JSR Corporation

FINANCIAL SECTION 2015

CONTENTS

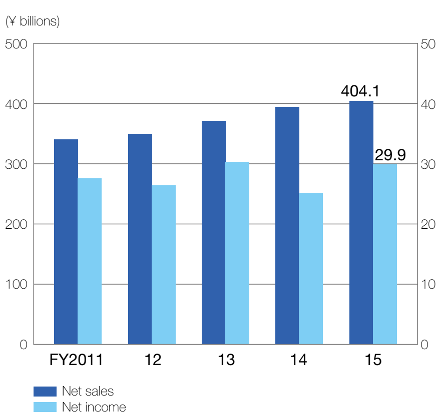
TEN-YEAR SUMMARY

Fiscal year means year ended March 31

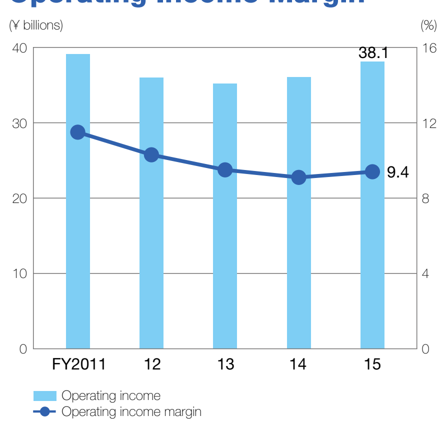
	FY2006	FY2007	FY2008	FY2009
For the fiscal year				
Net sales	¥338,160	¥365,831	¥406,968	¥352,503
Costs and expenses	284,803	310,588	346,958	322,155
Operating income	53,357	55,243	60,010	30,348
Interest and dividend income	635	1,030	1,309	1,230
Interest expenses	(420)	(399)	(256)	(271)
Income before income taxes and minority interests	49,038	53,440	54,867	20,803
Net income	30,555	33,655	36,994	13,981
Capital expenditures	23,361	22,094	29,076	19,081
Depreciation	16,206	18,133	21,180	24,833
At fiscal year-end				
Total assets	381,097	408,949	416,951	339,498
Long-term debt due after one year	1,607	2,745	1,525	1,500
Total liabilities	164,389	168,963	159,288	97,512
Equity	212,751	235,186	252,539	240,896
Current ratio (times)	1.7	1.8	1.9	2.5
Return on assets (%)	8.7	8.2	8.9	4.1
Return on equity (%)	15.5	15.0	15.2	5.7
Equity ratio (%)	55.8	57.5	60.6	71.0
Per share of common stock (Yen and U.S. dollars)				
Net income	119.63	133.10	147.26	56.36
Cash dividends	20.00	24.00	32.00	32.00
Equity	836.31	935.47	1,009.27	986.33

Note: U.S. dollar amounts are translated from yen, for convenience only, at a rate of $1=¥120.17; the exchange rate prevailing at March 31, 2015.

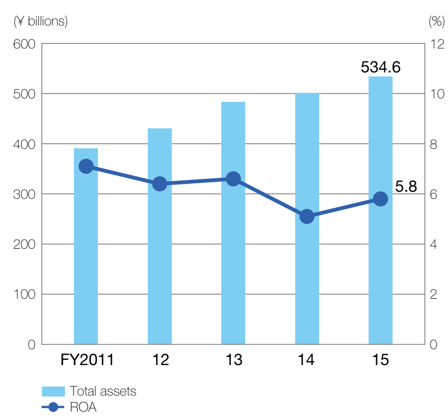
Net Sales/Net Income



Operating Income/ Operating Income Margin

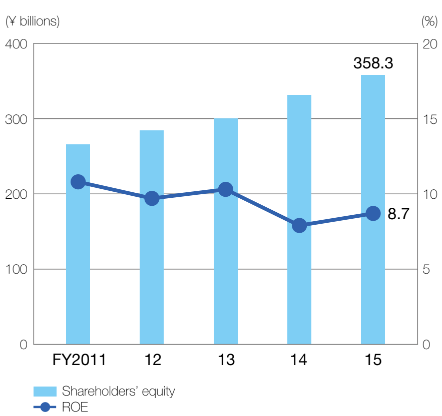


Total Assets/ROA

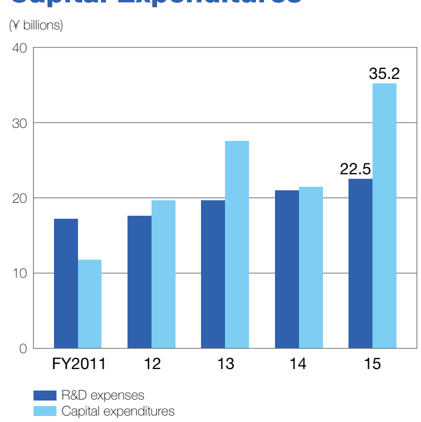


FY2010	FY2011	FY2012	FY2013	FY2014	Millions of yen FY2015	Thousands of U.S. dollars FY2015
¥310,184	¥340,666	¥349,947	¥371,487	¥394,309	¥404,073	$3,362,515
289,954	301,571	313,982	336,281	358,247	366,005	3,045,727
20,230	39,095	35,964	35,206	36,062	38,068	316,788
568	626	634	809	916	1,390	11,570
(172)	(146)	(147)	(126)	(142)	(345)	(2,874)
19,458	40,674	41,245	42,847	36,956	41,069	341,755
13,645	27,571	26,407	30,278	25,173	29,919	248,969
17,707	11,801	19,728	27,608	21,499	35,157	292,562
22,380	19,245	17,784	19,145	18,096	17,407	144,851
373,566	390,591	430,693	482,935	501,320	534,592	4,448,633
1,500	1,028	500	6,626	11,069	20,387	169,654
122,865	126,475	148,335	167,202	164,060	169,918	1,413,983
249,440	262,679	280,955	308,641	331,284	358,303	2,981,633
2.3	2.4	2.3	2.3	2.5	2.5	2.5
3.7	7.1	6.4	6.6	5.1	5.8	5.8
5.6	10.8	9.7	10.3	7.9	8.7	8.7
66.8	67.3	65.2	63.9	66.1	67.0	67.0
55.87	113.07	109.46	126.13	106.10	128.19	1.07
26.00	32.00	32.00	34.00	38.00	40.00	0.33
1,021.31	1,088.87	1,164.63	1,299.77	1,409.06	1,557.08	12.96

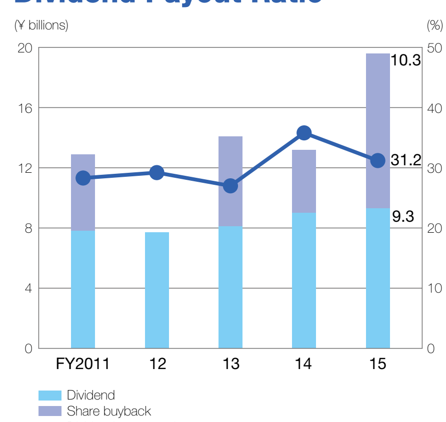
Shareholders' Equity/ROE



R&D Expenses/ Capital Expenditures



Shareholder Return/ Dividend Payout Ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY2015, ended March 31, 2015

In the year under review, the JSR Group faced an environment in which raw material prices fell in conjunction with a sharp decline in oil prices in the second half, and the market for our products worsened. In addition, the value of the yen fell substantially as we entered the second half. On the other hand, global output increased in the automobile tire and automobile industries, two of the main industries represented by our customers. Demand was also strong across the board in semiconductors, especially demand related to multifunctional mobile devices such as smartphones and tablet computers. Also, production of flat panel displays (FPD) was strong on demand for large-screen TVs.

Under these circumstances, the JSR Group achieved net sales at roughly the same level as the previous fiscal year, while operating income fell substantially below its prior-year value. In the Petrochemical Products Business, demand grew globally, with the main drivers in the Elastomer Business segment. Spreads tightened and market conditions deteriorated in East Asia, in particular, as excess supply made the demand-supply balance less favorable. In the Fine Chemicals and Other Products Business, the Semiconductor Materials and Display Materials Business segments, rising sales were underpinned by strong semiconductor and FPD markets. In addition, the JSR Group's withdrawal from the unprofitable precision materials and processing field helped boost earnings. Net sales rose over the previous fiscal year while operating income was well over the previous year's performance, which helped offset underperformance in the Petrochemicals Products Business. Ordinary income was also up versus the previous fiscal year, but deteriorating income at a petrochemicals equity affiliate detracted from net income.

Financial results for FY2015 consist of net sales of ¥404,073 million (up 2.5% year on year), operating income of ¥38,068 million (up 5.6%), ordinary income of ¥41,609 million (up 5.0%), and net income of ¥29,919 million (up 18.9%).

Review of Operations

Elastomers Business Segment

In the automobile tire industry, one of our chief sources of demand, production in North America and China rose year on year, while Europe had only a small increase, and production in Japan remained constant.

Under these conditions, sales of synthetic rubber products were affected by a brief delay in the startup of Solution Styrene-Butadiene Rubber (S-SBR) at a Thailand joint venture. This venture is now steadily approaching full production. However, due to such factors as the flat year-on-year production of automobile tires in Japan, the overall sales volume for elastomers was down slightly. For the segment, net sales were roughly at the same level as the previous fiscal year, as weak market conditions continued. These results were also affected by yen depreciation and the effect of price revisions in the face of rising raw material prices in the first half. However, a global deterioration in the demand-supply balance for synthetic rubber and butadiene has caused spreads to erode as the synthetic rubber market weakens, resulting in lower sales volume. These conditions, together with higher expenses for periodic maintenance, led to a sizable year-on-year fall in operating income.

As a result, the Elastomers Business segment had net sales of ¥198,958 million (down 2.2% year on year) and operating income of ¥10,736 million (down 38.1%).

Plastics Business Segment

Automobile production, a major demand driver for the JSR Group's products, increased year on year in North America and China, but remained generally flat in Europe while in Japan it was affected by the revision to the consumption tax. On the whole, worldwide production fell year on year.

Under these circumstances, plastics sales volumes were below last year's level, due to lower automobile production in Japan and decreased business in industrial materials, including those for construction and general applications. Sales by value were aided by yen

Segment Sales/Operating Income (¥ millions)

Years ended March 31	2011	2012	2013	2014	**2015**
Elastomers Business	¥160,854	¥180,835	¥195,797	¥203,478	**¥198,958**
Operating income	14,739	19,358	17,923	17,330	**10,736**
Plastics Business	52,297	51,236	51,759	57,764	**55,161**
Operating income	2,563	2,138	2,962	3,919	**2,842**
Fine Chemicals and Other Products Business	127,515	117,876	123,931	133,067	**149,954**
Operating income	21,793	14,468	14,321	14,813	**24,490**
Net Sales	340,666	349,947	371,487	394,309	**404,073**
Operating income	¥ 39,095	¥ 35,964	¥ 35,206	¥ 36,062	**¥ 38,068**

depreciation and the effects of price revisions in conjunction with rising material prices in the first half, but this was unable to make up for the fall in volume; thus, net sales fell as a result. Operating income fell year on year due to the large impact of this sales decline, despite the improving profit picture towards the end of the year.

Owing to these factors, the Plastics Business segment had net sales of ¥55,161 million (down 4.5% versus the previous fiscal year) and operating income of ¥2,842 million (down 27.5%).

Fine Chemicals and Other Products Business Segment

The Fine Chemicals and Other Products Business segment achieved net sales and operating income higher than the previous fiscal year's.

In semiconductor materials, net sales rose year on year, driven by robust semiconductor demand in addition to the full-scale launch of volume production among major customers in leading edge 20nm processing, where JSR boasts a high market share. In display materials, steady demand for multifunctional mobile devices and large-screen TVs, particularly the market growth associated with the trend towards larger TV screen, resulted in a year-on-year increase in net sales.

Key results in the segment were net sales of ¥149,954 million (up 12.7% year on year) and operating income of ¥24,490 million (up 65.3%).

Business Outlook for FY2016

JSR Group's FY2016 outlook for its main customer industries is as follows. In the automobile tire and automobile industries, we do not expect major growth in Japan from last year's level, but do expect strong global growth especially in China and Southeast Asia, and even expect Europe and America to show some growth. In semiconductors, we expect new demand to emerge for multifunctional mobile devices spurred by the active use of big data, and therefore our favorable outlook remains in place. We also believe that the FPD market will show improved strength as the trend towards large-screen TVs progresses along with the production of medium- to small-size panels for multifunctional mobile devices.

In the Elastomers Business segment, global demand growth is expected to expand, but due to the fall in crude oil prices and the slowness at which the supply-demand balance for synthetic rubber and butadiene is improving, we believe market conditions will continue to be soft. In this environment, steady increases can be expected in demand for S-SBR as the eco-tire market grows. Accordingly, we plan to expand global sales through use of the new factory in Thailand, which has now reached full production.

In the Fine Chemical and Other Products Business, we plan to expand sales of semiconductor materials focusing on greater sales of lithographic materials for 14nm processes, the successor to today's leading-edge 20nm generation, as this new generation hits full steam. In the Display Materials Business segment, we have been responding to the movement towards large-screen TVs and ultra-precision LCD panels. We are also moving ahead with business expansion in China, where we expect to see future growth.

In consideration of the above, our consolidated earnings outlook for FY2016 consists of net sales of ¥420 billion (3.9% year-on-year increase), operating income of ¥41 billion (7.7% increase), ordinary income of ¥42 billion (0.9% increase), and profit attributable to owners of parent of ¥31 billion (3.6% increase). The assumptions behind this forecast are an exchange rate of ¥115 JPY per U.S. dollar and a naphtha price of ¥50,000 per kiloliter.

Analysis of Financial Position

Total assets at the fiscal year ended on March 31, 2015, amounted to ¥534,592 million, up ¥33,272 million from a year earlier.

Current assets totaled ¥319,397 million, down ¥7,107 million, due to increases in cash and deposits and decreases in and notes and accounts receivable—trade and securities.

Noncurrent assets totaled ¥215,195 million, up ¥40,379 million. Major factors were an increase in investment securities as a result of capital contributions in Japan and overseas and changes in the market value of certain securities in addition to an increase in plant, property and equipment as a result of plant construction at a joint venture in Thailand.

Total liabilities amounted to ¥169,918 million, up ¥5,858 million from a year earlier. Major factors include an increase in long-term loans payable and a decrease in notes and accounts payable—trade.

Net assets amounted to ¥324,321 million, including an ¥11,287 million increase in shareholders' equity. Accumulated other comprehensive income was ¥33,981 million, up ¥15,731 million year on year. After subscription rights to shares and minority interests are also accounted for, total net assets come to ¥364,674 million, up ¥27,414 million.

Analysis of Cash Flows

Cash and cash equivalents ("funds") on March 31, 2015, stood at ¥77,906 million, down ¥13,208 million from a year earlier.

Net cash provided by operating activities was a net inflow of ¥51,481 million, up ¥16,005 million from a year earlier. Major factors include income before income taxes and minority interests of ¥41,069 million, depreciation of ¥17,407 million, decrease in notes and accounts receivable—trade of ¥8,875 million, decrease in notes and accounts payable—trade of ¥15,565, and income taxes paid of ¥12,680 million.

Net cash from investing activities was a net outflow of ¥54,836 million, an additional outflow of ¥63,057 million from the previous year. Major factors include expenditures of ¥32,542 million for the purchase of non-current assets, ¥11,300 million for investment securities, and ¥5,743 million for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities was a net outflow of ¥12,359 million, up ¥4,236 million from the previous year. Major factors include ¥10,272 million for purchase of treasury shares, ¥9,136 million for cash dividends paid, and ¥9,102 million for proceeds from long-term loans payable.

Profit Appropriation

The Company regards its most critical challenge as the long-term enhancement of business performance. To this end, we strive to strengthen our research and development from a long-term standpoint and intend to enhance our business competitiveness through new business expansion.

In consideration of business earnings and long-term demand for finances, the JSR Group takes into account the balance between returning profits to shareholders and retaining earnings for future Company growth and will continue to pay a stable cash dividend.

Our policy with respect to returning profits to shareholders is to supplement the payment of cash dividends with the flexible execution of the purchase of Company shares, while taking into account the market environment. Retained earnings shall be appropriated to various investments that contribute to the enhancement of corporate value while leading to new growth. In the period covered by the medium-term business plan, JSR20i6 (“JSR twenty-sixteen”), we aim for a combined return to shareholders, including both share buybacks and cash dividends, of 50% or greater.

In accordance with this policy, we have decided to pay a year-end dividend of ¥20 per share as previously announced. This amount is the same as the interim dividend, and the total annual dividend for fiscal year 2015, including the interim dividend already paid, will be ¥40 per share.

For the next fiscal year (FY2016 ending on March 31, 2016), in consideration of the business outlook, we plan to increase the cash dividend to ¥50 per year, consisting of an interim dividend of ¥25 and a year-end dividend of ¥25.

Risk Information

The JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR’s judgments as of March 31, 2015. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

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

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

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

(3) Fluctuation in Exchange Rates

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

(4) Procurement of Raw Materials

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

(5) Development of New Products

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

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

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

(7) Protection of Intellectual Property

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

(8) Product Quality Assurance and Product Liability

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

(9) Natural Disasters and Accidents

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

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

(10) Environmental Issues

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

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

(11) Overseas Operations

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

(12) Laws and Regulations

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

(13) Litigation

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

CONSOLIDATED BALANCE SHEETS

JSR Corporation and Consolidated Subsidiaries
As at March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2014	2015	2015
Current assets (Note 17):			
Cash and deposits (Notes 3, 5 and 7)	¥ 33,391	¥ 47,984	$ 399,304
Notes and accounts receivable—trade, net (Notes 4, 5, 7 and 16)	87,614	83,122	691,707
Short-term investment securities (Notes 3, 5 and 6)	81,005	67,997	565,841
Inventories (Note 7)	78,690	79,321	660,073
Other (Notes 3, 5, 7, 9, 13 and 16)	45,804	40,973	340,949
Total current assets	326,504	319,397	2,657,874
Noncurrent assets (Note 17):			
Property, plant and equipment (Note 15):			
Buildings and structures, net (Note 7)	30,623	36,897	307,039
Machinery, equipment and vehicles, net (Note 7)	37,267	41,582	346,022
Land (Note 7)	18,626	17,762	147,805
Construction in progress	4,697	14,056	116,966
Other, net (Note 7)	4,417	5,616	46,744
Total property, plant and equipment	95,630	115,913	964,576
Intangible assets			
Goodwill (Notes 15 and 17)	664	6,480	53,923
Other (Note 7)	6,586	7,819	65,064
Total intangible assets	7,250	14,299	118,987
Investments and other assets			
Investment securities (Notes 5 and 6)	60,952	74,510	620,038
Other, net (Notes 4, 5, 7 and 9)	10,984	10,473	87,158
Total investments and other assets	71,936	84,983	707,196
Total noncurrent assets	174,816	215,195	1,790,759
Total assets (Note 15)	¥501,320	¥534,592	$4,448,633

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2015
Current liabilities (Note 17):			
Notes and accounts payable—trade (Notes 5 and 16)	¥ 85,334	¥ 72,442	$ 602,826
Short-term loans payable (Notes 5 and 7)	15,579	18,640	155,113
Other (Notes 9 and 13)	31,529	35,245	293,297
Total current liabilities	132,442	126,327	1,051,236
Noncurrent liabilities (Note 17):			
Long-term loans payable (Notes 5 and 7)	11,069	20,387	169,654
Net defined benefit liability (Note 8)	15,243	13,746	114,387
Provision for environmental measures	1,734	1,308	10,888
Deferred tax liabilities (Note 9)	2,721	6,700	55,758
Other (Note 13)	851	1,450	12,060
Total noncurrent liabilities	31,618	43,591	362,747
Total liabilities	164,060	169,918	1,413,983
Contingent liabilities (Note 18)			
Net assets (Note 11)			
Shareholders' equity			
Common stock:			
Authorized—696,061,000 shares			
Issued—237,973,205 shares in 2014 and 2015	23,320	23,320	194,060
Capital surplus	25,180	25,179	209,532
Retained earnings	269,621	291,151	2,422,829
Treasury stock			
2,862,706 shares in 2014 and 7,861,771 shares in 2015	(5,087)	(15,329)	(127,567)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	11,467	19,257	160,250
Foreign currency translation adjustment	6,972	14,576	121,290
Remeasurements of defined benefit plans (Note 8)	(189)	149	1,239
Subscription rights to shares (Note 12)	793	852	7,094
Minority interests	5,183	5,519	45,923
Total net assets	337,260	364,674	3,034,650
Total liabilities and net assets	¥501,320	¥534,592	$4,448,633

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Net sales (Notes 15, 16 and 17)	¥394,309	¥404,073	$3,362,515
Costs and expenses (Notes 14 and 16):			
Cost of sales	294,924	300,304	2,498,992
Selling, general and administrative expenses	63,323	65,701	546,735
	358,247	366,005	3,045,727
Operating income (Note 15)	36,062	38,068	316,788
Other income (expenses):			
Interest income	257	241	2,008
Dividends income	659	1,149	9,562
Interest expenses	(142)	(345)	(2,874)
Foreign exchange gains	1,672	3,021	25,140
Share of profit of entities accounted for using equity method	1,546	—	—
Share of loss of entities accounted for using equity method	—	(276)	(2,296)
Subsidy income	—	629	5,234
Taxes and dues	(8)	(313)	(2,604)
Compensation income	—	1,895	15,769
Gain on transfer from business divestitures	—	325	2,705
Loss on valuation of investment securities	—	(2,643)	(21,991)
Restructuring loss	(2,410)	—	—
Other, net (Note 6)	(680)	(682)	(5,686)
	894	3,001	24,967
Income before income taxes and minority interests (Note 17)	36,956	41,069	341,755
Income taxes (Note 9):			
Current	11,637	11,202	93,218
Deferred	1,124	703	5,847
	12,761	11,905	99,065
Income before minority interests	24,195	29,164	242,690
Minority interests in net income of consolidated subsidiaries	(978)	(755)	(6,279)
Net income (Note 17)	¥ 25,173	¥ 29,919	$ 248,969

	Yen		U.S. dollars (Note 1)
	2014	2015	2015
Per share of common stock:			
Net income	¥ 106.10	¥ 128.19	$ 1.07
Diluted net income	105.85	127.87	1.06
Cash dividends applicable to the year	38.00	40.00	0.33

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥24,195	¥29,164	$242,690
Other comprehensive income			
Unrealized gains on securities, net of taxes	2,968	7,718	64,230
Foreign currency translation adjustment	4,335	6,647	55,314
Remeasurements of defined benefit plans, net of tax (Note 8)	—	338	2,810
Share of other comprehensive income of associates accounted for using equity method	3,134	1,695	14,107
Other comprehensive income (Note 10)	10,437	16,398	136,461
Comprehensive income	¥34,632	¥45,562	$379,151
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	¥35,548	¥45,576	$379,264
Comprehensive income attributable to minority interests	(916)	(14)	(113)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Number of shares of common stock (thousands)	Millions of yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2013	237,973	¥23,320	¥25,179	¥253,009	¥ (930)	¥ 8,470	¥ (407)	¥ —	¥728	¥ 6,364
Changes of items during the period										
Dividends of surplus	—	—	—	(8,549)	—	—	—	—	—	—
Net income	—	—	—	25,173	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(4,182)	—	—	—	—	—
Disposal of treasury stock	—	—	1	—	25	—	—	—	—	—
Change of scope of consolidation	—	—	—	(12)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	2,997	7,379	(189)	65	(1,181)
Total changes of items during the period	—	—	1	16,612	(4,157)	2,997	7,379	(189)	65	(1,181)
Balance at March 31, 2014	237,973	¥23,320	¥25,180	¥269,621	¥ (5,087)	¥11,467	¥ 6,972	¥(189)	¥793	¥ 5,183
Cumulative effects of changes in accounting policies	—	—	—	964	—	—	—	—	—	—
Restated balance	237,973	23,320	25,180	270,585	(5,087)	11,467	6,972	(189)	793	5,183
Changes of items during the period										
Dividends of surplus	—	—	—	(9,166)	—	—	—	—	—	—
Net income	—	—	—	29,919	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(10,271)	—	—	—	—	—
Disposal of treasury stock	—	—	(1)	(5)	29	—	—	—	—	—
Change of scope of consolidation	—	—	—	(182)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	7,790	7,604	338	59	336
Total changes of items during the period	—	—	(1)	20,566	(10,242)	7,790	7,604	338	59	336
Balance at March 31, 2015	**237,973**	**¥23,320**	**¥25,179**	**¥291,151**	**¥(15,329)**	**¥19,257**	**¥14,576**	**¥ 149**	**¥852**	**¥ 5,519**

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 1)								
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2014	237,973	$194,060	$209,536	$2,243,662	$ (42,335)	$ 95,425	$ 58,017	$(1,571)	$6,596	$43,132
Cumulative effects of changes in accounting policies	—	—	—	8,025	—	—	—	—	—	—
Restated balance	237,973	194,060	209,536	2,251,687	(42,335)	95,425	58,017	(1,571)	6,596	43,132
Changes of items during the period										
Dividends of surplus	—	—	—	(76,279)	—	—	—	—	—	—
Net income	—	—	—	248,969	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(85,476)	—	—	—	—	—
Disposal of treasury stock	—	—	(4)	(42)	244	—	—	—	—	—
Change of scope of consolidation	—	—	—	(1,506)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	64,825	63,273	2,810	498	2,791
Total changes of items during the period	—	—	(4)	171,142	(85,232)	64,825	63,273	2,810	498	2,791
Balance at March 31, 2015	**237,973**	**$194,060**	**$209,532**	**$2,422,829**	**$(127,567)**	**$160,250**	**$121,290**	**$ 1,239**	**$7,094**	**$45,923**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 36,956	¥ 41,069	$ 341,755
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:			
Depreciation and amortization	18,096	17,407	144,851
Interest and dividends income	(916)	(1,390)	(11,570)
Interest expenses	142	345	2,874
Share of (profit) loss of entities accounted for using equity method	(1,546)	276	2,296
Compensation income	—	(1,895)	(15,769)
Loss (gain) on valuation of investment securities	—	2,643	21,991
Restructuring Loss	2,410	—	—
Changes in operating assets and liabilities—net:			
Decrease (increase) in notes and accounts receivable—trade	6,050	8,875	73,855
Decrease (increase) in inventories	(2,262)	2,662	22,149
Increase (decrease) in notes and accounts payable—trade	(14,467)	(15,565)	(129,526)
Other, net	1,234	6,333	52,708
Subtotal	45,697	60,760	505,614
Interest and dividends income received	1,751	1,825	15,190
Interest expenses paid	(125)	(319)	(2,655)
Proceeds from compensation	—	1,895	15,769
Income taxes paid	(11,848)	(12,680)	(105,518)
Net cash provided by operating activities	35,475	51,481	428,400
Cash flows from investing activities:			
Decrease (increase) in time deposits	6,736	(2,248)	(18,705)
Net decrease (increase) in short-term investment securities	28,500	(11,300)	(94,033)
Purchase of noncurrent assets	(21,108)	(32,542)	(270,797)
Purchase of investment securities	(1,003)	(805)	(6,698)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,743)	(47,793)
Purchase of stocks of subsidiaries and affiliates	(1,036)	(3,733)	(31,061)
Payments for investments in capital of subsidiaries and associates	(2,800)	—	—
Payments of loans receivable	(3,226)	(2,884)	(23,998)
Collection of loans receivable	2,699	3,071	25,556
Other, net	(541)	1,348	11,209
Net cash provided by (used in) investing activities	8,221	(54,836)	(456,320)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	144	470	3,911
Repayment of long-term loans payable	—	(2,481)	(20,649)
Proceeds from long-term loans payable	4,538	9,102	75,743
Purchase of treasury stock	(4,182)	(10,272)	(85,475)
Cash dividends paid	(8,464)	(9,136)	(76,026)
Cash dividends paid to minority shareholders	(146)	(33)	(271)
Other, net	(12)	(9)	(76)
Net cash used in financing activities	(8,122)	(12,359)	(102,843)
Effect of exchange rate change on cash and cash equivalents	1,723	2,007	16,700
Net increase (decrease) in cash and cash equivalents	37,297	(13,707)	(114,063)
Cash and cash equivalents at beginning of year	53,818	91,115	758,216
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	498	4,147
Cash and cash equivalents at end of year (Note 3)	¥ 91,115	¥ 77,906	$ 648,300

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

1. Basis of Consolidated Financial Statements

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

The accounts of the Company's overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No. 18 issued by ASBJ. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (28 and 33 subsidiaries in 2014 and 2015, respectively).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective from the current consolidated fiscal year, the following companies have been included into the scope of consolidation; JSR (Shanghai) Co., Ltd., J & W Beijing Biotech Co., Ltd., and JSR Trading Bangkok Co., Ltd. due to increase in materiality, JSR Logistics & Customer Center Co., ltd. due to establishment on April 1, 2014 through incorporation-type company split, KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC due to purchase of 51% share of KBI Biopharma Inc.

As the date for acquisition of KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC is deemed to be March 31, 2015, only the balance sheet is consolidated for the fiscal year ending on March 31, 2015.

JSR MICROTECH INC. and Nichigo Kogyo Co., Ltd. were excluded from the scope of consolidation in the fiscal year ended March 31, 2014 due to transfer of all shares thereof.

(b) Equity method—Investments in affiliated companies (all of those 20% to 50% owned and certain others 15% to 20% owned) were accounted for by the equity method (8 and 10 affiliated companies in 2014 and 2015, respectively). Unconsolidated subsidiaries and the other affiliated companies are stated at cost since their net income and retained earnings in the aggregate are not material compared to consolidated net income and retained earnings, respectively.

Effective from the current consolidated fiscal year, JSR LOGISTICS CO., LTD. (renamed to JEY-TRANS CO., LTD. on April 1, 2014) has been exclude from the scope of consolidation and included in the scope of the equity method after transferring 60% of its shares to a company outside of the group companies for consolidation.

JSR Electronic Materials Korea Co., Ltd. established by incorporation-type company split on September 30, 2014 has been included in the scope of the equity method from the current fiscal year after transferring 60% of its shares to a company outside of the group companies for consolidation.

Medical & Biological Laboratories Co. and JN System Partners Co., Ltd. have been included in the scope of the equity method since 2014 due to the increase of materiality and establishment, respectively.

(c) Cash and cash equivalents—In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(d) Short-term securities and investment securities—The Company and its consolidated subsidiaries (the "Companies") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive income. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

(e) Inventories—Inventories are stated at cost, which is determined mainly based on the average method (for the value stated on the balance sheet, book value is written down to reflect the lower profitability).

(f) Property, plant and equipment, and depreciation—Property, plant and equipment are stated at cost. Depreciation is calculated using the declining-balance method at rates based on their estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method.

(g) Intangible assets—Goodwill is amortized by the straight-line method over the estimated useful lives up to twenty years.

Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(h) Leased assets—Assets of finance leases are depreciated over the lease term using the straight-line method that residual value is zero.

(i) Allowance for doubtful accounts—Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated uncollectible amount with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

(j) Net Defined Benefit Liability—Employees of the Companies are entitled, under most circumstances, to lump-sum severance payments or pension payments upon reaching the mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service.

In order to prepare for retirement benefit for employees, net defined benefit liability is provided by deducting projected fair value of the pension assets from the amount of retirement benefit obligation recognized to have incurred at the end of the current fiscal year.

The benefit formula basis is applied as the method for attributing expected retirement benefit to the relevant periods ending at the end of the current fiscal year.

Actuarial differences are recognized as expenses at once in the following period.

Unrecognized actuarial gains or losses are, after tax effect adjustment, recorded as re-measurements of defined benefit plans under accumulated other comprehensive income in the net assets section.

(i) The Accounting Change
Effective from the fiscal year beginning April 1, 2014, the Company has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the “Guidance”) with regard to the provisions prescribed in the main text of Article 35 of the Accounting Standard and Article 67 of the Guidance. As a result, the Company reviewed the calculation methods of retirement benefit obligations and current service costs, applied the benefit formula basis for the method of attributing expected retirement benefit to periods, and changed the calculation method of discount rates.

With regard to the application of the above Accounting Standard and Guidance, in accordance with the transitional treatment prescribed in Article 37 of the Accounting Standard, the effects of the changes in the calculation methods of retirement benefit obligations and current service costs have been recognized retained earnings at the beginning of the current fiscal year.

Consequently, net defined benefit liability decreased by ¥1,498 million ($12,469 thousand) and retained earnings increased by ¥964 million ($8,025 thousand) at the beginning of the current fiscal year. The effect of application of the Accounting Standard on operating income or net income before income taxes and minority interests in the current fiscal year was immaterial.

(k) Provision for environmental measures—A provision for environmental measures is provided based on estimated costs for the disposal of polychlorinated biphenyl (PCB) as mandated by the Law Concerning Special Measures Against PCB Waste.

(l) Income taxes—The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(i) Application of consolidated corporate-tax return system
The consolidated corporate-tax return system is applied from the current fiscal year.

(m) Derivative and hedging activities—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading purposes or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

(i) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on these derivative transactions are recognized in the consolidated statements of income.

(ii) The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(n) Foreign currency transactions—The Companies translate assets and liabilities denominated in foreign currencies into Japanese yen at exchange rates prevailing at the balance sheet dates. Resulting exchange gains or losses are credited or charged to income as incurred.

(o) Translation of foreign currency financial statements—Financial statements of overseas subsidiaries are translated into Japanese yen using the respective year-end rate for assets and liabilities, the average rate for revenues and expenses, and the historical rates for shareholders' equity accounts. Foreign currency translation adjustments are contained in accumulated other comprehensive income and minority interests.

(p) Amounts per share of common stock—The computation of net income per share of common stock is based on the average number of shares outstanding during each fiscal year. Treasury stock has been excluded in the calculation of amounts per share of common stock.

Cash dividends per share represent actual amounts applicable to the respective years.

(q) Reclassifications—Certain prior year amounts have been reclassified and restated to conform to the current year presentation.

These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(r) New Accounting Pronouncements—"Revised Accounting Standard for Business Combinations" (Statement No. 21 by ASBJ on Sep 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (Statement No. 22 by ASBJ on Sep 13, 2013), "Revised Accounting Standard for Business Divestitures" (Statement No. 7 by ASBJ on Sep 13, 2013), "Revised Accounting Standard for Earnings Per Share" (Statement No. 2 by ASBJ on Sep 13, 2013), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No. 10 by ASBJ on Sep 13, 2013) and "Revised Guidance on Accounting Standard for Earnings Per Share" (Guidance No. 4 by ASBJ on Sep 13, 2013) have been issued.

Major changes are as follows:

(i) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
(ii) Treatment of acquisition related costs
(iii) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
(iv) Provisional application of accounting treatments

Effective Date

Effective from the beginning of the fiscal year ending March 2016. Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 2016.

Effects of the application of the standards

The Companies expected to apply the revised accounting standard from the fiscal year ending March 31, 2016, and is in the process of measuring the effects of applying the revised accounting standard.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥ 33,391	¥ 47,984	$ 399,304
Short-term investment securities	81,005	67,997	565,841
Time deposits over three months	(26,081)	(40,181)	(334,373)
Current assets: Other	2,800	2,106	17,528
Cash and cash equivalents	¥ 91,115	¥ 77,906	$ 648,300

4. Allowance for doubtful accounts

Allowance for doubtful accounts as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
Allowance for doubtful accounts	2014	2015	2015
Current asset: Notes and accounts receivable—trade	¥(332)	¥(326)	$(2,715)
Investments and other assets: Other	(152)	(140)	(1,168)

5. Fair Value of Financial Instruments

The following is a summary of the amount on consolidated balance sheet, fair value and the difference between these two items by major financial instruments as of March 31, 2014 and 2015. Financial instruments which fair value is extremely difficult to estimate is excluded from the following table.

	Millions of yen		
	Book value	Fair value	Difference
March 31, 2014:			
(1) Cash and deposits	¥ 33,391	¥ 33,391	¥ —
(2) Notes and accounts receivable—trade	87,945	87,945	—
(3) Short-term investment securities and investment securities	114,615	113,819	(796)
(4) Current assets—other (short-term loans receivable)	2,800	2,800	—
Total assets	¥238,751	¥237,955	¥(796)
(5) Notes and accounts payable—trade	85,334	85,334	—
(6) Short-term loans payable	14,794	14,794	—
(7) Long-term loans payable (included repayment due within one year)	11,854	11,773	(81)
Total liabilities	¥111,982	¥111,901	¥ (81)
March 31, 2015:			
(1) Cash and deposits	¥ 47,984	¥ 47,984	¥ —
(2) Notes and accounts receivable—trade	83,449	83,449	—
(3) Short-term investment securities and investment securities	115,232	116,511	1,279
(4) Current assets—other (short-term loans receivable)	2,106	2,106	—
Total assets	¥248,771	¥250,050	¥1,279
(5) Notes and accounts payable—trade	72,442	72,442	—
(6) Short-term loans payable	16,107	16,107	—
(7) Long-term loans payable (included repayment due within one year)	22,920	22,599	(321)
Total liabilities	¥111,469	¥111,148	¥ (321)

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
March 31, 2015:			
(1) Cash and deposits	$ 399,304	$ 399,304	$ —
(2) Notes and accounts receivable—trade	694,422	694,422	—
(3) Short-term investment securities and investment securities	958,904	969,547	10,643
(4) Current assets—other (short-term loans receivable)	17,528	17,528	—
Total assets	$2,070,158	$2,080,801	$10,643
(5) Notes and accounts payable—trade	602,826	602,826	—
(6) Short-term loans payable	134,039	134,039	—
(7) Long-term loans payable (included repayment due within one year)	190,729	188,062	(2,667)
Total liabilities	$ 927,594	$ 924,927	$ (2,667)

1. Method to determine the estimated fair values of financial instruments and other matters related to securities and derivative transactions
   (1) Cash and cash equivalents, and time deposits
   The carrying values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.
   (2) Notes and accounts receivable—trade
   The carrying values of notes and accounts receivable—trade approximate fair value because of their short maturities.
   (3) Short-term investment securities and investment securities
   The fair value of securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Negotiable deposit, commercial paper and cash in trust approximate fair value.
   (4) Current assets—other (short-term loans receivable)
   The carrying values of short-term loans receivable approximate fair value because of their short maturities.
   (5) Notes and accounts payable—trade
   The carrying values of notes and accounts payable—trade approximate fair values because of their short maturities.
   (6) Short-term loans payable
   Short-term loans payable approximate fair value.
   (7) Long-term loans payable
   The fair value of long-term loans payable is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan.
   The fair value of long-term loans payable subject to a special accounting method for interest rate swaps which qualify for hedge accounting meet specific matching criteria is measured at the present value by discounting expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

2. Financial instruments for which it is extremely difficult to estimate the fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Non-listed equity securities	¥27,342	¥27,276	$226,975
Investments in capital	4,578	3,948	32,853

3. Redemptions schedule of monetary claims and securities with fixed maturities were as follows:

	Millions of yen				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2014:					
(1) Cash and deposits	¥ 2,081	¥—	¥—	¥—	¥ 2,081
(2) Notes and accounts receivable—trade	87,945	—	—	—	87,945
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	81,057	—	—	—	81,057
(4) Current assets—other (short-term loans receivable)	2,800	—	—	—	2,800
Total	¥173,883	¥—	¥—	¥—	¥173,883
March 31, 2015:					
(1) Cash and deposits	¥ 4,882	¥—	¥—	¥—	¥ 4,882
(2) Notes and accounts receivable—trade	83,449	—	—	—	83,449
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	67,997	—	—	—	67,997
(4) Current assets—other (short-term loans receivable)	2,106	—	—	—	2,106
Total	¥158,434	¥—	¥—	¥—	¥158,434

	Thousands of U.S. dollars				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2015:					
(1) Cash and deposits	$ 40,623	$—	$—	$—	$ 40,623
(2) Notes and accounts receivable—trade	694,422	—	—	—	694,422
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	565,841	—	—	—	565,841
(4) Current assets—other (short-term loans receivable)	17,528	—	—	—	17,528
Total	$1,318,414	$—	$—	$—	$1,318,414

4. See Note 7 for scheduled repayments of long term debt.

6. Short-term investment securities and Investment Securities

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2014 and 2015:

(a) Securities with book value exceeding acquisition cost

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥10,349	¥27,785	¥17,436

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥12,481	¥40,476	¥27,995

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	$103,860	$336,826	$232,966

(b) Securities with book value not exceeding acquisition cost

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥1,440	¥1,273	¥(167)

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥2,647	¥449	¥(2,198)

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	$22,030	$3,736	$(18,294)

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Total sales	¥62	¥103	$853
Gain	22	1	11
Loss	(0)	—	—

7. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Short-term loans principally from banks with interest rates 0.7% per annum (weighted average interest rate) at March 31, 2014 and 2015:			
Secured	—	603	5,016
Unsecured	14,794	15,504	129,023
	¥14,794	¥16,107	$134,039

Long-term loans payable (included repayment due within one year) at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans principally from banks and insurance companies due through 2021 with interest rates 2.0% and 2.2% per annum (weighted average interest rate) in 2014 and 2015, respectively:			
Secured	1	773	6,429
Unsecured	11,853	22,147	184,300
	11,854	22,920	190,729
Less amount due within one year	785	2,533	21,075
	¥11,069	¥20,387	$169,654

The following assets were pledged as collateral for secured loans at March 31.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥ —	¥ 408	$ 3,396
Notes and accounts receivable—trade, net	—	1,508	12,553
Inventories	—	423	3,516
Current assets: Other	—	805	6,701
Buildings and structures, net	2,134	3,132	26,065
Machinery, equipment and vehicles, net	140	1,020	8,492
Land	4,466	4,468	37,179
Property, plant and equipment: Other, net	—	59	490
Intangible assets: Other	—	103	856
Investments and other assets: Other, net	—	75	627
Total	¥6,740	¥12,001	$99,875

The annual maturities of long-term debt at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 2,533	$ 21,075
2017	5,294	44,056
2018	4,471	37,207
2019	4,471	37,207
2020	3,553	29,564
2021 and thereafter	2,598	21,620
	¥22,920	$190,729

8. Employees' Severance and Retirement Benefits

The Company and domestic consolidated subsidiaries have corporate pension fund plan and lump-sum payment plan as defined benefit plan.

Defined benefit plans

1. Movement in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at April 1	¥50,080	¥50,262	$418,257
Cumulative effects of changes in accounting policies	—	(1,498)	(12,469)
Restated balance	50,080	48,764	405,788
Current service cost	2,061	2,389	19,884
Interest cost	727	376	3,127
Actuarial loss (gain)	1,080	1,097	9,132
Benefits paid	(3,104)	(2,389)	(19,881)
Other	(582)	(40)	(333)
Balance at March 31	¥50,262	¥50,197	$417,717

2. Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at April 1	¥35,310	¥35,019	$291,413
Expected return on plan assets	288	376	3,125
Actuarial loss (gain)	787	1,317	10,962
Contributions paid by the employer	1,076	1,566	13,028
Benefits paid	(2,300)	(1,798)	(14,962)
Other	(142)	(29)	(236)
Balance at March 31	¥35,019	¥36,451	$303,330

3. Reconciliation from retirement benefit obligation and plan assets to liability (assets) for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥ 39,705	¥ 39,003	$ 324,564
Plan assets	(35,019)	(36,451)	(303,330)
	4,686	2,552	21,234
Unfunded retirement benefit obligation	10,557	11,194	93,153
Total Net liability (assets) for retirement benefit at March 31	15,243	13,746	114,387
Net defined benefit liability	15,243	13,746	114,387
Total Net liability (assets) for retirement benefit at March 31	¥ 15,243	¥ 13,746	$ 114,387

4. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current service cost	¥2,061	¥2,389	$19,884
Interest cost	727	376	3,127
Expected return on plan assets	(288)	(376)	(3,125)
Net actuarial loss amortization	(441)	293	2,441
Total retirement benefit costs for the fiscal year ended March 31	¥2,059	¥2,682	$22,327

5. Other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Actuarial gains and losses	—	513	4,272
Total balance at March 31	¥—	¥513	$4,272

6. Accumulated other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized actuarial gains and losses	(293)	220	1,830
Total balance at March 31	¥(293)	¥220	$1,830

7. Plan assets

(1) Plan assets comprise:

	2014	2015
Bonds	80.3%	71.5%
Equity securities	9.8	8.0
Cash and cash equivalents	0.9	0.7
Other	9.0	19.8
Total	100.0%	100.0%

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine long-term expected rate of return.

8. Actuarial assumptions

Principal actuarial assumptions at March 31

	2014	2015
Discount rate (mainly)	1.53%	**0.64%**
Long-term expected rate of return (mainly)	0.55	**0.57**

9. Income Taxes

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The statutory income tax rate was approximately 35.6%.

Amendments to the Japanese tax regulations were enacted into law on March 31, 2014. As a result of these amendments, the statutory income tax rate will be reduced from 38.0% to 35.6% effective from the year beginning April 1, 2014, thereafter.

Also, amendments to the Japanese tax regulations were enacted into law on March 31, 2015. As a result of these amendments, the statutory income tax rate will be reduced from 35.6% to 33.1% effective from the year beginning April 1, 2015, and to 32.3% effective from the year beginning April 1, 2016, thereafter.

Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period from April 1, 2015 to March 31, 2016 is 33.1% and for periods subsequent to March 31, 2016 is 32.3%. As a result of this change, net deferred tax liabilities (after deducting deferred tax assets) decreased by ¥212 million ($1,765 thousand). Income taxes—deferred, unrealized gains on securities and remeasurements of defined benefit plans increased by ¥731 million ($6,084 thousand), ¥935 million ($7,788 thousand) and ¥7 million ($60 thousand) for the year ended March 31, 2015 respectively.

The following table summarizes the significant differences between the statutory income tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2014 and 2015:

	2014	2015
Statutory income tax rate	38.0%	**35.6%**
Tax credit on research and development costs	(4.8)	**(4.6)**
Lower tax rates for foreign consolidated subsidiaries	(0.3)	**(2.1)**
Share of loss (profit) of entities accounted for using equity method	(1.6)	**0.2**
Effect of enacted changes in tax laws and rates on Japanese tax	0.5	**1.8**
Tax credit on productivity-enhancing equipment	—	**(0.7)**
Other	2.7	**(1.2)**
Effective tax rate	34.5%	**29.0%**

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability	¥ 5,300	¥ 4,429	$ 36,853
Loss carried forward	3,905	3,439	28,620
Unrealized gain on sale of inventories	1,330	1,550	12,899
Accrued bonuses	1,415	1,372	11,420
Unrealized gain on sale of noncurrent assets	971	959	7,984
Impairment loss	1,642	501	4,167
Provision for environmental measures	617	423	3,517
Other	2,806	3,050	25,381
Sub-total	17,986	15,723	130,841
Valuation allowance	(4,910)	(4,330)	(36,034)
Total deferred tax assets	13,076	11,393	94,807
Deferred tax liabilities:			
Unrealized gains on securities	(6,352)	(9,171)	(76,320)
Deferred gain on sales of noncurrent assets	(2,988)	(2,736)	(22,764)
Other	(1,620)	(1,539)	(12,810)
Total deferred tax liabilities	(10,960)	(13,446)	(111,894)
Net deferred tax assets (liabilities)	¥ 2,116	¥ (2,053)	$ (17,087)

10. Comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows;

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealized gains on securities:			
Occurrence amount	¥ 4,578	¥ 8,288	$ 68,968
Recycling	30	2,250	18,723
Before tax effect	¥ 4,608	¥10,538	$ 87,691
Tax effect	(1,640)	(2,820)	(23,461)
Unrealized gains on securities, net of tax	2,968	7,718	64,230
Foreign currency translation adjustments			
Occurrence amount	¥ 4,335	¥ 6,647	$ 55,314
Foreign currency translation adjustments	¥ 4,335	¥ 6,647	$ 55,314
Remeasurements of defined benefit plans:			
Occurrence amount	¥ —	¥ 220	$ 1,830
Recycling	—	293	2,442
Before tax effect	¥ —	¥ 513	$ 4,272
Tax effect	—	(175)	(1,462)
Remeasurements of defined benefit plans, net of tax	—	338	2,810
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥ 3,134	¥ 1,695	$ 14,107
Share of other comprehensive income of associates accounted for using equity method	¥ 3,134	¥ 1,695	$ 14,107
Total other comprehensive income before tax	¥12,077	¥19,393	$161,384
Tax effect	¥ (1,640)	¥ (2,995)	$ (24,923)
Other comprehensive income, net of tax	¥10,437	¥16,398	$136,461

11. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in the case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividends or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders meeting held on June 17, 2015, the shareholders resolved cash dividends amounting to ¥4,602 million ($38,298 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are resolved.

12. Stock Option Plans

The shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company as follows:

Date of resolution of the general shareholders' meeting	June 17, 2005	June 16, 2006	June 15, 2007
The maximum number of shares to be issued	62,500 shares	39,100 shares	48,500 shares
Exercisable period of stock options	From June 18, 2005 to June 17, 2025	From August 2, 2006 to June 16, 2026	From July 11, 2007 to July 10, 2027
Stock subscription rights which have been vested outstanding as of March 31, 2015	32,700 shares	26,500 shares	36,900 shares
Exercise price per share	¥1	¥1	¥1
	$0.01	$0.01	$0.01

Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested outstanding as of March 31, 2015	59,500 shares	76,200 shares	84,200 shares
Exercise price per share	¥1	¥1	¥1
	$0.01	$0.01	$0.01

Date of resolution of the general shareholders' meeting	June 17, 2011	June 15, 2012	June 21, 2013
The maximum number of shares to be issued	81,000 shares	95,200 shares	50,100 shares
Exercisable period of stock options	From July 13, 2011 to July 12, 2031	From July 11, 2012 to July 10, 2032	From July 17, 2013 to July 16, 2033
Stock subscription rights which have been vested outstanding as of March 31, 2015	81,000 shares	95,200 shares	50,100 shares
Exercise price per share	¥1	¥1	¥1
	$0.01	$0.01	$0.01

Date of resolution of the general shareholders' meeting	June 17, 2014
The maximum number of shares to be issued	55,800 shares
Exercisable period of stock options	From July 31, 2014 to July 30, 2034
Stock subscription rights which have been vested outstanding as of March 31, 2015	54,000 shares
Exercise price per share	¥1
	$0.01

The compensation cost recognized for these stock options for the years ended March 31, 2014 and 2015 was ¥91 million and ¥83 million ($694 thousand) respectively, and was included in selling, general and administrative expenses in the consolidated statements of income.

13. Derivative Transactions

(1) Qualitative disclosure about derivatives

The Companies enter into foreign exchange forward contracts and interest rate swap contracts as derivative financial instruments. The Companies deal with foreign exchange forward transactions to hedge exchange rate risks of trade receivables and payables denominated in foreign currency. Interest rate swap transactions are made in order to reduce interest rate risks on loans payable.

The Companies do not enter into derivatives for speculative transaction purposes. Hedge accounting is used for interest rate swaps in the case where there is a high degree of correlation between the hedging instruments and the hedged items.

Significant conditions surrounding hedging instruments are the same as those for the items hedged, the risks of which will likely continue to be hedged through hedge transactions.

Foreign exchange forward contracts that the Companies entered have risks due to fluctuations in foreign exchange rates. Interest rate swap contracts that the Companies entered have risks due to fluctuations in interest rates. Due to the fact that counterparties to the Companies represent major financial institutions that have high creditworthiness, the Companies believe that the overall credit risk related to its financial instruments is insignificant.

Derivative transactions are executed and controlled based on the Companies' internal rules and are approved by the responsible officials. The balances of such transactions with counterparties are periodically confirmed.

(2) Quantitative disclosure about derivatives

The following contract amounts are only nominal or notional amounts of derivatives, and do not necessarily indicate the magnitude of market risk associated with the derivative transactions.

Contract amounts, market values and recognized gains or losses on the derivative transactions, except those accounted for using hedge accounting, at March 31, 2014 and 2015 were as follows:

(a) Related to currencies

			Millions of yen			
			Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2014:						
Items not traded on exchanges						
Foreign exchange forward contracts						
	Selling:	U.S. Dollars	¥1,664	¥—	¥(10)	¥(10)
		Euro	907	—	(31)	(31)
	Buying:	U.S. Dollars	170	—	3	3
		Euro	98	—	0	0
		Swiss Francs	8	—	0	0
		Australian Dollars	1	—	0	0
		Japanese Yen	532	—	(1)	(1)
	Total		¥ —	¥—	¥(39)	¥(39)

			Millions of yen			
			Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2015:						
Items not traded on exchanges						
Foreign exchange forward contracts						
	Selling:	U.S. Dollars	**¥1,812**	**¥—**	**¥(19)**	**¥(19)**
		Euro	**1,010**	**—**	**60**	**60**
	Buying:	U.S. Dollars	**1,711**	**—**	**0**	**0**
		Euro	**768**	**—**	**(18)**	**(18)**
		Swiss Francs	**10**	**—**	**0**	**0**
		Australian Dollars	**1**	**—**	**(0)**	**(0)**
		Japanese Yen	**851**	**—**	**(6)**	**(6)**
	Total		**¥ —**	**¥—**	**¥ 17**	**¥ 17**

			Thousands of U.S. dollars			
			Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2015:						
Items not traded on exchanges						
Foreign exchange forward contracts						
	Selling:	U.S. Dollars	$15,081	$—	$(160)	$(160)
		Euro	8,407	—	505	505
	Buying:	U.S. Dollars	14,240	—	0	0
		Euro	6,390	—	(150)	(150)
		Swiss Francs	83	—	4	4
		Australian Dollars	10	—	(0)	(0)
		Japanese Yen	7,085	—	(53)	(53)
	Total		$ —	$—	$ 146	$ 146

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

	Millions of yen		
	Contract amount	Over one year	Market value
March 31, 2014:			
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)	¥11,354	¥10,569	¥(31)
Total	¥11,354	¥10,569	¥(31)

	Millions of yen		
	Contract amount	Over one year	Market value
March 31, 2015:			
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)	¥21,437	¥19,202	¥(213)
Total	¥21,437	¥19,202	¥(213)

	Thousands of U.S. dollars		
	Contract amount	Over one year	Market value
March 31, 2015:			
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)	$178,392	$159,789	$(1,770)
Total	$178,392	$159,789	$(1,770)

14. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2014 and 2015 were, ¥20,801 million and ¥22,253 million ($185,182 thousand), respectively, which are included in selling, general and administrative expenses or manufacturing costs.

15. Segment Information

The Companies' business segments are classified into the following three business segments: (1) Elastomers business, (2) Plastics business, and (3) Fine chemicals and other products business.

A summary of net sales, costs and expenses, operating income, identifiable assets, depreciation, impairment loss and capital expenditures by segment of business activities for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2014:						
Sales to external customers	¥203,478	¥57,764	¥133,067	¥394,309	¥ —	¥394,309
Inter-segment sales/transfers	4,469	—	—	4,469	(4,469)	—
Sales total	207,947	57,764	133,067	398,778	(4,469)	394,309
Operating income	¥ 17,330	¥ 3,919	¥ 14,813	¥ 36,062	¥ —	¥ 36,062
Identifiable assets	¥223,584	¥38,943	¥131,521	¥394,048	¥107,272	¥501,320
Depreciation and amortization	7,384	1,105	9,607	18,096	—	18,096
Impairment loss	—	—	645	645	—	645
Capital expenditures	10,800	1,086	9,613	21,499	—	21,499
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	664	—	664	—	664

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2015:						
Sales to external customers	¥198,958	¥55,161	¥149,954	¥404,073	¥ —	¥404,073
Inter-segment sales/transfers	3,974	—	—	3,974	(3,974)	—
Sales total	202,932	55,161	149,954	408,047	(3,974)	404,073
Operating income	¥ 10,736	¥ 2,842	¥ 24,490	¥ 38,068	¥ —	¥ 38,068
Identifiable assets	¥233,286	¥35,108	¥158,802	¥427,196	¥107,396	¥534,592
Depreciation and amortization	7,521	1,114	8,772	17,407	—	17,407
Capital expenditures	16,472	2,035	16,650	35,157	—	35,157
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	620	5,860	6,480	—	6,480

	Thousands of U.S. dollars					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2015:						
Sales to external customers	$1,655,638	$459,029	$1,247,848	$3,362,515	$ —	$3,362,515
Inter-segment sales/transfers	33,071	—	—	33,071	(33,071)	—
Sales total	1,688,709	459,029	1,247,848	3,395,586	(33,071)	3,362,515
Operating income	$ 89,337	$ 23,646	$ 203,805	$ 316,788	$ —	$ 316,788
Identifiable assets	$1,941,298	$292,156	$1,321,477	$3,554,931	$893,702	$4,448,633
Depreciation and amortization	62,586	9,271	72,994	144,851	—	144,851
Capital expenditures	137,076	16,932	138,554	292,562	—	292,562
Amortization of goodwill	—	368	—	368	—	368
Goodwill	—	5,158	48,765	53,923	—	53,923

Assets in reconciliation are related mainly to Cash, Short-term investment securities and Investment securities of the Company.

Geographic segment information with respect to net sales for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen				
	Japan	Korea	China	Others	Total
For 2014:	¥196,824	¥43,932	¥41,173	¥112,380	¥394,309
For 2015:	**¥188,833**	**¥47,544**	**¥45,229**	**¥122,467**	**¥404,073**

	Thousands of U.S. dollars				
	Japan	Korea	China	Others	Total
For 2015:	**$1,571,379**	**$395,637**	**$376,375**	**$1,019,124**	**$3,362,515**

The geographical segments consist of Japan, Korea, China and Others. Japan, Korea and China have been divided as independent segments considering the materiality of the sales. Main countries included in Others segment were as follows;

Taiwan, Thailand, United States, Belgium

Geographic segment information with respect to property, plant and equipment for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen			
	Japan	Thailand	Others	Total
For 2014:	¥69,007	¥16,258	¥10,365	¥ 95,630
For 2015:	**¥76,654**	**¥25,623**	**¥13,636**	**¥115,913**

	Thousands of U.S. dollars			
	Japan	Thailand	Others	Total
For 2015:	**$637,879**	**$213,221**	**$113,476**	**$964,576**

The geographical segments consist of Japan, Thailand and Others. Japan and Thailand have been divided as independent segments considering the materiality of the property, plant and equipment. Main countries included in Others segment were as follows;

Korea, China, Taiwan, United States, Belgium

16. Related Parties

Related party transactions

Significant transactions and balances with related parties as of and for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Bridgestone Corporation (a major shareholder):			
Net Sales	¥37,383	¥36,888	$306,963
Notes and accounts receivable—trade, net	15,151	12,777	106,328
Tobu Butadiene Co., Ltd. (an unconsolidated subsidiary company):			
Purchases	14,769	17,892	148,888
Notes and accounts payable—trade	7,242	5,868	48,831
Supply of raw material gas	12,044	11,538	96,012
Accounts receivable—other	6,033	4,917	40,915
KRATON JSR Elastomers K.K. (an affiliated company):			
Purchases	12,008	10,533	87,654
Notes and accounts payable—trade	4,851	4,683	38,967
Supply of raw material gas	5,688	4,883	40,638
Accounts receivable—other	2,565	2,538	21,122

17. Business Combinations

Acquisition of KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC

1. Summary of business combination

The Companies purchased the 51.0% stake in KBI Biopharma, Inc. on March 12, 2015.

(1) Name and business of the acquired company
Name of the acquired company: KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC
Business: Contract development and manufacturing of biopharmaceutical products

(2) Major reason for business combination
The acquisition of KBI will allow JSR to facilitate the acceleration of the company's growth plans, with increased capacity as well as global expansion, including additional customers in Japan and Asia.

(3) Date of business combination
March 12, 2015

(4) Legal form of business combination
Acquisition of shares for cash consideration

(5) Company name after business combination
KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC

(6) Percentage of acquired voting rights
51%

(7) Basis for determining the acquiring company
The Company acquired 51% of the voting rights in exchange for cash.

2. Period of operating results of the acquired company included in the consolidated financial statements

As the Company deemed the acquisition date as March 31, 2015, operating results were not included in the consolidated financial statements.

3. Acquisition cost

Acquisition cost: $51,000 thousand

4. Amount of goodwill, reason for recognition, and amortization method and period
   (1) Amount of goodwill: $48,535 thousand
   (2) Reason for recognition: Goodwill was recognized as the excess of the acquisition cost over the net fair value of assets acquired and liabilities assumed.
   (3) Amortization method and period: Straight-line method over 20 years

5. Details on assets acquired and liabilities assumed on the date of business combination

Current assets	$26,083 thousand
Non-current assets	$19,179 thousand
Total assets	$45,262 thousand
Current liabilities	$31,346 thousand
Non-current liabilities	$ 9,083 thousand
Total liabilities	$40,429 thousand

6. Effect on the consolidated statement of income assuming the business combination had been carried out on April 1, 2014

Net sales	$64,150 thousand
Income before income taxes and minority interests	$ (1,708) thousand
Net income	$ (1,715) thousand

The above amounts represent the difference between the actual figures and the estimates of the figures calculated based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2015.

The amortized amount of goodwill was calculated assuming that the goodwill recognized at the time of the business combination had arisen at the beginning of the fiscal year ended March 31, 2015.

The above amounts are un-audited.

18. Contingent Liabilities

At March 31, 2015, the Companies were contingently liable as guarantors for loans of CMIC JSR Biologics Co., Ltd., JEY-TRANS CO., LTD., PT.ELASTOMIX INDONESIA and employees in the amount of ¥663 million ($5,525 thousand), ¥208 million ($1,731 thousand), ¥188 million ($1,560 thousand) and ¥3 million ($26 thousand), respectively.

19. Subsequent Events

At the June 17, 2015 annual meeting, the Company’s shareholders approved the following appropriations of retained earnings: Payment of a year-end cash dividend of ¥20.00 ($0.17) per share aggregating ¥4,602 million ($38,298 thousand).

KPMG

Independent Auditor's Report

To the Board of Directors of JSR Corporation:

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSR Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 17, 2015
Tokyo, Japan