 thousand) in the fiscal year ending March 31, 2024.

(iv) Items of Plan Assets

Plan assets consisted of the following items.

	As of March 31, 2022			As of March 31, 2023		
	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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Cash and cash equivalents	4,478	-	4,478	3,391	-	3,391
Equity instruments						
Domestic equity securities	1,428	-	1,428	1,411	-	1,411
Foreign equity securities	3,857	-	3,857	3,504	-	3,504
Debt instruments						
Domestic bonds	9,592	-	9,592	8,330	-	8,330
Foreign bonds	10,013	-	10,013	7,889	-	7,889
General accounts of life insurance	-	414	414	-	434	434
Alternative investments*	-	8,320	8,320	-	7,457	7,457
Total	29,369	8,735	38,103	24,525	7,891	32,415

*Alternative investments include hedge funds.

	As of March 31, 2023		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Cash and cash equivalents	25,393	-	25,393
Equity instruments			
Domestic equity securities	10,570	-	10,570
Foreign equity securities	26,241	-	26,241
Debt instruments			
Domestic bonds	62,380	-	62,380
Foreign bonds	59,081	-	59,081
General accounts of life insurance	-	3,250	3,250
Alternative investments*	-	55,843	55,843
Total	183,664	59,093	242,757

*Alternative investments include hedge funds.

(v) Main Component Used for Actuarial Assumption

	As of March 31, 2022	As of March 31, 2023
	%	%
Discount rates (weighted average)	0.63	1.08

(vi) Sensitivity Analysis

In the fiscal year ended March 31, 2023, 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 ¥2,051 million ($15,359 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 the actual effects of such changes on defined benefit plan obligations may differ from the expected effects.

3) Defined Contribution Plans

The amount recognized as expenses in relation to defined contribution plans was ¥1,806 million in the fiscal year ended March 31, 2022 and ¥2,008 million ($15,037 thousand) in the fiscal year ended March 31, 2023.

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, 2022 and the fiscal year ended March 31, 2023 was ¥4,257 million and ¥3,610 million ($27,036 thousand), respectively.

(23) Provisions

Increase or decrease in provisions are the following.

	Provision for loss on business restructuring	Allowance for dismantling and removal	Other
	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2022	2,612	8,139	-
Increase	360	-	31
Decrease (used for purposes)	(2,200)	(45)	-
As of March 31, 2023	772	8,093	31

	Provision for loss on business restructuring	Allowance for dismantling and removal	Other
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2022	19,562	60,949	-
Increase	2,698	-	234
Decrease (used for purposes)	(16,475)	(339)	-
As of March 31, 2023	5,785	60,610	234

Provision for Loss on Business Restructuring
To provide for losses due to business restructuring that are expected to arise for the future, the estimated loss is recorded.
The payment period is within one year from the end of the fiscal year.

Allowance for dismantling and removal
To provide for expenses for the dismantling and removal of manufacturing facilities, etc., that are expected to arise in the future, an estimated amount of expenses at the end of the current fiscal year is recorded.
The payment period may change due to a review of future dismantling and removal plans.

Provisions on consolidated statement of financial position consisted of the following:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current liabilities	2,718	1,474	11,039
Non-Current liabilities	8,033	7,423	55,590
Total	10,751	8,897	66,629

(24) Other Liabilities

Other liabilities include the following items.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities			
Accrued bonuses	3,794	3,835	28,723
Accrued consumption taxes	476	2,797	20,947
Other	3,191	2,821	21,127
Total	7,461	9,454	70,798
Other non-current assets			
Provision for environmental measures	127	-	-
Other	4,682	4,373	32,750
Total	4,809	4,373	32,750

(25) 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 the 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 are as follows:

	Number of shares authorized	Number of shares issued
As of April 1, 2021	696,061,000	226,126,145
Increase/Decrease	-	-
As of March 31, 2022	696,061,000	226,126,145
Increase/Decrease	-	(17,726,145)
As of March 31, 2023	696,061,000	208,400,000

(Note) 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.
Increase or decrease during the current consolidated fiscal year is due to the cancellation of treasury stock.

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, 2021	11,223,335
Increase/Decrease	(175,435)
As of March 31, 2022	11,047,900
Increase/Decrease	(10,233,673)
As of March 31, 2023	814,227

(Note) Increase or decrease during the period is mainly due to the cancellation of treasury stock and the disposal of treasury stock as the restricted share-based remuneration.

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 the general meeting of shareholders.

4) Other Components of Equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	Total
As of April 1, 2021	15,096	(20)	354	-	(82)	15,348
Other comprehensive income	1,140	17	17,523	141	-	18,821
Total comprehensive income	1,140	17	17,523	141	-	18,821
Share-based remuneration plan	-	-	-	-	(32)	(32)
Transfer from other components of equity to retained earnings	(7,523)	-	-	(141)	-	(7,663)
Changes in non-controlling interests	-	-	-	-	-	-
Other movements	-	-	(92)	-	-	(92)
Total transactions with owners, etc.	(7,523)	-	(92)	(141)	(32)	(7,788)
As of March 31, 2022	8,713	(2)	17,784	-	(114)	26,381

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	Total
As of April 1, 2022	8,713	(2)	17,784	-	(114)	26,381
Other comprehensive income	(12)	2	12,001	703	-	12,695
Total comprehensive income	(12)	2	12,001	703	-	12,695
Share-based remuneration plan	-	-	-	-	(0)	(0)
Transfer from other components of equity to retained earnings	226	-	-	(703)	-	(477)
Changes in non-controlling interests	(3)	-	113	-	-	111
Other movements	-	-	-	-	-	-
Total transactions with owners, etc.	223	-	113	(703)	(0)	(367)
As of March 31, 2023	8,925	-	29,898	-	(115)	38,709

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	Total
As of April 1, 2022	65,252	(19)	133,185	-	(855)	197,563
Other comprehensive income	(86)	19	89,873	5,267	-	95,073
Total comprehensive income	(86)	19	89,873	5,267	-	95,073
Share-based remuneration plan	-	-	-	-	(2)	(2)
Transfer from other components of equity to retained earnings	1,692	-	-	(5,267)	-	(3,575)
Changes in non-controlling interests	(21)	-	850	-	-	829
Other movements	-	-	-	-	-	-
Total transactions with owners, etc.	1,671	-	850	(5,267)	(2)	(2,749)
As of March 31, 2023	66,837	-	223,908	-	(858)	289,887

(a) 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.

(b) 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.

(c) Exchange Differences on Translation of Foreign Operations
They represent translation differences on foreign operations' financial statements.

(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 “(33) Share-based remuneration.”

(26) Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

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 17, 2021	Ordinary Shares	¥6,447 million	¥30	March 31, 2021	June 18, 2021	Retained Earnings
Board of Directors Meeting on November 8, 2021	Ordinary Shares	¥7,528 million	¥35	September 30, 2021	December 8, 2021	Retained Earnings

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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, 2022	Ordinary Shares	¥ 7,528 million ($ 56,375thousand)	¥35($0.26)	March 31, 2022	June 20, 2022	Retained Earnings
Board of Directors Meeting on October 31, 2022	Ordinary Shares	¥7,265 million ($ 54,407thousand)	¥35 ($0.26)	September 30, 2022	December 1, 2022	Retained Earnings

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

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

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 17, 2022	Ordinary Shares	¥7,528 million	¥35	March 31, 2022	June 20, 2022	Retained Earnings

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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, 2023	Ordinary Shares	¥7,266 million ($ 54,411thousand)	¥35 ($0.26)	March 31, 2023	June 19, 2023	Retained Earnings

(27) 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, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	29,137	135,893	165,030
	Semiconductor Materials	20,061	90,190	110,251
	Display Materials	5,136	40,802	45,938
	Edge Computing Materials	3,940	4,901	8,841
	Life Sciences	16,837	55,615	72,452
	Plastics	53,122	37,484	90,606
Other		11,591	1,319	12,910
Total		110,688	230,310	340,997
Adjustment		0	-	0
Amount Recorded in the Consolidated Financial Statements		110,688	230,310	340,997

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	26,625	143,814	170,439
	Semiconductor Materials	20,421	105,962	126,383
	Display Materials	2,785	33,806	36,590
	Edge Computing Materials	3,419	4,046	7,466
	Life Sciences	54,660	71,818	126,478
	Plastics	57,701	38,101	95,802
Other		15,656	506	16,162
Total		154,641	254,239	408,880
Adjustment		-	-	-
Amount Recorded in the Consolidated Financial Statements		154,641	254,239	408,880

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	199,395	1,077,016	1,276,410
	Semiconductor Materials	152,934	793,543	946,477
	Display Materials	20,855	253,170	274,024
	Edge Computing Materials	25,606	30,303	55,909
	Life Sciences	409,345	537,839	947,184
	Plastics	432,119	285,336	717,455
Other		117,244	3,790	121,034
Total		1,158,103	1,903,981	3,062,084

Adjustment	-	-	-
Amount Recorded in the Consolidated Financial Statements	1,158,103	1,903,981	3,062,084

1) 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.

2) Life Sciences Business

(i) 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.

(ii) 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.

3) 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.

(2) Liabilities Arising from Contracts with the Customers

Contract liabilities primarily consist of consideration received from customers before performance obligations are satisfied for biologics contract development and manufacturing organization (CDMO) services in the Life Sciences Business. Said contract liabilities are transferred to revenue as the corresponding performance obligation is satisfied. Among the beginning balance of contract liabilities for the current fiscal year, the amount of revenue recognized is ¥13,987 million ($104,746 thousand).

The amount of revenue recognized from the performance obligations that were satisfied (or partially satisfied) in previous fiscal years is insignificant in the current 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 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.

(28) Selling, General and Administrative Expenses

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Transportation and warehousing expenses	7,997	8,878	66,488
Salaries and allowances	22,315	31,829	238,363
Retirement benefit expenses	702	1,526	11,425
Experiment and research expenses	21,839	23,182	173,608
Depreciation	6,793	9,287	69,548
Supplies expenses	570	479	3,587
Business consignment expenses	3,578	7,500	56,167
Other	23,535	27,167	203,452
Total	87,330	109,847	822,637

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expense	24,406	26,951	201,833

(29) Other Operating Income and Expenses

Other operating income consisted of as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sales of non-current assets	19	85	634
Rent income	171	372	2,788
Remeasured gains on business combinations *1	7,467	3,429	25,681
Reversal of impairment losses	1,348	-	-
Gain on sale of shares of subsidiaries *2	-	1,020	7,637
Other	1,814	2,166	16,219
Total	10,819	7,071	52,958

*1 Remeasured gains on business combinations are described in "Notes of Consolidated Financial Statements (7) Business Combinations and Acquisition of Non-controlling Interest."

*2 Gain on sale of shares of subsidiaries in fiscal year ended March 31, 2023 is the gain on the transfer of the Elastomers Business.

Other operating expenses consisted of as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on abandonment of non-current assets	91	163	1,224
Loss on sales of non-current assets	12	264	1,976
Impairment loss	3,228	7,801	58,423
Other	2,620	2,801	20,975
Total	5,952	11,029	82,598

(30) Financial Income and Costs

Financial income consisted of the following:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	166	351	2,629
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	1,232	434	3,250
Foreign exchange gains	2,017	2,738	20,502
Total	3,415	3,523	26,382

Financial costs consisted of the following:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	1,160	2,613	19,568
Lease liabilities	495	434	3,253
Total	1,655	3,047	22,821

(31) Other Comprehensive Income

Changes in items of other comprehensive income are shown below:

Amount incurred and reclassification for profit or loss in items of other comprehensive income, and effects of income tax are shown below:

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	1,389	-	1,389	(248)	1,141
Remeasurements of defined benefit plans	405	-	405	(124)	281
Share of other comprehensive income of investments accounted for using equity method	(2)	-	(2)	-	(2)
Total	1,791	-	1,791	(372)	1,419
Items that may be reclassified to profit or loss					
Cash flow hedges	2	32	34	-	34
Exchange differences on translation of foreign operations	17,480	-	17,480	-	17,573
Share of other comprehensive income of investments accounted for using the equity method	640	-	640	-	640
Total	18,122	32	18,154	-	18,246
Total	19,913	32	19,945	(372)	19,665

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	177	-	177	(295)	(118)
Remeasurements of defined benefit plans	1,058	-	1,058	(324)	734
Share of other comprehensive income of investments accounted for using equity method	-	-	-	-	-
Total	1,235	-	1,235	(619)	616
Items that may be reclassified to profit or loss					
Cash flow hedges	5	-	5	-	5
Exchange differences on translation of foreign operations	12,743	(1,020)	11,723	312	12,035
Share of other comprehensive income of investments accounted for using the equity method	414	-	414	-	414
Total	13,162	(1,020)	12,142	312	12,455
Total	14,397	(1,020)	13,377	(307)	13,071

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	1,325	-	1,325	(2,208)	(883)
Remeasurements of defined benefit plans	7,923	-	7,923	(2,426)	5,497
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-
Total	9,248	-	9,248	(4,634)	4,614
Items that may be reclassified to profit or loss					
Cash flow hedges	36	-	36	-	36
Exchange differences on translation of foreign operations	95,431	(7,637)	87,794	2,338	90,133
Share of other comprehensive income of investments accounted for using the equity method	3,103	-	3,103	-	3,103
Total	98,571	(7,637)	90,934	2,338	93,272
Total	107,819	(7,637)	100,182	(2,296)	97,886

(32) Earnings per Share

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
1) Basic earnings per share	¥173.49	¥75.56	$0.57
Continuing operations	¥162.52	¥75.56	$0.57
Discontinued operations	¥10.97	-	-
(Basis of calculation)			
Profit attributable to owners of parent	¥37,303 million	¥15,784 million	$118,208 thousand
Continuing operations	¥34,944 million	¥15,784 million	$118,208 thousand
Discontinued operations	¥2,360 million	-	-
Average shares outstanding during the year (1,000 shares)	215,016	208,907	208,907
2) Diluted earnings per share	¥173.26	¥75.47	$0.57
Continuing operations	¥162.30	¥75.47	$0.57
Discontinued operations	¥10.96	-	-
(Basis of calculation)			
Increase in common shares due to stock options (1,000 shares)	285	237	237
Average diluted shares outstanding during the year (1,000 shares)	215,301	209,144	209,144

(33) Share-based Remuneration

1) Stock Options

(i) Overview of Share-based Remuneration Plan

The Group operated an equity-settled share-based remuneration plan where it 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, share acquisition rights already granted as share-based stock options to directors, etc. that have not been exercised will be continued).

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

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
	Shares	Yen	Shares	Yen	U.S. dollars
Outstanding at the beginning	312,600	1	263,600	1	0.01
Granted	-	-	-	-	-
Exercised	(49,000)	1	(52,300)	1	0.01
Forfeited	-	-	-	-	-
Expired	-	-	-	-	-
Outstanding at the end	263,600	1	211,300	1	0.01
Exercisable at the end	263,600	1	211,300	1	0.01

The weighted average share price as of the exercise date of stock options exercised during the period was ¥3,505 and ¥3,284 ($24.59) in the fiscal years ended March 31, 2022 and 2023, respectively.

In the fiscal years ended March 31, 2022 and 2023, the exercise price of unexercised stock options was ¥1 each. The weighted average remaining contract terms in the fiscal years ended March 31, 2022 and 2023 were 10.1 years and 8.9 years, respectively, for the unexercised balance at the end of the fiscal year, and 10.1 years and 8.9 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, 2023 (from April 1, 2022 to March 31, 2023)
Number of restricted shares granted	142,100 shares
Fair value on the grant date	¥3,505 per share ($26.25 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	Directors and executive officers of the Company: 30 years Executives of certain subsidiaries: 3 years

3) Performance Share Unit Remuneration Plan

The Company has adopted the performance share unit remuneration plan for directors and executive officers of the Company and officers of certain subsidiaries of the Company, under which the number of shares to be delivered and the amount of individual cash payments are adjusted according to the attainment level of predetermined performance targets. (hereinafter referred to as" Eligible Directors, Executive Officers and Subsidiaries Officers").

The Eligible Directors, Executive Officers and Subsidiaries Officers shall, at the beginning of the performance evaluation period, be granted the basic number of share units determined by position, by resolution of the Board of Directors based on the deliberation and report of the Compensation Advisory Committee of the Company, except for cases of transfer to a competitor which is not approved by the Company or cases of disciplinary action.

The number of the Company shares to be paid to Eligible Directors, Executive Officers and Subsidiaries Officers and the amount of cash paid shall be determined by multiplying the base

number of share units by the payment rate (varying from 0% to 200%) corresponding to the degree of achievement of the target value of the consolidated performance indicator (average consolidated ROE for fiscal year 2023 and fiscal year 2024) set in fiscal year 2021. Out of the number calculated by multiplying the base number of share units for the Company shares granted to each Eligible Director, Executive Officer and Subsidiaries Officers by the allocation rate determined after the end of the performance evaluation period, 50% is calculated as the number of individual shares to be allocated and the remaining amount is calculated as the amount of individual cash to be paid.
The fair value in the plan is estimated based on the market price of the Company's shares, which is not revised in consideration of the estimated dividend. The fair value at the reporting date for the fiscal year ended March 31, 2022 was ¥3,535 and, the fiscal year ended March 31,2023 was ¥3,531 ($26.44).

4) Share-based Remuneration Expense

The breakdown of share-based remuneration expenses in the consolidated statement of profit or loss is as follows:
The amount of share-based remuneration expense is included in "selling, general and administrative expenses".

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity-settled (Restricted Share-based Remuneration Plan)	461	476	3,563
Cash-settled (Performance Share Unit Remuneration Plan)	172	169	1,265
Equity-settled (Performance Share Unit Remuneration Plan)	167	219	1,639
Total	800	863	6,467

5) Liabilities Arising from Share-based Payment

The liabilities included in "Other current liabilities" in the consolidated statement of the financial position are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount of liabilities	172	341	2,550

(34) 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 a 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 to which Hedge Accounting is Not Applied

	As of March 31, 2022			As of March 31, 2023		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
U.S. dollar	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Forward exchange contracts						
Purchase	2,575	-	58	-	-	-
Sell	5,533	-	(365)	5,240	-	(48)
Total	8,108	-	(308)	5,240	-	(48)

	As of March 31, 2023		
	Contracted Amount	Later than one year	Fair value
U.S. dollar	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Forward exchange contracts			
Purchase	-	-	-
Sell	39,245	-	(362)
Total	39,245	-	(362)

	As of March 31, 2022			As of March 31, 2023		
	Assumed principal	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Currency swap						
U.S. dollars	28,394	27,415	(1,483)	78,249	74,910	(2,360)
EUR	-	-	-	2,332	-	(10)
Total	28,394	27,415	(1,483)	80,580	74,910	(2,370)

	As of March 31, 2023		
	Assumed principal	Later than one year	Fair value
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Currency swap			
U.S. dollars	586,000	561,000	(17,674)
EUR	17,461	-	(71)
Total	603,461	561,000	(17,746)

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 the 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.

Functional Currency	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japanese yen	11,314	6,061	45,394
Korean won	1,704	2,334	17,480
Thai baht	3,603	-	-

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 the 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.

Functional Currency	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japanese yen (weak U.S. dollar)	(113)	(61)	(454)
Korean won (weak U.S. dollar)	(17)	(23)	(175)
Thai baht (weak U.S. dollar)	(36)	-	-

(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 ¥440 million ($3,293 thousand) for the fiscal year ended March 31, 2023 (fiscal year ended March 31, 2022: ¥526 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 the 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 the 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.

The Gross carrying amount and loss allowance of financial assets for which loss allowance is recognized are as shown below. Time deposits are excluded from the table below as those are considered to be not exposed to credit risks.

Gross carrying amount		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 March 31, 2022	Millions of yen	7,409	-	69,265	23	4
As of March 31, 2023	Millions of yen	8,404	-	71,027	49	3
As of March 31, 2023	Thousands of U.S. dollars	62,939	-	531,915	365	23

* 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, 2021	-	-	717	0	168
Increase	-	-	192	-	43
Decrease (Utilization)	-	-	(158)	-	(48)
Decrease (Reversal)	-	-	(217)	-	(69)
Other	-	-	58	(0)	(48)
Transfer to assets associated with disposal group classified as held for sale	-	-	(23)	-	(43)
As of March 31, 2022	-	-	567	-	4
Increase	-	-	227	-	-
Decrease (Utilization)	-	-	(127)	-	(1)
Decrease (Reversal)	-	-	(105)	-	-
Other	-	-	44	-	-
As of March 31, 2023	-	-	606	-	3

(Thousands of U.S. dollars)

As of March 31, 2022	-	-	4,250	-	31
Increase	-	-	1,698	-	-
Decrease (Utilization)	-	-	(953)	-	(8)
Decrease (Reversal)	-	-	(785)	-	-
Other	-	-	329	-	-

As of March 31, 2023	-	-	4,538	-	23

* 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.

(iii) Liquidity Risks

Liquidity risks are the risks 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, 2022	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	63,548	63,548	-	-	-	-	-	63,548
Commercial papers	10,003	10,003	-	-	-	-	-	10,003
Borrowings	73,014	62,920	5,318	4,375	2,148	2,138	-	76,898
Bonds payable	34,890	97	97	97	13,097	73	22,162	35,623
Derivative liabilities	2,069	505	-	-	-	-	1,564	2,069
Lease liabilities	19,215	3,573	3,034	2,070	1,961	1,879	7,896	20,414
Total	202,740	140,646	8,449	6,542	17,206	4,090	31,622	208,556

(Millions of yen)

As of March 31, 2023	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	79,627	79,627	-	-	-	-	-	79,627
Commercial papers	19,998	19,998	-	-	-	-	-	19,998
Borrowings	78,390	43,398	14,804	2,342	3,756	6	15,000	79,307
Bonds payable	59,805	234	234	13,215	211	15,176	32,545	61,615
Derivative liabilities	2,698	48	-	-	-	-	2,650	2,698
Lease liabilities	18,842	3,803	2,554	2,307	2,200	1,816	7,831	20,511
Total	259,360	147,109	17,592	17,863	6,167	16,999	58,026	263,756

(Thousands of U.S. dollars)

As of March 31, 2023	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	596,323	596,323	-	-	-	-	-	596,323
Commercial papers	149,765	149,765	-	-	-	-	-	149,765
Borrowings	587,059	325,009	110,870	17,536	28,128	45	112,334	593,923
Bonds payable	447,876	1,753	1,753	98,964	1,578	113,656	243,727	461,430
Derivative liabilities	20,206	362	-	-	-	-	19,844	20,206
Lease liabilities	141,104	28,483	19,123	17,274	16,478	13,601	58,647	153,607
Total	1,942,333	1,101,696	131,746	133,774	46,184	127,302	434,552	1,975,255

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:

	As of March 31, 2022		As of March 31, 2023		As of March 31, 2023	
	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loans payable	22,383	21,584	41,610	40,731	311,618	305,029
Bonds payable	34,890	35,413	59,805	60,076	447,876	449,909

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.

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest using the interest rate at which a similar new loan is assumed to be made.

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

The fair value of bonds payable is calculated by discounting future cash flows using the current market interest rate.

Bonds payable are classified as Level 2 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, 2022			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	1,775	1,775
Derivatives	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	10,608	-	17,887	28,495
Total	10,608	-	19,661	30,269
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	2,069	-	2,069
Total	-	2,069	-	2,069

(Millions of yen)

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	2,956	2,956
Derivatives	-	78	-	78
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	8,795	-	19,881	28,676
Total	8,795	78	22,837	31,710
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	2,698	-	2,698
Contingent consideration	-	-	5,217	5,217
Total	-	2,698	5,217	7,915

(Thousands of U.S. dollars)

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	22,136	22,136
Derivatives	-	582	-	582
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	65,866	-	148,889	214,754
Total	65,866	582	171,024	237,472
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	20,206	-	20,206
Contingent consideration	-	-	39,069	39,069
Total	-	20,206	39,069	59,274

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:

1.Other financial assets classified as Level 3

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at the beginning	21,098	19,661	147,243
Total gains and losses	(947)	1,268	9,497
Profit or loss (Note1)	(1,393)	133	997
Other comprehensive income (Note2)	447	1,135	8,500
Purchase	1,676	1,447	10,833
Selling	(1,396)	(70)	(524)
Other	29	531	3,975
Transfer to assets associated with disposal group classified as held for sale	(799)	-	-
Balance at the end	19,661	22,837	171,024

(Note) 1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss. These gains and losses are included in "Operating income," "Operating expenses," "Finance income" and "Finance costs."

2. 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.

2.Other financial liabilities classified as Level 3

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at the beginning	-	-	-
Increase (Note1)	-	5,217	39,069
Balance at the end	-	5,217	39,069

(Note) 1. Details are described in "Notes of Consolidated Financial Statements (7) Business Combinations and Acquisition of Non-controlling Interest."

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 the 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. The financial liabilities classified as Level 3 are composed of contingent considerations arising from business combinations. Contingent considerations are a payment agreement that varies according to the level of achievement of certain indicators, such as sales after the business combination and the number of biological samples acquired. The fair value of the contingent consideration is estimated based on the achievement probability. 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:

(Millions of yen)

As of March 31, 2022	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	796	-	5	Liabilities associated with disposal group classified as held for sale
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	8,139 ($ 67 million)	-	8,139	Liabilities associated with disposal group classified as held for sale

(Millions of yen)

As of March 31, 2023	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	–	–	–	–
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	–	–	–	–

(Thousands of US dollars)

As of March 31, 2023	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	–	–	–	–
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	–	–	–	–

There are no cash flow hedge reserves 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:

(Millions of yen)

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	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	34	(32)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	(503)	-	-

(Note) Before tax effect

(Millions of yen)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Hedging gains(losses) recognized as other comprehensive income	Transfer from other components of equity to profit or loss as reclassification adjustments	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	-	-	-
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	-	-	-

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Hedging gains(losses) recognized as other comprehensive income	Transfer from other components of equity to profit or loss as reclassification adjustments	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	-	-	-
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	-	-	-

(35) Subsidiaries

The circumstances of the main subsidiaries of the Company is as below.

Name of the company	Address	Percentage of Voting Rights
		%
Emulsion Technology, Co., Ltd.	Yokkaichi, Mie, Japan	100.0
Techno-UMG Co., Ltd.	Minato-ku, Tokyo, Japan	51.0
JAPAN COLORING CO., LTD.	Yokkaichi, Mie, Japan	100.0
MEDICAL&BIOLOGICAL LABORATORIES CO., LTD.	Minato-ku, Tokyo, Japan	100.0
JSR Micro N.V.	Leuven, Belgium	100.0
JSR Micro, Inc.	Sunnyvale, CA U.S.A.	100.0 (100.0)
JSR Electronic Materials Korea Co., Ltd.	Gyeonggi-do, Korea	100.0
Inpria Corporation	Corvallis, Oregon U.S.A.	100.0
JSR Micro Korea Co., Ltd.	Chungcheongbuk-do, Korea	100.0
JSR Micro Taiwan Co., Ltd.	Yunlin County, Taiwan	100.0
KBI Biopharma, Inc.	Durham, NC, U.S.A	100.0
Selexis SA	Geneva, SWITZERLAND	100.0
JSR Micro (Changshu) Co., Ltd.	Changshu, JiangsuProvince, China	51.0
Crown Bioscience International	San Diego, CA U.S.A.	100.0 (100.0)
Indivumed Services GmbH & Co. KG	Hamburg, Germany	100.0 (100.0)
EUV Resist Manufacturing & Qualification Center N.V.	Leuven, Belgium	69.4 (69.4)
JSR North America Holdings, Inc.	Sunnyvale, CA U.S.A.	100.0
JSR Life Sciences, LLC	Sunnyvale, CA U.S.A.	100.0 (100.0)

The figure in the parentheses in the column of Percentage of Voting Rights is Indirect ownership ratio.

The number of consolidated subsidiaries as of March 31, 2023 was 56 (64 as of March 31, 2022).

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

The number of companies consolidated by acquisition, establishment, etc.: 6

The number of subsidiaries excluded by liquidation, sales, etc.: 14

The condensed financial information for consolidated subsidiaries for 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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Proportion of share of non-controlling interests	49%	49%	49%
The cumulative amount of non-controlling interests	21,133	21,264	159,243

(2) Profit or loss allocated to non-controlling interests and dividends paid for non-controlling interests

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit or loss allocated to non-controlling interests	1,834	942	7,052
Dividends paid for non-controlling interests	1,097	779	5,836

(3) The condensed financial information

1) Condensed Statement of Financial Position

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets	42,862	43,173	323,324
Non-current assets	24,091	24,008	179,795
Total assets	66,953	67,181	503,119
Current liabilities	18,736	18,771	140,578
Non-current liabilities	793	732	5,481
Total current liabilities	19,530	19,503	146,059
Total equity	47,424	47,678	357,060
Total liabilities and equity	66,953	67,181	503,119

2) Condensed Statements of Profit or Loss and Comprehensive Income

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	78,357	82,865	620,571
Profit (loss)	3,970	1,972	14,768
Comprehensive income	3,951	1,845	13,816

3) Condensed Statement of Cash Flows

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities	(1,792)	2,573	19,268
Cash flows from investing activities	(3,499)	(2,237)	(16,754)
Cash flows from financing activities	(2,239)	(1,590)	(11,910)
Net increase (decrease) in cash and cash equivalents	(7,531)	(1,255)	(9,396)
Cash and cash equivalents at the end of the period	2,845	(1,591)	11,912

(36) Related Parties

1) Transactions with Joint Venture

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
			Millions of yen	Millions of yen
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	10,608	4,570
		Supply of raw material gas	5,173	2,192

(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 the 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, 2023 (April 1, 2022 to March 31, 2023)

Not Applicable

2) Key Management Personnel Compensation

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic compensation	335	405	3,032
Bonuses	234	148	1,106
Share-based remuneration	426	504	3,772
Total	996	1,056	7,910

(37) Commitments

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Acquisition of property, plant and equipment	12,541	7,108	53,233

(38) Subsequent Events

Not Applicable

Independent auditor's report

To the Board of Directors of JSR Corporation:

Opinion

We have audited the accompanying consolidated financial statements of JSR Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to a cash-generating unit for metal oxide resists(CGU)

The key audit matter	How the matter was addressed in our audit
As described in Note 17, "Impairment on Non-Financial Assets" of the consolidated financial statement, the Group recognized goodwill of ¥48,149 million allocated to CGU, which represented 7% of total assets in the consolidated financial statements. The	The primary procedures we performed to assess whether management's judgment with respect to the recognition of an impairment loss on goodwill allocated to the CGU was appropriate included the following:

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goodwill arose when the Company acquired control of Inpria Corporation.
Goodwill is required to be tested for impairment at least annually or more frequently whenever it is determined that there is an impairment indicator. In the impairment testing, when the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less costs of disposal.
In the annual impairment testing, no impairment loss was recognized in the current fiscal year as the fair value less costs of disposal of CGU exceeded the carrying amount.
The fair value less costs of disposal was discounted to the present value of an estimated amount of future cash flows based on the business plan approved by management. The revenue projection based on the business plan involved a high degree of uncertainty as the revenue is affected by future sales (sales price and sales volume) generated by Inpria Corporation's metal oxide resist technology. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows.
In addition, selecting appropriate models and input data for estimating the discount rate requires a high degree of expertise in valuation.
We, therefore, determined that our assessment of the appropriateness of management’s judgment as to whether an impairment loss should be recognized on goodwill allocated to the CGU was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key
</td>
<td>
(1) Internal control testing
We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to measuring the fair value less costs of disposal used in the impairment testing on goodwill. In this assessment, we focused our testing on controls to prevent and/or detect the use of inappropriate assumptions to estimate the fair value less costs of disposal.
(2) Assessment of the reasonableness of the estimated fair value less costs of disposal
We inquired of management and the personnel responsible for CGU about the basis on which key assumptions were developed to assess the appropriateness of those assumptions used in preparing the business plan, which formed the basis for estimating future cash flows. We also assessed whether assumptions used in preparing the business plan were appropriately selected, by estimating the impact on future cash flows for the subsequent fiscal years when the effects on specific uncertainties were incorporated into each assumption. In addition, we:

Assessed the appropriateness of sales price projections by comparing them with past prices of similar products set at the start of the sale and the subsequent price transition; and
Assessed the appropriateness of the sales growth rates and sales volume projections used in the business plan by comparing them with estimated sales volume using available external data, such as forecasts for market sales volume of similar products and for mass-production schedules.

Furthermore, we performed the following procedures by involving a valuation specialist within our domestic network firms in assisting our evaluation of the discount rate:

Assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and
Assessment of the appropriateness of input data through comparison with relevant data published by external organizations.

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<tr><td>audit matter.</td><td></td></tr>
<tr><td colspan="2">Appropriateness of management’s judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As described in Note 17, “Impairment on Non-Financial Assets” of the consolidated financial statement, the Group recognized goodwill of ¥64,204 million allocated to the drug discovery and development services business, which represented 9% of total assets in the consolidated financial statements. The goodwill arose primarily when the Company acquired control of Crown Bioscience International.

Goodwill is required to be tested for impairment at least annually or more frequently whenever it is determined that there is an impairment indicator. In the impairment testing, when the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less costs of disposal.

In the annual impairment testing, no impairment loss was recognized in the current fiscal year as the value in use of the drug discovery and development services business exceeded the carrying amount.

The value in use was discounted to the present value of an estimated amount of future cash flows based on the five-year business plan approved by management. The five-year revenue projection based on the business plan involved a high degree of uncertainty as the revenue is affected by the future growth potential of the CRO business in which the drug discovery and development services business operates and the capacity of the equipment used in the business. Accordingly, management’s judgment</td><td>The primary procedures we performed to assess whether management’s judgment with respect to the recognition of an impairment loss on goodwill allocated to the drug discovery and development services business was appropriate included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to measuring the value in use used in the impairment testing on goodwill. In this assessment, we focused our testing on controls to prevent and/or detect the use of inappropriate assumptions to estimate the value in use.

(2) Assessment of the reasonableness of the estimated value in use

We inquired of management and the personnel responsible for the drug discovery and development services business about the basis on which key assumptions were developed to assess the appropriateness of those assumptions used in preparing the business plan, which formed the basis for estimating future cash flows. We also assessed whether assumptions used in preparing the business plan were appropriately selected, by estimating the impact on future cash flows for the subsequent fiscal years when the effects on specific uncertainties were incorporated into each assumption. In addition, we:

• Compared the five-year revenue included in the business plan with available external data related to the market growth rate; and

• Examined the consistency of the capacity of the equipment which is currently held with the projected revenue.

Furthermore, we performed the following procedures by involving a valuation specialist within our domestic network firms in assisting our evaluation of the discount rate:</td></tr>
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thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	• Assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and • Assessment of the appropriateness of input data through comparison with relevant data published by external organizations.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Iwao Hirano

Designated Engagement Partner

Certified Public Accountant

Toshiyuki Tamura

Designated Engagement Partner

Certified Public Accountant

Tatsuo Utsugi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

October 6, 2023

Notes to the Reader of Independent Auditor’s Report:

This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.