JSR Corporation

FINANCIAL SECTION 2018

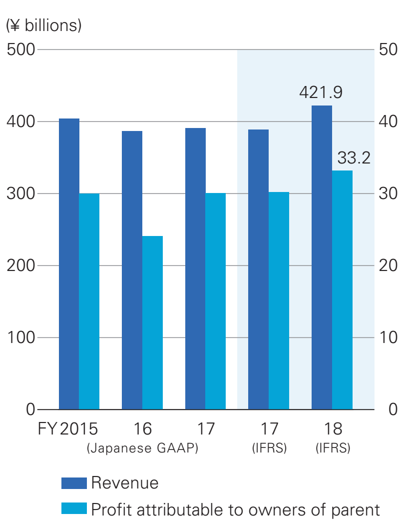
CONTENTS

TEN-YEAR SUMMARY

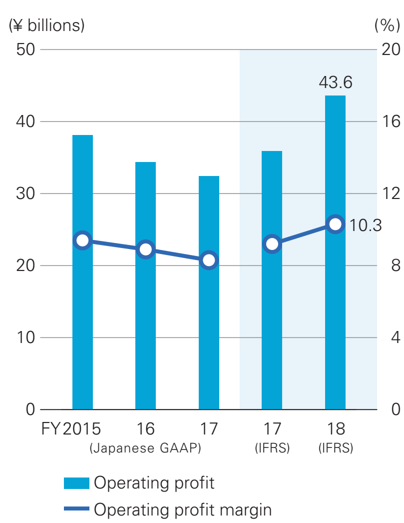
Fiscal Years ended March 31	2009	2010	2011	2012	2013	2014
Results for the year						
Net sales	¥ 352,503	¥ 310,184	¥ 340,666	¥ 349,947	¥ 371,487	¥ 394,309
Costs and expenses	(322,155)	(289,954)	(301,571)	(313,982)	(336,281)	(358,247)
Operating profit	30,348	20,230	39,095	35,964	35,206	36,062
Interest and dividends income	1,230	568	626	634	809	916
Interest expenses	(271)	(172)	(146)	(147)	(126)	(142)
Profit before income taxes	20,803	19,458	40,674	41,245	42,847	36,956
Profit attributable to owners of parent	13,981	13,645	27,571	26,407	30,278	25,173
Capital expenditures	19,081	17,707	11,801	19,728	27,608	21,499
Depreciation	24,833	22,380	19,245	17,784	19,145	18,096
Year-end financial position						
Total assets	339,498	373,566	390,591	430,693	482,935	501,320
Long-term loans payable	1,500	1,500	1,028	500	6,626	11,069
Total liabilities	97,512	122,865	126,475	148,335	167,202	164,060
Equity	240,896	249,440	262,679	280,955	308,641	331,284
Current ratio (times)	2.5	2.3	2.4	2.3	2.3	2.5
Return on assets (%)	4.1	3.7	7.1	6.4	6.6	5.1
Return on equity (%)	5.7	5.6	10.8	9.7	10.3	7.9
Equity ratio (%)	71.0	66.8	67.3	65.2	63.9	66.1
Per share of common stock (Yen and U.S. Dollars)						
Profit attributable to owners of parent	¥ 56.36	¥ 55.87	¥ 113.07	¥ 109.46	¥ 126.13	¥ 106.10
Cash dividends	32.00	26.00	32.00	32.00	34.00	38.00
Equity	986.33	1,021.31	1,088.87	1,164.63	1,299.77	1,409.06

(Notes) 1. Amounts in U.S. dollars are translated from yen, provided for convenience only, at the exchange rate of 1.00 U.S. dollar = 106.24 Japanese yen; the prevailing rate on March 31, 2018.
2. The Group has adopted International Financial Reporting Standards (IFRS) as from the fiscal year ending March 2018.

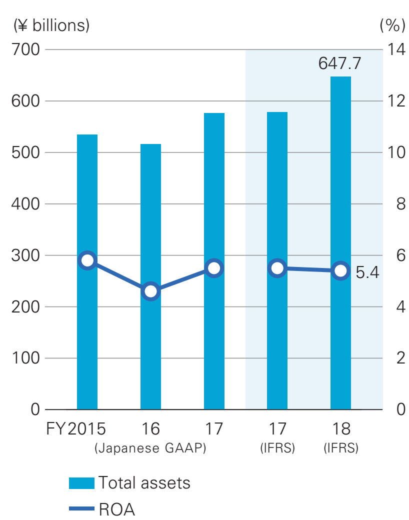
Revenue/
Profit attributable to owners of parent



Operating Profit/
Operating Profit Margin

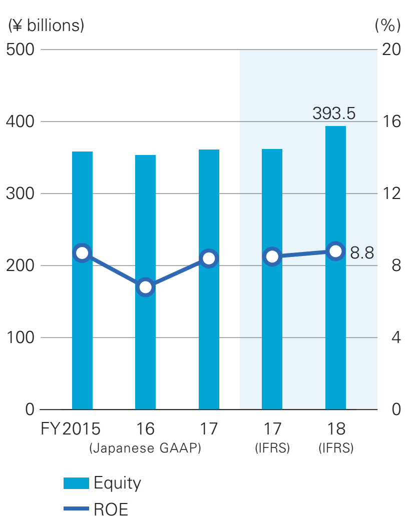


Total Assets/ROA

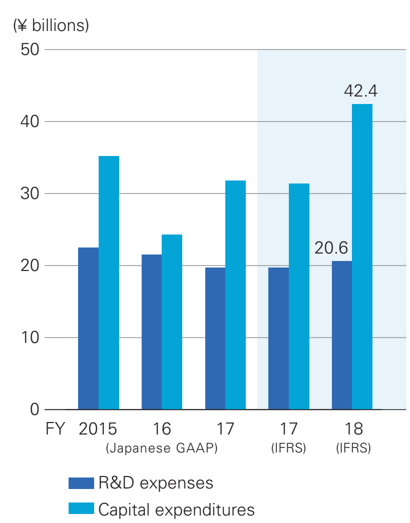


2015	2016	2017		FY2017	FY2018	FY2018
		Millions of yen		Millions of yen		Thousands of U.S. dollars
			Results for the year			
¥ 404,073	¥ 386,709	¥ 390,599	Revenue	¥ 388,455	**¥ 421,930**	**$ 3,971,478**
(366,005)	(352,301)	(358,228)	Costs, other income and expenses	(352,512)	**(378,360)**	**(3,561,374)**
38,068	34,408	32,370	Operating profit	35,943	**43,569**	**410,104**
1,390	1,380	1,369	Finance income	3,045	**3,659**	**34,436**
(345)	(527)	(699)	Finance costs	(694)	**(1,022)**	**(9,619)**
41,069	27,367	38,327	Profit before tax	38,294	**46,206**	**434,922**
29,919	24,069	30,078	Profit attributable to owners of parent	30,243	**33,230**	**312,784**
35,157	24,276	31,785	Capital expenditures	31,377	**42,408**	**399,174**
17,407	18,508	14,676	Depreciation	14,793	**16,973**	**159,757**
			Year-end financial position			
534,592	516,360	576,016	Total assets	578,484	**647,699**	**6,096,564**
20,387	22,249	38,381	Borrowings (non-current liabilities)	38,381	**53,456**	**503,165**
169,918	154,006	199,302	Total liabilities	202,120	**236,084**	**2,222,173**
358,303	353,145	361,394	Total equity attributable to owners of parent	361,889	**393,499**	**3,703,869**
2.5	2.7	2.5	Current ratio (times)	2.5	**2.3**	**2.3**
5.8	4.6	5.5	Return on assets (%)	5.5	**5.4**	**5.4**
8.7	6.8	8.4	Return on equity (%)	8.5	**8.8**	**8.8**
67.0	68.4	62.7	Equity ratio (%)	62.6	**60.8**	**60.8**
			Per share of common stock (Yen and U.S. Dollars)			
¥ 128.19	¥ 105.87	¥ 134.43	Profit attributable to owners of parent	¥ 135.17	**¥ 149.32**	**$ 1.41**
40.00	50.00	50.00	Cash dividends	50.00	**50.00**	**0.47**
1,557.08	1,565.45	1,624.14	Equity attributable to owners of parent	1,626.36	**1,767.81**	**16.64**

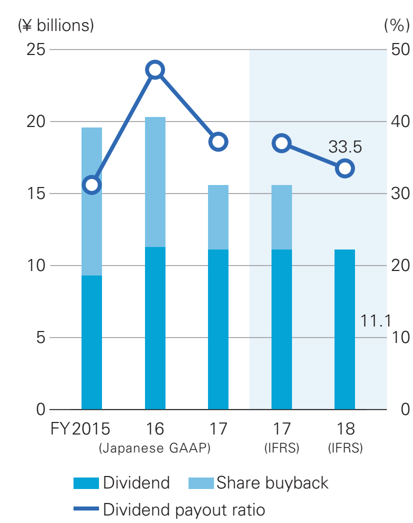
Equity/ROE



R&D Expenses/ Capital Expenditures



Shareholder Return/ Dividend Payout Ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY ended March 2018 (April 1, 2017 to March 31, 2018)

In FY ended March 2018 (April 1, 2017 to March 31, 2018), among the JSR Group's main customer industries, automobile tire production and automobile production rose above the previous year's level globally, but domestic tire production remained unchanged from the previous year. Demand in the semiconductor market grew, and production of panels in the display market was robust. The exchange rate had a slightly weaker yen compared to the previous year.

Amid these circumstances, the Petrochemicals Business of the JSR Group saw revenue rise in the Elastomers Business over the previous year, despite a decline in overall sales volume, due to growth in the sales volume of solution styrene-butadiene rubber (SSBR) for fuel-efficient tires and revisions to sales prices to reflect butadiene prices, which shot up in the fourth quarter of the previous year. The Plastics Business saw revenue increase from the previous year because of price revisions accompanied by the rise in raw material prices and because of worldwide sales volume growth. Revenue in the Petrochemicals Business as a whole was also up from the previous year. Operating profit of the Elastomers Business increased significantly over the previous year on the back of improved profitability from the sales price revisions mentioned above. Similarly, the Plastics Business's operating profit was up significantly, driven by increased sales volume and improved profitability from the sales price revisions mentioned above. These factors combined to push the operating profit of the Petrochemicals Business up significantly over the previous year.

In the Fine Chemicals and Other Products Business, the Semiconductor Materials Business saw a significant increase in revenue over the previous year due to larger sales volume of lithography materials, CMP materials, cleaning solutions, and packaging materials. In the Display Materials Business, the sales volume for the China market grew, although prices fell due to competition pressures and the overall sales volume declined. Revenue from the Life Sciences Business, positioned as the JSR Group's third core business, saw a notable increase, and revenue from the Fine Chemicals and Other Products Business as a whole increased compared to the previous year. Operating profit of the Fine Chemicals and Other Products Business was unchanged from the previous year due to additional advance capital investment in the Life Sciences Business.

Profit attributable to owners of parent rose above the previous year's level, thanks to increased operating profit.

In the fiscal year ended March 31, 2018, we reported revenue of 421,930 million yen (up 8.6% year-on-year), operating profit of 43,569 million yen (up 21.2% year-on-year), and profit attributable to owners of parent of 33,230 million yen (up 9.9% year-on-year).

Review of Operations

<Elastomers Business Segment>

The production of automobile tires, one of the segment's main customer industries, increased from the previous year in Europe and Asia, led by China, while it remained unchanged from the previous year's level in Japan.

Under such circumstances, revenue from the Elastomers Business increased above the previous year's level due to sales price revisions to reflect butadiene prices, which shot up in the fourth quarter of the previous year. This was achieved despite a slight decline in the overall sales volume compared to the previous year, in which exports were robust. Operating profit was also upsignificantly over the previous year because of improved profitability caused by sales price revisions and because of a rise in the sales volume of SSBR for fuel-efficient tires at JSR BST Elastomer Co., Ltd. (JBE), a joint venture in Thailand where second-phase facilities went into operation.

As a result, the Elastomers Business segment posted an operating profit of 14,870 million yen (up 69.0% year-on-year) on revenue of 197,373 million yen (up 6.5% year-on-year).

<Plastics Business Segment>

The sales volume of plastics increased from the previous year owing mainly to increased demand from overseas customers in automobiles, one of the segment's main customer industries. Revenue was up from the previous year because, in addition to the higher sales volume, product prices were revised to reflect the jump in raw material prices. Operating profit was driven significantly higher by the greater sales volume and improved profits from higher sales prices.

As a result, the Plastics Business segment posted an operating profit of 5,575 million yen (up 44.8% year-on-year) on revenue of 52,161 million yen (up 13.3% year-on-year).

<Fine Chemicals and Other Products Business Segment>

Revenue rose from the previous year, but operating profit remained unchanged in the Fine Chemicals and Other Products Business segment as a whole.

Segment Revenue/Operating Profit (¥ millions)

Years ended March 31	2015	2016	2017
Elastomers Business	¥198,958	¥179,253	¥185,345
Operating profit	10,736	7,492	8,340
Plastics Business	55,161	52,207	46,035
Operating profit	2,842	5,114	3,773
Fine Chemicals and Other Products Business	149,954	155,250	159,218
Operating profit	24,490	21,803	20,257
Net Sales	404,073	386,709	390,599
Operating profit	¥ 38,068	¥ 34,409	¥ 32,370

Years ended March 31	2017	2018
Elastomers Business	¥185,345	¥197,373
Operating profit	8,800	14,870
Plastics Business	46,035	52,161
Operating profit	3,850	5,575
Fine Chemicals and Other Products Business	157,075	172,395
Operating profit	23,293	23,124
Revenue	388,455	421,930
Operating profit	¥ 35,943	¥ 43,569

*From FY ended March 2018, IFRS has been applied.

The semiconductor materials business saw a dramatic increase in revenue. This was due to particularly favorable growth in semiconductor demand as well as increased sales volume at the segment's main customers, particularly for cutting-edge photoresists, and growth in sales volume of peripheral materials such as CMP materials, cleaning solutions, and packaging materials. In the display materials business, prices fell due to competition pressures and the overall sales volume declined, but the sales volume did grow in China, where panel production is expanding rapidly. Revenue from the Life Sciences Business climbed as a result of revenue growth in diagnostic reagent materials, in addition to expanded sales volume by a Group company KBI Biopharma, Inc. (KBI). Operating profit, however, remained unchanged from the previous year, in large part because of additional advance capital investment in the Life Sciences Business for future business expansion.

As a result, the Fine Chemicals and Other Products Business segment posted an operating profit of 23,124 million yen (down 0.7% year-on-year) on revenue of 172,395 million yen (up 9.8% year-on-year).

Business Outlook

The following is the outlook of the Group's main customer industries at a time of uncertainty in global economic trends. JSR forecasts that automobile tire production will remain unchanged from 2017 levels in Japan but will grow overseas, particularly in China and other Asian countries, North America, and Europe. Automobile production is expected to decline slightly in Japan from 2017 levels, but it is forecast to grow overseas, especially in emerging markets in South America and in Asia outside of China. The semiconductor market will see favorable progress, driven by such factors as higher smartphone demand and increases in data center applications. The display market will also likely see robust progress in panel production, and production in China will continue to surge.

In the Elastomers Business, JSR forecasts expansion in global tire demand. In this industry, we anticipate steady growth in demand for SSBR for fuel-efficient tires. Under such circumstances, we will strive to bolster sales by taking advantage of the new second-phase facilities at JBE in Thailand that are now in operation along with the first-phase facilities, which are in full operation. We also plan to address further demand expansion with the launch of JSR MOL Synthetic Rubber Ltd. (JMSR) scheduled for FY 2018, a joint venture in Hungary.

In the Plastics Business, JSR established the new Group company Techno-UMG Co., Ltd. in April 2018 through a business integration of the Group company Techno Polymer Co., Ltd. and UMG ABS, Ltd., a company equally owned by Mitsubishi Chemical Corporation and Ube Industries, Ltd. Techno-UMG Co., Ltd. will improve manufacturing efficiencies and cost competitiveness, introduce more differentiated products, and expand sales in high-end markets overseas.

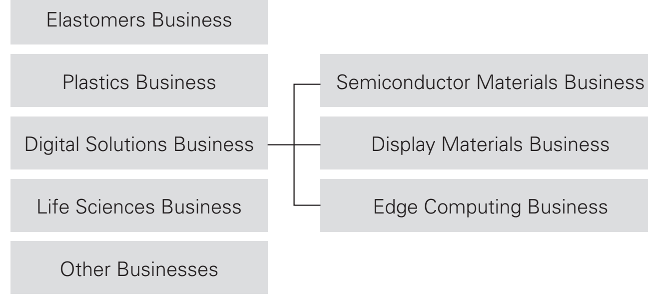
In the Fine Chemicals and Other Products Business, our semiconductor materials business will strive to maintain its global market competitiveness with lithography materials for state-of-the-art 10 nm generation processes and continue to expand sales of peripheral semiconductor materials such as mounting materials, solvents, and CMP materials. We are also moving toward volume production of extreme ultraviolet (EUV) lithography materials intended for the next 7 nm generation at EUV Resist Manufacturing & Qualification Center N.V. (EUV RMQC), a joint venture providing manufacturing and quality control services that we established with imec, a world-leading research institute in cutting-edge nanoelectronics technology in Belgium.

In the display materials business, although we expect continued solid growth in the liquid crystal panel market, we will strive to increase sales by launching full-scale operations in FY 2018 at JSR Micro (Changshu) Co., Ltd., a joint venture manufacturing company in the Chinese market, where considerable growth is expected, while simultaneously continuing with business reforms to secure business revenues as display materials become more generalized and competition intensifies.

In the Life Sciences Business, JSR made Selexis S.A., which has cell-line generation technology enabling stable and efficient production of antibodies, a consolidated subsidiary in FY 2017, following KBI and MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL). JSR has also agreed to make Crown Bioscience International, a provider of preclinical drug discovery and development services, a consolidated subsidiary. These Group companies will work in unison to develop our drug-discovery-process support business, which includes the provision of magnetic particles, protein A media, and other materials. We will concentrate on realizing benefits from advance investments, pursuing further sales expansion, and improving operating profits.

For FY ending March 2019, JSR forecasts revenue of 490,000 million yen (up 16.1 percent year-on-year), operating profit of 48,000 million yen (up 10.2 percent year-on-year), and profit attributable to owners of parent of 33,500 million yen (up 0.8 percent year-on-year). These forecasts assume an exchange rate of 105 yen per U.S. dollar.

JSR Group has maintained three reporting segments: Elastomers Business, Plastics Business, and Fine Chemicals and Other Products Business. With the expansion of the Life Sciences Business, however, Life Sciences Business will become a new reporting segment starting in FY ending March 2019. Furthermore, the previous Petrochemical Products Business and the Fine Chemicals and Other Products Business will be discontinued, and the Fine Chemicals Business will be renamed Digital Solutions Business and made a reporting segment. Accordingly, the Group reporting segments from FY ending March 2019 will be the Elastomers Business, the Digital Solutions Business, the Life Sciences Business, and the Plastics Business led by Techno-UMG Co., Ltd. The positioning of the reporting segments will be as shown below.



Analysis of Financial Position

Analysis of Assets, Liabilities, and Net Assets

Total assets as of March 31, 2018 amounted to 647,699 million yen, up 69,215 million yen from a year earlier.

Current assets totaled 357,908 million yen, up 13,780 million yen, mainly due to an increase in cash and cash equivalents, and trade and other receivables, despite a decrease in other financial assets.

Non-current assets totaled 289,791 million yen, up 55,435 million yen, due to an increase in property, plant and equipment, other financial assets, and other assets.

Total liabilities amounted to 236,084 million yen, up 33,963 million yen from a year earlier, due to an increase in borrowings, trade and other payables, other current liabilities, and other liabilities.

In terms of equity, total equity attributable to owners of parent amounted to 393,499 million yen, up 31,610 million yen, due to an increase in retained earnings and other equity. Total equity, including non-controlling interests, amounted to 411,615 million yen, up 35,252 million yen.

Analysis of Cash Flows

Cash and cash equivalents (“funds”) as of March 31, 2018 stood at 124,956 million yen, up 27,539 million yen from a year earlier.

Net cash provided by operating activities amounted to 43,596 million yen, down 898 million yen from the previous year. The main factors included profit before tax of 46,206 million, depreciation and amortization of 16,973 million yen, and income taxes paid of 15,892 million yen.

Net cash used in investing activities totaled 20,423 million yen, down 20,799 million yen from the previous year. The main factors were 37,312 million yen in expenditures for the purchase of property, plant and equipment and a decrease in time deposits of 22,205 million yen.

Net cash provided by financing activities totaled 3,860 million yen, up 7,395 million yen from the previous year. The main factors were 18,173 million yen in proceeds from long-term borrowings and 11,127 million yen in dividends paid.

Basic Policy on Profit Allocation and Dividends for the Fiscal Year ended March 31, 2018 and the Fiscal Year ending March 31, 2019

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

The Company will appropriate profits by taking into account business performance and medium- and long-term demand for funds, while paying continuous, stable cash dividends based on consideration of taking balance between appropriating profits and retaining earnings necessary for future business advancement. Carefully considering the stock market environment and other factors, JSR will comprehensively study purchases of treasury shares as a measure to return profits to shareholders. JSR allocates retained earnings to a variety of investments linked to future growth of businesses, contributing to the enhancement of corporate value. During the JSR20i9 mid-term business plan, JSR aims for a return to shareholders, through a combination of dividends and share buybacks, of more than 50 percent.

Based on this policy, as already announced, we have decided to pay a year-end dividend of 25.00 yen per share, the same amount as the interim dividend. Including the interim dividend already paid, the total annual dividend for FY ended March 2018 will be 50.00 yen per share.

With regard to the dividend for the next fiscal year (FY ending March 2019), JSR plans to pay 60.00 yen per share annually (an interim dividend of 30.00 yen and a year-end dividend of 30.00 yen), taking into account the business outlook.

Risk Information

JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR’s judgments as of March 31, 2016. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

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

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

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

(3) Fluctuation in Exchange Rates

As JSR Group undertakes product exports in foreign currencies and imports goods such as raw materials, the Company takes measures to reduce risks such as entering into forward exchange contracts; however, fluctuation in exchange rates could give rise to adverse 06

JSR Corporation Annual Report 2017 outcomes. In addition, operating results of consolidated subsidiaries and equity-method affiliates located overseas are converted into Japanese yen amounts for the purposes of preparing the consolidated financial statements. However, due to the yen's appreciation, JSR Group's business results could be adversely affected.

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

(5) Development of New Products
Rapid technological progress is constantly taking place in the electronics industry, which is the primary source of demand for semiconductor manufacturing materials, display materials and edge computing related items, the major products of JSR Group's 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 JSR Group's operating results.

(6) R&D Involving Next-Stage Growth Businesses
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 JSR Group's operating results.

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

(8) Product Quality Assurance and Product Liability
JSR Group has a product quality assurance system and product liability insurance. However, damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.

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

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

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Financial Section

1. Preparation Policy of the Consolidated Financial Statements

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

2. Audit Certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year ended March 31, 2018 were audited by KPMG AZSA LLC.

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Assets				
Current assets				
Cash and cash equivalents (Notes 7, 8 and 18)	¥ 97,283	¥ 97,416	**¥ 124,956**	**$ 1,176,164**
Trade and other receivables (Notes 7, 9, 18 and 31)	91,034	111,130	**122,476**	**1,152,824**
Inventories (Notes 11, 13 and 18)	77,857	81,918	**87,567**	**824,237**
Other financial assets (Notes 10, 18 and 31)	28,868	44,970	**13,776**	**129,666**
Other current assets (Notes 7, 12 and 18)	9,101	8,695	**9,134**	**85,974**
Total current assets	304,142	344,128	**357,908**	**3,368,865**
Non-current assets				
Property, plant and equipment (Notes 7, 13, 15 and 18)	120,612	131,748	**159,834**	**1,504,466**
Goodwill (Notes 7, 14 and 15)	9,354	9,331	**19,389**	**182,501**
Other intangible assets (Notes 7, 14 and 18)	8,133	9,190	**10,403**	**97,923**
Investments accounted for using equity method (Note 16)	23,206	21,712	**24,777**	**233,217**
Retirement benefit asset	—	373	**1,003**	**9,437**
Other financial assets (Notes 10 and 31)	47,185	46,529	**64,970**	**611,540**
Other non-current assets (Notes 12 and 18)	5,819	7,129	**1,862**	**17,531**
Deferred tax assets (Note 17)	7,481	8,343	**7,552**	**71,084**
Total non-current assets	221,790	234,355	**289,791**	**2,727,699**
Total assets	525,933	578,484	**647,699**	**6,096,564**
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables (Notes 19 and 31)	77,984	95,037	**110,303**	**1,038,248**
Borrowings (Notes 18 and 31)	20,793	23,740	**25,947**	**244,234**
Income taxes payable	1,948	8,360	**4,520**	**42,547**
Other financial liabilities (Notes 18 and 31)	546	626	**641**	**6,036**
Other current liabilities (Notes 7 and 21)	10,191	11,357	**12,607**	**118,666**
Total current liabilities	111,461	139,120	**154,019**	**1,449,731**
Non-current liabilities				
Borrowings (Notes 7, 18 and 31)	22,245	38,381	**53,456**	**503,165**
Retirement benefit liability (Note 20)	15,180	13,904	**14,500**	**136,485**
Other financial liabilities (Notes 18, 31 and 35)	2,534	2,005	**1,674**	**15,756**
Other non-current liabilities (Note 21)	2,448	2,278	**2,480**	**23,339**
Deferred tax liabilities (Note 17)	6,223	6,432	**9,955**	**93,699**
Total non-current liabilities	48,630	63,000	**82,064**	**772,442**
Total liabilities	160,091	202,120	**236,084**	**2,222,173**
Equity				
Equity attributable to owners of parent				
Share capital (Note 22)	23,320	23,320	**23,370**	**219,977**
Capital surplus (Note 22)	26,110	18,441	**18,502**	**174,150**
Retained earnings (Note 22)	288,147	309,517	**331,913**	**3,124,185**
Treasury shares	(957)	(5,396)	**(5,358)**	**(50,429)**
Other components of equity (Note 22)	15,569	16,006	**25,071**	**235,986**
Total equity attributable to owners of parent	352,189	361,889	**393,499**	**3,703,869**
Non-controlling interests	13,653	14,475	**18,116**	**170,522**
Total equity	365,842	376,364	**411,615**	**3,874,391**
Total liabilities and equity	¥ 525,933	¥ 578,484	**¥ 647,699**	**$ 6,096,564**

See accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Revenue (Notes 6 and 24)	¥ 388,455	**¥ 421,930**	**$ 3,971,478**
Cost of sales (Notes 11 and 13)	(272,422)	**(291,796)**	**(2,746,572)**
Gross profit	116,034	**130,134**	**1,224,906**
Selling, general and administrative expenses (Notes 7, 13, 25 and 30)	(81,759)	**(86,977)**	**(818,682)**
Other operating income (Note 26)	4,906	**2,262**	**21,289**
Other operating expenses (Note 26)	(3,916)	**(2,187)**	**(20,586)**
Share of profit of investments accounted for using equity method	678	**338**	**3,177**
Operating profit (Note 6)	35,943	**43,569**	**410,104**
Finance income (Notes 6 and 27)	3,045	**3,659**	**34,436**
Finance costs (Notes 6 and 27)	(694)	**(1,022)**	**(9,619)**
Profit before tax (Note 6)	38,294	**46,206**	**434,922**
Income taxes (Notes 17 and 28)	(7,776)	**(11,227)**	**(105,676)**
Profit	¥ 30,518	**¥ 34,979**	**$ 329,246**
Profit attributable to:			
Owners of parent	30,243	**33,230**	**312,784**
Non-controlling interests (Note 32)	275	**1,749**	**16,463**
Total	¥ 30,518	**¥ 34,979**	**$ 329,246**

	Yen		U.S. Dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Earnings per share			
Basic earnings per share (Note 29)	¥ 135.17	**¥ 149.32**	**$ 1.41**
Diluted earnings per share (Note 29)	134.77	**148.89**	**1.40**

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Profit	¥ 30,518	**¥ 34,979**	**$ 329,246**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair value through other comprehensive income (Notes 10 and 28)	2,781	**8,046**	**75,739**
Remeasurements of defined benefit plans (Note 28)	918	**160**	**1,505**
Share of other comprehensive income of entities accounted for using equity method (Notes 16 and 28)	51	**(50)**	**(471)**
Items that may be reclassified to profit or loss			
Net change in fair value of cash flow hedges (Note 28)	295	**154**	**1,454**
Exchange differences on translation of foreign operations (Note 28)	(303)	**1,001**	**9,420**
Share of other comprehensive income of entities accounted for using equity method (Notes 16 and 28)	(1,179)	**1,581**	**14,878**
Total other comprehensive income, net of tax	2,564	**10,892**	**102,525**
Total comprehensive income	33,082	**45,871**	**431,771**
Comprehensive income attributable to:			
Owners of parent	32,946	**43,275**	**407,332**
Non-controlling interests	135	**2,596**	**24,439**
Total	¥ 33,082	**¥ 45,871**	**$ 431,771**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

Fiscal year ended March 31, 2017

	Millions of yen							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2016	¥ 23,320	¥ 26,110	¥ 288,147	¥ (957)	¥ 15,569	¥ 352,189	¥ 13,653	¥ 365,842
Profit			30,243			30,243	275	30,518
Other comprehensive income					2,703	2,703	(140)	2,564
Total comprehensive income	—	—	30,243	—	2,703	32,946	135	33,082
Share-based payment transactions		(4)				(4)		(4)
Dividends (Note 23)			(11,202)			(11,202)	(90)	(11,291)
Changes in treasury shares		8		(4,439)		(4,432)		(4,432)
Transfer from other components of equity to retained earnings			2,271		(2,271)	—		—
Changes in non-controlling interests		(7,671)			5	(7,666)	741	(6,925)
Other movements			57			57	35	92
Total transactions with owners, etc.	—	(7,668)	(8,873)	(4,439)	(2,266)	(23,246)	687	(22,559)
Balance at March 31, 2017	¥ 23,320	¥ 18,441	¥ 309,517	¥ (5,396)	¥ 16,006	¥ 361,889	¥ 14,475	¥ 376,364

Fiscal year ended March 31, 2018

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

Fiscal year ended March 31, 2018

	Thousands of U.S. dollars							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2017	$ 219,505	$ 173,582	$ 2,913,373	$ (50,790)	$ 150,662	$ 3,406,332	$ 136,247	$ 3,542,579
Profit			312,784			312,784	16,463	329,246
Other comprehensive income					94,549	94,549	7,976	102,525
Total comprehensive income	—	—	312,784	—	94,549	407,332	24,439	431,771
Share-based payment transactions	472	252			(236)	488		488
Dividends (Note 23)			(104,733)			(104,733)	(397)	(105,130)
Changes in treasury shares		47		361		409	0	409
Transfer from other components of equity to retained earnings			2,753		(2,753)	—		—
Changes in non-controlling interests		268			36	304	1,042	1,346
Other movements			8		(6,272)	(6,264)	9,191	2,928
Total transactions with owners, etc.	472	568	(101,972)	361	(9,225)	(109,795)	9,836	(99,959)
Balance at March 31, 2018	**$ 219,977**	**$ 174,150**	**$ 3,124,185**	**$ (50,429)**	**$ 235,986**	**$ 3,703,869**	**$ 170,522**	**$ 3,874,391**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Cash flows from operating activities			
Profit before tax	¥ 38,294	**¥ 46,206**	**$ 434,922**
Depreciation and amortization	14,758	**16,973**	**159,765**
Interest and dividend income	(1,369)	**(2,321)**	**(21,844)**
Interest expenses	694	**1,022**	**9,617**
Share of loss (profit) of investments accounted for using equity method	(678)	**(338)**	**(3,177)**
Impairment loss	2,111	**—**	**—**
Decrease (increase) in trade and other receivables	(20,562)	**(9,798)**	**(92,226)**
Decrease (increase) in inventories	(4,367)	**(5,421)**	**(51,022)**
Increase (decrease) in trade and other payables	21,908	**9,388**	**88,364**
Other	(5,629)	**2,003**	**18,854**
Interest and dividends received	2,128	**2,749**	**25,872**
Interest paid	(478)	**(976)**	**(9,183)**
Income taxes paid	(4,171)	**(15,892)**	**(149,584)**
Income taxes refund	1,858	**—**	**—**
Net cash provided by (used in) operating activities	44,494	**43,596**	**410,358**
Cash flows from investing activities			
Net decrease (increase) in time deposits	(19,714)	**22,205**	**209,010**
Net decrease (increase) in marketable securities	4,500	**8,000**	**75,301**
Purchase of property, plant and equipment	(33,143)	**(37,312)**	**(351,209)**
Proceeds from sale of property, plant and equipment	1,368	**733**	**6,902**
Proceeds from transfer of business	772	**—**	**—**
Purchase of investments	(2,833)	**(5,403)**	**(50,856)**
Proceeds from sale of investments	5,417	**1,179**	**11,101**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(9,231)**	**(86,885)**
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(98)	**—**	**—**
Purchase of shares in associates	(74)	**(1,104)**	**(10,387)**
Proceeds from sale of shares in associates	1,249	**—**	**—**
Payments for loans receivable	(294)	**(2,292)**	**(21,570)**
Collection of loans receivable	1,550	**2,968**	**27,934**
Other	77	**(168)**	**(1,580)**
Net cash provided by (used in) investing activities	(41,223)	**(20,423)**	**(192,238)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings (Note 18)	629	**3,379**	**31,803**
Repayments of long-term borrowings (Note 18)	(4,766)	**(5,951)**	**(56,019)**
Proceeds from long-term borrowings (Note 18)	24,034	**18,173**	**171,058**
Payments for purchase of treasury shares	(4,526)	**(2)**	**(21)**
Dividends paid (Note 23)	(11,200)	**(11,127)**	**(104,734)**
Dividends paid to non-controlling interests	(81)	**(42)**	**(395)**
Proceeds from non-controlling interests	1,141	**—**	**—**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(8,098)	**(0)**	**(1)**
Proceeds from sales shares of subsidiaries not resulting in change in scope of consolidation	—	**98**	**922**
Other	(668)	**(667)**	**(6,278)**
Net cash provided by (used in) financing activities	(3,535)	**3,860**	**36,334**
Effect of exchange rate changes on cash and cash equivalents	397	**506**	**4,765**
Increase (decrease) in cash and cash equivalents	134	**27,539**	**259,219**
Cash and cash equivalents at beginning of period	97,283	**97,416**	**916,945**
Cash and cash equivalents at end of period	¥ 97,416	**¥ 124,956**	**$ 1,176,164**

See accompanying notes.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

(1) Reporting Entity

JSR Corporation (the "Company") is incorporated in Japan. The consolidated financial statements comprise the Company and its subsidiaries (collectively, the "Group"). The Group is primarily engaged in the Elastomers Business, the Plastics Business, and the Fine Chemicals and Other Products 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 said Ordinance.

The Group has adopted IFRS from the current fiscal year (April 1, 2017 to March 31, 2018), and the annual consolidated financial statements for the current fiscal year will be the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was April 1, 2016, and the Group has applied IFRS 1 — First-time Adoption of International Financial Reporting Standards. The effects of the transition from Japanese GAAP to IFRS are stated on the note "(36) Disclosure on Transition to IFRS."

2) Basis for Measurement

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

3) Presentation Currency and Units

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

The translation of the amounts in Japanese yen into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2018, which was ¥106.24 to U.S. $1.00. The amounts translated should not be construed as representations that the amounts in Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rates of exchange.

4) Matters Related to Early Adoption of New Standards

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

5) Authorization of Consolidated Financial Statements

The consolidated financial statements have been authorized by Mitsunobu Koshiba, the Company's representative director and president, and Hideki Miyazaki, the Company's CFO, on June 15th, 2018.

(3) Explanation of New Standards and Interpretations Not Applied

Of the major new or revised standards and interpretations published prior to the date of authorization of the consolidated financial statements, the Group is not applying the following standards at the end of the current fiscal year because their application is not yet mandatory. The Group estimates, at the present time, that the application of IFRS 15 "Revenue from Contracts with Customers" will have no significant impact on the Group's consolidated financial statements. In addition, the impacts of the application of IFRS 16 "Leases" on the Group's consolidated financial statements are under review and cannot be estimated at the present time.

Standard	Name of Standard	Mandatory Effective Date	The Group's application timing	Summary of New / Revised Standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Reporting period ending March 2019	Revises accounting related to recognition of revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31)
IFRS 16	Leases	January 1, 2019	Reporting period ending March 2020	Revises accounting related to lease contracts (replaces IAS 17, IFRIC 4, SIC-15, and SIC-27)

(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 (including the consolidated statement of financial position on the date of transition to IFRS).

1) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Associates

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

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

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

(iii) Joint Ventures

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

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

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

2) Business Combinations

The Group accounts for business combinations using the acquisition method.

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

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

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

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

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

3) Foreign Currency Translation

(i) Functional Currency and Presentation Currency

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

(ii) Foreign Currency Transactions

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

(iii) Foreign Operations

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

4) Cash and Cash Equivalents

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

5) Inventories

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

6) Property, Plant and Equipment

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

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

The estimated useful lives of major assets are as follows:

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

7) Intangible Assets

(I) R&D Expenses

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

(ii) Goodwill

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

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

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

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

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

(iv) Intangible Assets Acquired Individually

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

The estimated useful life of major asset is as follows:

- Software: 5 years

8) Impairment of Non-Financial Assets

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

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

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

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

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

9) Financial Instruments

(9.1) Financial Assets

(i) Initial Recognition and Measurement

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

Financial assets measured at fair value through profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(a) Financial Assets Measured at Amortized Cost

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

(b) Financial Assets Measured at Fair Value

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

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

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

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

(ii) Subsequent Measurement

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

(a) Financial Assets Measured at Amortized Cost

Measured at amortized cost using the effective interest method

(b) Financial Assets Measured at Fair Value

Measured at fair value on the reporting date

Any changes in fair value of financial assets are recognized in profit or loss or in other comprehensive income according to their respective classification of the financial asset. Dividends received arising from designated equity instruments measured at fair value through other comprehensive income are recognized in profit or loss. If the fair value of the equity instrument depreciates materially or if the equity instrument is disposed, 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 classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. Financial liabilities measured at fair value through profit or loss are initially measured at fair value, and financial liabilities measured at amortized cost are initially measured at fair value less transaction costs that are directly attributable to the acquisition of the financial liability.

(ii) Subsequent Measurement

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

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

Measured at fair value on the reporting date

(b) Financial Liabilities Measured at Amortized Cost

Measured at amortized cost using the effective interest method

(iii) Derecognition

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

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

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

Expected credit losses are measured as weighted average of the present value of difference between all contractual cash flows that are due to the entity in accordance with the contract and all cash flows that the entity expects to receive, weighted by respective risks of default occurring. The Group treats any financial assets as a credit-impaired financial asset in cases where the financial asset is considered to have defaulted, including cases where the financial asset is significantly past due even after enforcement activities for the performance of obligations are taken and where the debtor files legal proceedings for bankruptcy, corporate reorganization, civil rehabilitation and special liquidation. 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 on the date when the derivative contract is entered into and are subsequently remeasured at fair value on each reporting date after initial recognition. Any changes in fair value of derivatives arising from the remeasurements are recognized in profit or loss of the consolidated statement of profit or loss. Nonetheless, cash flow hedges are recognized in other comprehensive income of the consolidated statement of profit or loss. The Group has designated a portion of derivatives as hedging instruments of cash flow hedges (a particular risk related to a recognized asset or liability or a hedge of a highly probable forecast transaction).

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

Hedge effectiveness is assessed on a continuing basis, and a hedge is deemed effective when it satisfies all of the following conditions: an economic relationship exists between hedged items and hedging instruments; the effect of credit risk is not such that it materially dominates 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 changes to the fair price of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions thereof are recognized in other comprehensive income. Gains or losses arising from ineffective portions are recognized immediately as profit or loss.

Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss in the period when the cash flow originating from the hedged items effects profit or loss.

When hedge accounting conditions are no longer satisfied due to forfeit, sale, etc., of hedging instruments, hedge accounting will no longer be applied prospectively. When a 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.

12) Leases

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

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

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

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

13) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Long-Term Employee Benefits

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

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

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

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

14) Provisions

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

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

15) Share Capital

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

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

16) Share-Based Payment Plans

(i) Stock Options

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

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

(ii) Restricted Share-Based Payment Plan

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

17) Revenue Recognition

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

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

The Group also provides biopharmaceutical process development and manufacturing services. Revenue from these services is recognized when a service has been delivered.

18) Government Grants

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

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

19) Finance Income and Finance Cost

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

Finance cost comprises interest paid, etc.

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

20) Income Taxes

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

(i) Current Taxes

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

(ii) Deferred Taxes

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

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

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

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

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

21) Earnings per Share

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

(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 useful life of the asset, future cash flows, discount rate reflecting risks inherent to the asset, long-term growth rate and others. Details of the method for calculating recoverable amount, etc. are provided in the note "(15) Impairment of Non-Financial Assets."

2) Employee Benefits

The present value of defined benefit plan obligations, service cost, etc. pertaining to post-employment benefit plans adopted by the Group have been calculated based on actuarial assumptions. For actuarial assumptions, estimates and judgments on a variety of variables including discount rate are required. Actuarial assumptions and related sensitivity are provided in the note "(20) Employee Benefits."

3) Recoverability of Deferred Tax Assets

For the recognition of deferred tax assets, the amount is determined, assuming the probability that there will be the taxable profits, by estimating the timing when taxable profits that can be obtained in the future are available and the amount of these profits based on the business plan. The relevant content and amount of deferred tax assets are provided in the note "(17) Income Taxes."

(6) Segment Information

1) Overview of Reportable Segments

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

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

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

Main Products in Each Business Segment

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

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

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

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

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	Millions of yen					
	Reportable Segments					
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	Adjustments	Amount Recorded on the Consolidated Financial Statements
Revenue from external customers	¥ 185,345	¥ 46,035	¥ 157,075	¥ 388,455	¥ —	¥ 388,455
Operating profit	8,800	3,850	23,293	35,943	—	35,943
Finance income	—	—	—	—	—	3,045
Finance cost	—	—	—	—	—	(694)
Profit before tax	—	—	—	—	—	38,294
Total assets	267,570	29,948	169,207	466,726	111,758	578,484
Other items						
Depreciation and Amortization	6,600	669	7,524	14,793	—	14,793
Impairment losses	—	—	2,111	2,111	—	2,111
Capital expenditures	20,709	1,189	9,479	31,377	—	31,377

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

	Millions of yen					
	Reportable Segments					
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	Adjustments	Amount Recorded on the Consolidated Financial Statements
Revenue from external customers	**¥ 197,373**	**¥ 52,161**	**¥ 172,395**	**¥ 421,930**	**¥ —**	**¥ 421,930**
Operating profit	**14,870**	**5,575**	**23,124**	**43,569**	**—**	**43,569**
Finance income	**—**	**—**	**—**	**—**	**—**	**3,659**
Finance cost	**—**	**—**	**—**	**—**	**—**	**(1,022)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**46,206**
Total assets	**282,456**	**38,428**	**211,383**	**532,268**	**115,431**	**647,699**
Other items						
Depreciation and Amortization	**7,901**	**718**	**8,353**	**16,973**	**—**	**16,973**
Capital expenditures	**22,981**	**1,028**	**18,399**	**42,408**	**—**	**42,408**

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

	Thousands of U.S. dollars					
	Reportable Segments					
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	Adjustments	Amount Recorded on the Consolidated Financial Statements
Revenue from external customers	**$ 1,857,806**	**$ 490,976**	**$ 1,622,697**	**$ 3,971,478**	**$ —**	**$ 3,971,478**
Operating profit	**139,969**	**52,472**	**217,663**	**410,104**	**—**	**410,104**
Finance income	**—**	**—**	**—**	**—**	**—**	**34,436**
Finance cost	**—**	**—**	**—**	**—**	**—**	**(9,619)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**434,922**
Total assets	**2,658,662**	**361,714**	**1,989,677**	**5,010,054**	**1,086,509**	**6,096,564**
Other items						
Depreciation and Amortization	**74,368**	**6,762**	**78,627**	**159,757**	**—**	**159,757**
Capital expenditures	**216,309**	**9,676**	**173,188**	**399,174**	**—**	**399,174**

The adjustment amounts in the total assets are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits and securities) and long-term investment funds (investment securities) by the parent company.

3) Information on Products and Services

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

4) Information by Region

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

Revenue from External Customers

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Japan	¥ 173,692	**¥ 183,308**	**$ 1,725,415**
China	47,983	**53,547**	**504,015**
Other regions	166,780	**185,075**	**1,742,048**
Total	¥ 388,455	**¥ 421,930**	**$ 3,971,478**

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

Property, Plant and Equipment

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Japan	¥ 74,401	¥ 75,054	**¥ 79,686**	**$ 750,057**
Thailand	27,193	27,402	**27,642**	**260,182**
Hungary	5,264	14,585	**28,280**	**266,186**
Other regions	13,754	14,707	**24,227**	**228,041**
Total	¥ 120,612	¥ 131,748	**¥ 159,834**	**$ 1,504,466**

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

5) Information on Major Customers

Information on major customers is omitted, since no single external customer accounts for more than 10 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, 2017 (April 1, 2016 to March 31, 2017)

Not Applicable

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

Acquisition of Selexis S.A.

(i) Overview

(a) Name and Business of the Company Acquired

Name: Selexis S.A.

Industry and Business

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

(b) Date of Acquisition

June 21, 2017

(c) Ownership Acquired

100%

(d) Method to Obtain Control

Acquisition of shares in exchange for cash payment

(e) Major Reason of the Business Combination

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

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

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

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration	¥ 9,307	$ 87,603
Cash and cash equivalents	585	5,504
Trade and other receivables	338	3,182
Other current assets	47	438
Property, plant and equipment	158	1,489
Other intangible assets	76	712
Other current liabilities	(320)	(3,011)
Borrowings	(1,171)	(11,018)
Goodwill	9,594	90,306

Acquisition cost associated with this business combination was ¥16 million ($154 thousand) and recorded as expense under "selling, general and administrative expenses." A provisional accounting treatment has been applied at the end of the current fiscal year for amounts such as goodwill generated and assets acquired at the date of the business combination as identifiable assets at the date of the business combination are under review and the allocation of the acquisition cost has not been completed. The goodwill arose mainly in relation to the expected future earnings capability.

Among goodwill recognized, there is no goodwill expected to be deductible for tax purposes.

(iii) Cash Flow Through the Acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents used for the acquisition	¥ 9,307	$ 87,603
Cash and cash equivalents held by the company acquired on the date of acquisition	585	5,504
Purchase of shares of a subsidiary	¥ 8,722	$ 82,099

(iv) The Effect of the Business Combination on the Group's Profit or Loss

The effect of the business combination on profit or loss in the consolidated statement of profit or loss is immaterial. Furthermore, the effect on revenue and profit or loss on the assumption that the business combination was executed at the beginning of the current fiscal year is immaterial.

2) Acquisition of Non-Controlling Interest

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Additional acquisition of subsidiary's shares

(i) Overview

With an aim to expand the Group's life sciences business, the Company acquired an additional 39% of the outstanding shares of its consolidated subsidiary KBI Biopharma, Inc., which is involved in biopharmaceutical contract development and manufacturing, from a non-controlling shareholder on November 30, 2016. As a result of this additional share acquisition, the Company's voting rights in KBI Biopharma, Inc. increased from 51.0% to 90.0%.

(ii) Acquisition Cost and Types of Consideration

Consideration	Millions of yen
Cash and cash equivalents	¥ 8,098
Total acquisition cost	¥ 8,098

(iii) Details on Decrease in Capital Surplus Due to the Transaction with the Non-Controlling Shareholder

(a) Reason for Decrease of Capital Surplus

Additional acquisition of the subsidiary's shares

(b) Amount Decreased in Capital Surplus Due to the Transaction with the Non-Controlling Shareholder

¥7,660 million

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

Not Applicable

(8) Cash and Cash Equivalents

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

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Cash and cash equivalents				
Cash and deposit	¥ 54,088	¥ 73,391	**¥ 68,955**	**$ 649,051**
Short-term investment	43,194	24,025	**56,000**	**527,113**
Total	¥ 97,283	¥ 97,416	**¥ 124,956**	**$ 1,176,164**

(9) Trade and Other Receivables

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

Trade and other receivables include following items.

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Trade receivables				
Notes receivable	¥ 2,577	¥ 2,547	**¥ 3,140**	**$ 29,559**
Account receivable-trade	74,904	88,796	**99,330**	**934,956**
Allowance for credit losses	(418)	(647)	**(536)**	**(5,049)**
Other receivables				
Account receivables-other	13,774	19,994	**20,193**	**190,069**
Other	197	441	**350**	**3,290**
Total	¥ 91,034	¥ 111,130	**¥ 122,476**	**$ 1,152,824**

(10) Other Financial Assets

1) Breakdown of Other Financial Assets

The breakdown of other financial assets is as follows.

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Derivative asset	¥ —	¥ 69	**¥ 160**	**$ 1,505**
Investments (equity financial assets)	41,279	42,762	**61,267**	**576,681**
Investments (debt financial assets)	22,500	18,000	**10,000**	**94,127**
Term deposits	5,825	25,542	**3,287**	**30,937**
Other	6,808	5,597	**4,461**	**41,992**
Allowance for credit losses (non-current)	(359)	(471)	**(429)**	**(4,036)**
Total	¥ 76,053	¥ 91,499	**¥ 78,746**	**$ 741,206**
Current assets	28,868	44,970	**13,776**	**129,666**
Non-current assets	47,185	46,529	**64,970**	**611,540**
Total	¥ 76,053	¥ 91,499	**¥ 78,746**	**$ 741,206**

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. Investments (debt financial assets) and time deposits are classified as financial assets measured at amortized cost.

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

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

	Millions of yen			Thousands of U.S. dollars
Name of Stock	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
BRIDGESTONE Corporation	¥ 20,361	¥ 21,804	**¥ 22,389**	**$ 210,744**
Tosoh Corporation	1,493	3,088	**3,296**	**31,028**
Optorun Co., Ltd.	600	578	**7,900**	**74,362**

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Dividends received	¥ 1,143	**¥ 2,083**	**$ 19,608**

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

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

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended March 31, 2017		**Fiscal year ended March 31, 2018**		**Fiscal year ended March 31, 2018**	
Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses
¥ 5,417	¥ 2,005	**¥ 1,179**	**¥ 183**	**$ 11,101**	**$ 1,719**

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 following items.

	Millions of yen			Thousands of U.S. dollars
Name of Stock	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Finished goods and merchandise	¥ 52,080	¥ 52,722	**¥ 55,979**	**$ 526,914**
Work in process	3,418	3,373	**4,161**	**39,164**
Raw materials and supplies	22,359	25,823	**27,427**	**258,159**
Total	¥ 77,857	¥ 81,918	**¥ 87,567**	**$ 824,237**

The amount of valuation losses on inventories recognized as expenses was ¥131 million ($1,233 thousand, ¥693 million in the previous year). The write-off amount is included in "cost of sales" on the consolidated statement of profit or loss. The amount included in cost of sales was ¥280,273 million ($2,638,112 thousand, ¥263,424 million in the previous year).

(12) Other Assets

The breakdown of other assets is as shown below.

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Other current assets				
Excise tax receivable	¥ 4,621	¥ 5,317	**¥ 5,803**	**$ 54,626**
Income taxes receivable	1,982	140	**485**	**4,567**
Prepaid expenses	894	899	**1,007**	**9,475**
Other	1,604	2,338	**1,839**	**17,307**
Total	¥ 9,101	¥ 8,695	**¥ 9,134**	**$ 85,974**
Other non-current assets				
Long-term prepaid expenses	326	591	**379**	**3,563**
Other	5,493	6,538	**1,484**	**13,968**
Total	¥ 5,819	¥ 7,129	**¥ 1,862**	**$ 17,531**

(13) Property, Plant and Equipment

Changes in carrying amounts and the balance of acquisition costs and accumulated depreciation of property, plant and equipment are as follows. For the information of impairment losses, see "(15) Impairment of Non-Financial Assets."

Changes in Carrying Amounts

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
April 1, 2016	¥ 34,575	¥ 39,464	¥ 5,819	¥ 17,468	¥ 23,282	¥ 3	¥ 120,612
Acquisition	141	1,339	754	775	25,726	—	28,736
Depreciation	(2,542)	(7,749)	(2,814)	—	—	(0)	(13,106)
Impairment loss	—	—	—	(2,111)	—	—	(2,111)
Sales and disposals	(481)	(260)	(68)	(252)	(172)	—	(1,233)
Transfer	1,802	21,796	4,604	—	(28,205)	3	—
Exchange differences of foreign operations	79	869	(33)	(17)	(645)	(4)	250
Other	77	(88)	(82)	(129)	(1,183)	4	(1,400)
March 31, 2017	¥ 33,652	¥ 55,371	¥ 8,181	¥ 15,734	¥ 18,804	¥ 5	¥ 131,748
Acquisition	64	2,056	490	—	37,417	203	40,230
Acquisition from business combination	1	140	24	—	—	—	165
Depreciation	(2,758)	(8,957)	(3,449)	—	—	0	(15,163)
Sales and disposals	(68)	(121)	(40)	(524)	(630)	—	(1,382)
Transfer	7,694	10,282	3,867	—	(21,838)	(5)	—
Exchange differences of foreign operations	(49)	955	23	(58)	1,360	(3)	2,228
Other	(24)	(264)	(2)	—	2,298	0	2,009
March 31, 2018	**¥ 38,512**	**¥ 59,463**	**¥ 9,095**	**¥ 15,153**	**¥ 37,412**	**¥ 199**	**¥ 159,834**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2017	$ 316,754	$ 521,191	$ 77,005	$ 148,099	$ 176,998	$ 46	$ 1,240,093
Acquisition	602	19,348	4,610	—	352,195	1,912	378,667
Acquisition from business combination	7	1,322	227	—	—	—	1,555
Depreciation	(25,959)	(84,306)	(32,462)	—	—	1	(142,726)
Sales and disposals	(637)	(1,135)	(376)	(4,929)	(5,930)	—	(13,007)
Transfer	72,424	96,782	36,401	—	(205,556)	(51)	—
Exchange differences of foreign operations	(464)	8,987	218	(544)	12,805	(32)	20,969
Other	(221)	(2,485)	(14)	—	21,634	1	18,914
March 31, 2018	**$ 362,505**	**$ 559,704**	**$ 85,608**	**$ 142,626**	**$ 352,146**	**$ 1,877**	**$ 1,504,466**

Acquisition Cost

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
April 1, 2016	¥ 111,269	¥ 282,430	¥ 56,508	¥ 17,468	¥ 23,282	¥ 5	¥ 490,963
March 31, 2017	110,289	302,427	59,239	17,845	18,804	5	508,610
March 31, 2018	**¥ 117,510**	**¥ 312,766**	**¥ 60,729**	**¥ 15,153**	**¥ 37,412**	**¥ 199**	**¥ 543,769**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2018	**$ 1,106,081**	**$ 2,943,959**	**$ 571,619**	**$ 142,626**	**$ 352,146**	**$ 1,877**	**$ 5,118,309**

Accumulated Depreciation and Impairment

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
April 1, 2016	¥ 76,694	¥ 242,966	¥ 50,689	¥ —	¥ —	¥ 2	¥ 370,351
March 31, 2017	76,637	247,056	51,058	2,111	—	—	376,862
March 31, 2018	**¥ 78,998**	**¥ 253,303**	**¥ 51,634**	**¥ —**	**¥ —**	**¥ —**	**¥ 383,935**

	Thousands of U.S. Dollars						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2018	**$ 743,577**	**$ 2,384,255**	**$ 486,011**	**$ —**	**$ —**	**$ —**	**$ 3,613,843**

(Notes) 1. Depreciation expenses of property, plant and equipment are recorded as "inventories" on the consolidated statement of financial position, or "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.
2. "Other" in the changes of carrying amounts includes transfer to/from "inventories" on the consolidated statement of financial position, or "cost of sales" and "selling, general and administrative expenses" on the consolidated statement of profit or loss.
3. Amounts of property, plant and equipment pledged as collateral for liabilities are stated in "(18) Borrowings and Other Financial Liabilities."

(14) Goodwill and Other Intangible Assets

Changes in carrying amounts and the balance of acquisition costs and accumulated amortization of goodwill and other intangible assets are as follows. For the information of impairment losses, see "(15) Impairment of Non-Financial Assets."

Changes in Carrying Amounts

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
April 1, 2016	¥ 9,354	¥ 2,608	¥ 5,525	¥ 8,133
Acquisition	—	2,368	210	2,578
Amortization	—	(987)	(670)	(1,657)
Sales and disposals	—	(5)	(115)	(121)
Transfer to other property, plant and equipment	—	(324)	324	—
Exchange differences of foreign operations	(23)	186	517	704
Other	—	(12)	(434)	(447)
March 31, 2017	¥ 9,331	¥ 3,834	¥ 5,356	¥ 9,190
Acquisition	—	2,032	146	2,179
Acquisition from business combination	10,593	9	78	87
Amortization	—	(895)	(914)	(1,809)
Sales and disposals	—	(134)	(66)	(199)
Transfer to other property, plant and equipment	—	(2,593)	2,593	—
Exchange differences of foreign operations	(535)	135	462	597
Other	0	345	14	359
March 31, 2018	**¥ 19,389**	**¥ 2,734**	**¥ 7,670**	**¥ 10,403**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2017	$ 87,832	$ 36,087	$ 50,416	$ 86,503
Acquisition	—	19,131	1,376	20,507
Acquisition from business combination	99,704	88	732	820
Amortization	—	(8,425)	(8,601)	(17,026)
Sales and disposals	—	(1,257)	(617)	(1,874)
Transfer to other property, plant and equipment	—	(24,408)	24,408	—
Exchange differences of foreign operations	(5,032)	1,269	4,350	5,619
Other	0	3,246	129	3,375
March 31, 2018	**$ 182,501**	**$ 25,730**	**$ 72,193**	**$ 97,923**

Acquisition Cost

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
April 1, 2016	¥ 9,354	¥ 13,870	¥ 20,674	¥ 34,544
March 31, 2017	9,331	16,233	20,769	37,001
March 31, 2018	**¥ 19,389**	**¥ 18,141**	**¥ 20,927**	**¥ 39,068**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2018	**$ 182,501**	**$ 170,756**	**$ 196,979**	**$ 367,734**

Accumulated Amortization and Impairment

	Millions of yen			
		Other intangible asset		
	Goodwill	Software	Other	Total
April 1, 2016	¥ —	¥ 11,262	¥ 15,149	¥ 26,411
March 31, 2017	—	12,399	15,412	27,811
March 31, 2018	**¥ —**	**¥ 15,408**	**¥ 13,257**	**¥ 28,665**

	Thousands of U.S. dollars			
		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2018	**$ —**	**$ 145,026**	**$ 124,785**	**$ 269,811**

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

(15) Impairment of Non-Financial Assets

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

Impairment losses in the fiscal years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Property, plant and equipment			
Land	¥ 2,111	**¥ —**	**$ —**
Total	¥ 2,111	**¥ —**	**$ —**

With regard to the impairment loss recognized in the fiscal year ended March 31, 2017, the carrying amount of land (Tsu, Mie) in the Fine Chemicals and Other Products Business segment was reduced to the recoverable amount (¥523 million) because use of this asset is no longer expected in the future. The recoverable amount was measured at fair value less costs of disposal. The fair value was measured based on real estate appraisal evaluated by the sales comparison approach and others, and classified as Level 3 in the hierarchy. The impairment loss has been recorded as "other operating expenses" in the consolidated statement of profit or loss.

There was no impairment loss recognized in the fiscal year ended March 31, 2018.

2) Impairment Losses on Goodwill

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

		Millions of yen			Thousands of U.S. dollars
Segment	Cash-generating units (groups of cash-generating units)	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Plastics business	Plastics	¥ 585	¥ 585	**¥ 585**	**$ 5,502**
Fine chemicals and other products business	In Vitro Reagents for Diagnostics and/or Research	3,641	3,641	**3,641**	**34,276**
	Bioprocess (Contract Development and Manufacturing)	5,127	5,104	**5,002**	**47,086**
	Bioprocess (Contract Development and Generation of Cell-lines)	—	—	**9,330**	**87,823**
	Other	—	—	**830**	**7,814**
Total		¥ 9,354	¥ 9,331	**¥ 19,389**	**$ 182,501**

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.

(i) In Vitro Reagents for Diagnostics and/or Research (recoverable amount: measured at the value in use)

The value in use was calculated by discounting estimated cash flows based on the three-year plan, which was prepared by reflecting past experience and external information and approved by the management, to the present value. The continued growth rate was determined at 1.0%, and the pre-tax discount rate was calculated at 5.6% based on the weighted average cost of capital of the cash-generating unit.

The recoverable amount sufficiently exceeds the carrying amount of the cash-generating unit. The Group considers that the recoverable amount will not fall below the carrying amount even if there is a change in future cash flows, discount rate, etc. used for the calculation of the recoverable amount within a reasonable range.

(ii) Bioprocess (Contract Development and Manufacturing) (recoverable amount: measured at the value in use)

The value in use was calculated by discounting estimated cash flows based on the three-year plan, which was prepared by reflecting past experience and external information and approved by the management, to the present value. The continued growth rate was determined at 2.0%, and the pre-tax discount rate was calculated at 16.5% based on the weighted average cost of capital of the cash-generating unit.

The recoverable amount sufficiently exceeds the carrying amount of the cash-generating unit. The Group considers that the recoverable amount will not fall below the carrying amount even if there is a change in future cash flows, discount rate, etc. used for the calculation of the recoverable amount within a reasonable range.

(iii) Bioprocess (Contract Development and Generation of Cell-lines) (recoverable amount: measured at the value in use)

The value in use was calculated by discounting estimated cash flows based on the three-year plan, which was prepared by reflecting past experience and external information and approved by the management, to the present value. The continued growth rate was determined at 2.0%, and the pre-tax discount rate was calculated at 13.1% based on the weighted average cost of capital of the cash-generating unit.

The recoverable amount sufficiently exceeds the carrying amount of the cash-generating unit. The Group considers that the recoverable amount will not fall below the carrying amount even if there is a change in future cash flows, discount rate, etc. used for the calculation of the recoverable amount within a reasonable range.

(16) Investments Accounted for Using Equity Method

1) Investments in Associates

There are no investments in significant associates.

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Carrying amount	¥ 1,137	¥ 1,128	**¥ 2,892**	**$ 27,218**

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Share of profit (loss)	¥ 707	**¥ 408**	**$ 3,838**
Share of other comprehensive income	11	**2,124**	**19,991**
Share of total comprehensive income	¥ 719	**¥ 2,532**	**$ 23,828**

2) Investments in Joint Ventures

There are no investments in significant joint ventures.

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Carrying amount	¥ 22,068	¥ 20,585	**¥ 21,893**	**$ 206,074**

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Share of profit (loss)	¥ (29)	**¥ (70)**	**$ (661)**
Share of other comprehensive income	(1,139)	**(593)**	**(5,584)**
Share of total comprehensive income	¥ (1,168)	**¥ (663)**	**$ (6,244)**

(17) 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, 2017 (April 1, 2016 to March 31, 2017)

	Millions of yen				
	April 1, 2016	Recognized through profit (loss)	Recognized through other comprehensive income	Other	March 31, 2017
Deferred Tax Assets					
Inventories	¥ 1,155	¥ 352	¥ —	¥ —	¥ 1,507
Accrued bonuses	1,294	150	—	(12)	1,432
Non-current assets	2,373	374	—	—	2,747
Retirement benefit liability	3,961	535	(405)	(8)	4,083
Unused tax losses	72	80	—	129	281
Other	3,631	(41)	299	(10)	3,879
Total	¥ 12,487	¥ 1,450	¥ (106)	¥ 99	¥ 13,930
Deferred Tax Liabilities					
Non-current assets	(2,608)	130	—	—	(2,479)
Financial asset measured at fair value through other comprehensive income	(6,968)	—	(661)	—	(7,629)
Other	(1,652)	(260)	—	—	(1,912)
Total	¥ (11,228)	¥ (130)	¥ (661)	¥ —	¥ (12,019)

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

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

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

	Thousands of U.S. dollars				
	April 1, 2017	Recognized through profit (loss)	Recognized through other comprehensive income	Other	**March 31, 2018**
Deferred Tax Assets					
Inventories	$ 14,184	$ (3,330)	$ —	$ —	**$ 10,854**
Accrued bonuses	13,484	1,314	—	17	**14,815**
Non-current assets	25,857	(7,989)	—	—	**17,868**
Retirement benefit liability	38,434	1,728	(664)	84	**39,582**
Unused tax losses	2,648	1,022	—	—	**3,670**
Other	36,515	(9,448)	(1,313)	143	**25,897**
Total	$ 131,122	$ (16,702)	$ (1,977)	$ 244	**$ 112,687**
Deferred Tax Liabilities					
Non-current assets	(23,332)	9,086	—	—	**(14,246)**
Financial asset measured at fair value through other comprehensive income	(71,806)	—	(32,647)	—	**(104,453)**
Other	(17,994)	1,392	—	—	**(16,602)**
Total	$ (113,132)	$ 10,477	$ (32,647)	$ —	**$ (135,301)**

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

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

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Unused tax losses	¥ 3,767	¥ 4,039	**¥ 5,274**	**$ 49,641**
Deductible temporary differences	3,449	2,921	**3,128**	**29,443**
Total	¥ 7,216	¥ 6,960	**¥ 8,402**	**$ 79,084**

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Not later than one year	¥ 95	¥ 24	**¥ 208**	**$ 1,954**
Later than one year and not later than five years	1,284	1,125	**1,159**	**10,911**
Later than five year	2,388	2,890	**3,907**	**36,775**
Total	¥ 3,767	¥ 4,039	**¥ 5,274**	**$ 49,641**

The amount of taxable temporary differences pertaining to investments in subsidiaries, etc. for which deferred tax liabilities have not been recognized on the date of transition, March 31, 2017 and March 31, 2018 was ¥15,204 million, ¥14,687 million and ¥16,899 million ($159,066 thousand), respectively. For these temporary differences, deferred tax liabilities have not been recognized because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2) Income Tax Expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Current tax expenses	¥ 9,096	**¥ 10,566**	**$ 99,451**
Deferred tax expenses	(1,320)	**661**	**6,225**
Total	¥ 7,776	**¥ 11,227**	**$ 105,676**

Deferred tax expenses include tax losses that were not recognized previously and the amount of benefits arising from temporary differences in past periods. The amount of decrease in deferred tax expenses due to these items was ¥330 million in the fiscal year ended March 31, 2017 and ¥304 million ($2,863 thousand) in the fiscal year ended March 31, 2018.

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

	%	
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**
Statutory income tax rate	30.9	**30.9**
Tax credit on experiment and research expenses	(4.8)	**(3.6)**
Differences in tax rates applied to foreign operations	(1.7)	**(3.6)**
Impact of change in U.S. tax rates	—	**1.2**
Accumulated earnings tax	0.6	**(0.4)**
Other	(4.7)	**(0.2)**
Average effective tax rate	20.3	**24.3**

(18) Borrowings and Other Financial Liabilities

1) Financial Liabilities

Borrowings and other financial liabilities consisted of the followings.

	Millions of yen			Thousands of U.S. dollars	%	
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**	Average interest rates	Payment Due
Current borrowings	¥ 14,840	¥ 15,496	**¥ 18,901**	**$ 177,904**	1.29%	—
Current portion of non-current borrowings	5,952	8,245	**7,047**	**66,330**	1.75%	—
Non-current borrowings	22,245	38,381	**53,456**	**503,165**	1.49%	Over one year within 8 years
Current lease obligations	546	613	**523**	**4,918**	—	—
Non-current lease obligation	2,221	1,988	**1,674**	**15,756**	—	Over one year within 9 years
Derivative liabilities	312	30	**119**	**1,118**	—	—
Total	¥ 46,118	¥ 64,752	**¥ 81,719**	**$ 769,191**	—	—
Current liabilities	21,339	24,366	**26,589**	**250,270**	—	—
Non-current liabilities	24,779	40,386	**55,130**	**518,920**	—	—
Total	¥ 46,118	¥ 64,752	**¥ 81,719**	**$ 769,191**	—	—

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

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

Payment schedules of non-current borrowings are as follows:

	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Millions of yen	¥ 11,050	¥ 11,294	¥ 10,840	¥ 8,589	¥ 11,683	¥ 53,456
Thousands of U.S. dollars	$ 104,007	$ 106,310	$ 102,037	$ 80,843	$ 109,969	$ 503,165

2) Pledged Assets

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

Pledged assets are as follows:

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Cash and cash equivalents	¥ 712	¥ 798	**¥ 393**	**$ 3,696**
Trade and other current receivables	2,738	3,467	**4,884**	**45,969**
Current inventories	987	1,940	**2,170**	**20,428**
Other current financial assets	152	253	**0**	**0**
Other current non-financial assets	809	738	**837**	**7,876**
Property, plant and equipment	8,762	9,146	**12,098**	**113,871**
Intangible assets	102	172	**694**	**6,532**
Non-current assets	167	829	**2,007**	**18,895**
Total	¥ 14,429	¥ 17,343	**¥ 23,082**	**$ 217,267**

Corresponding liabilities are as follows:

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Current borrowings and current portion of non-current borrowings	¥ 1,352	¥ 2,244	**¥ 1,912**	**$ 18,000**
Non-current portion of non-current borrowings	206	1	**4,203**	**39,566**
Total	¥ 1,559	¥ 2,245	**¥ 6,116**	**$ 57,566**

3) Reconciliation of Liabilities Arising from Financing Activities

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	Millions of yen							
			Non-cash items					
	As of April 1, 2016	Cash flow	Business Combination	Acquisition	Exchange differences	Transfer between non-current and current	Other	As of March 31, 2017
Borrowings (non-current)	¥ 22,245	¥ 19,268	¥ —	¥ —	¥ 81	¥ (2,949)	¥ (264)	¥ 38,381
Borrowings (Current)	20,793	629	—	—	(543)	2,949	(86)	23,740
Lease obligations	2,767	(668)	—	411	10	—	81	2,601
Total	¥ 45,805	¥ 19,229	¥ —	¥ 411	¥ (453)	¥ —	¥ (270)	¥ 64,723

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

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

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

	Thousands of U.S. dollars							
			Non-cash items					
	As of April 1, 2017	Cash flow	Business Combination	Acquisition	Exchange differences	Transfer between non-current and current	Other	**As of March 31, 2018**
Borrowings (non-current)	$ 361,267	**$ 170,878**	**$ 3,409**	**$ —**	**$ 2,181**	**$ (44,982)**	**$ 10,413**	**$ 503,165**
Borrowings (Current)	223,461	**(24,037)**	**346**	**—**	**(1,084)**	**44,982**	**566**	**244,234**
Lease obligations	24,484	**(6,278)**	**—**	**2,709**	**(300)**	**—**	**59**	**20,674**
Total	$ 609,211	**$ 140,563**	**$ 3,755**	**$ 2,709**	**$ 797**	**$ —**	**$ 11,038**	**$ 768,073**

(19) Trade and Other Payables

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Trade Payable				
Notes payable	¥ 380	¥ 332	**¥ 326**	**$ 3,072**
Accounts payable-trade	53,927	74,694	**82,616**	**777,633**
Other Payable				
Accounts payable-other	15,200	10,653	**17,092**	**160,879**
Other	8,477	9,359	**10,270**	**96,664**
Total	¥ 77,984	¥ 95,037	**¥ 110,303**	**$ 1,038,248**

(20) Employee Benefits

1) Outline of Post-Employment Benefit Plans

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

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

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

2) Defined Benefit Plans

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

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Present value of funded retirement benefit obligation	¥ 40,002	¥ 38,506	**¥ 37,795**	**$ 355,753**
Fair value of plan assets	(36,479)	(36,593)	**(36,227)**	**(340,991)**
Subtotal	3,523	1,913	**1,568**	**14,762**
Present value of unfunded retirement benefit obligation	11,656	11,618	**11,929**	**112,285**
Total Net liability (asset) for retirement benefit	¥ 15,180	¥ 13,531	**¥ 13,498**	**$ 127,047**
Amounts on consolidated statement of financial position				
Retirement benefit liability	15,180	13,904	**14,500**	**136,485**
Retirement benefit asset	—	(373)	**(1,003)**	**(9,437)**
Total Net liability (asset) for retirement benefit	¥ 15,180	¥ 13,531	**¥ 13,498**	**$ 127,047**

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

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Balance of present value of retirement benefit obligation at the beginning of the fiscal year	¥ 51,659	**¥ 50,124**	**$ 471,799**
Service cost	2,196	**2,461**	**23,164**
Interest expense	183	**221**	**2,079**
Remeasurement			
Actuarial gains (losses) arising from changes in demographic assumptions	(380)	**(487)**	**(4,580)**
Actuarial gains (losses) arising from changes in financial assumptions	(601)	**352**	**3,309**
Benefits paid	(2,814)	**(2,989)**	**(28,130)**
Other	(119)	**42**	**397**
Balance of present value of retirement benefit obligation at the end of the fiscal year	¥ 50,124	**¥ 49,724**	**$ 468,038**

The weighted average duration of defined benefit plan obligations was 13.6 years in the fiscal year ended March 31, 2017 and 13.7 years in the fiscal year ended March 31, 2018.

(iii) Reconciliation of Fair Value of Plan Assets

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
The balance of fair value of plan assets at the beginning of the fiscal year	¥ 36,479	**¥ 36,593**	**$ 344,436**
Interest revenue	130	**172**	**1,618**
Remeasument			
Return on plan assets	342	**95**	**898**
Contributions paid by the employer	1,598	**1,470**	**13,840**
Benefits paid	(1,882)	**(2,092)**	**(19,689)**
Other	(74)	**(12)**	**(112)**
The balance of fair value of plan assets at the end of the fiscal year	¥ 36,593	**¥ 36,227**	**$ 340,991**

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

The Group will make contributions of ¥1,470 million in the fiscal year ending March 31, 2019.

(iv) Items of Plan Assets

Plan assets consisted of the following items.

	Millions of yen					
	IFRS Transition Date As of April 1, 2016			As of March 31, 2017		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total	Assets for which active market prices are available	Assets for which active market prices are not available	Total
Cash and cash equivalents	¥ 535	¥ —	¥ 535	¥ 2,881	¥ —	¥ 2,881
Equity instruments						
Domestic equity securities	1,127	—	1,127	1,069	—	1,069
Foreign equity securities	1,893	—	1,893	1,816	—	1,816
Debt instruments						
Domestic bonds	20,468	—	20,468	18,462	—	18,462
Foreign bonds	5,028	—	5,028	5,053	—	5,053
General accounts of life insurance	—	502	502	—	530	530
Alternative investments*	—	6,925	6,925	—	6,782	6,782
Total	¥ 29,051	¥ 7,427	¥ 36,479	¥ 29,281	¥ 7,312	¥ 36,593

*Alternative investments include hedge funds.

	Millions of yen			Thousands of U.S. dollars		
	As of March 31, 2018			**As of March 31, 2018**		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total	Assets for which active market prices are available	Assets for which active market prices are not available	Total
Cash and cash equivalents	**¥ 3,961**	**¥ —**	**¥ 3,961**	**$ 37,282**	**$ —**	**$ 37,282**
Equity instruments						
Domestic equity securities	**1,042**	**—**	**1,042**	**9,810**	**—**	**9,810**
Foreign equity securities	**3,111**	**—**	**3,111**	**29,285**	**—**	**29,285**
Debt instruments						
Domestic bonds	**8,740**	**—**	**8,740**	**82,267**	**—**	**82,267**
Foreign bonds	**10,054**	**—**	**10,054**	**94,634**	**—**	**94,634**
General accounts of life insurance	**—**	**551**	**551**	**—**	**5,183**	**5,183**
Alternative investments*	**—**	**8,768**	**8,768**	**—**	**82,530**	**82,530**
Total	**¥ 26,908**	**¥ 9,319**	**¥ 36,227**	**$ 253,278**	**$ 87,713**	**$ 340,991**

*Alternative investments include hedge funds.

(v) Main Components used for Actuarial Assumption

	%		
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**
Discount rates (Weighted average)	0.40	0.50	**0.44**

(vi) Sensitivity Analysis

In the fiscal year ended March 31, 2018, 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 ¥2,881 million ($27,120 thousand). This provisional calculation assumes that variables other than the assumptions used in the calculation are constant. In reality, since individual assumptions are affected by changes in economic indicators and conditions at the same time, the assumptions are expected to change independently or in a correlated fashion, and actual effects of such changes on defined benefit plan obligations may differ.

3) Defined Contribution Plans

The amount recognized as expenses in relation to defined contribution plans was ¥372 million in the fiscal year ended March 31, 2017 and ¥406 million ($3,822 thousand) in the fiscal year ended March 31, 2018.

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, 2017 and the fiscal year ended March 31, 2018 was ¥2,566 million ($24,154 thousand) and ¥2,865 million ($26,965 thousand), respectively.

(21) Other Liabilities

Other liabilities includes following items.

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Other current liabilities				
Accrued bonuses	¥ 4,274	¥ 4,299	**¥ 4,523**	**$ 42,582**
Unearned revenue	3,502	4,163	**4,860**	**45,744**
Advances received	811	943	**585**	**5,506**
Accrued consumption taxes	301	727	**751**	**7,067**
Other	1,303	1,224	**1,888**	**17,768**
Total	¥ 10,191	¥ 11,357	**¥ 12,607**	**$ 118,666**
Other non-current assets				
Provision for environmental measures	1,069	824	**701**	**6,601**
Other	1,379	1,454	**1,778**	**16,738**
Total	¥ 2,448	¥ 2,278	**¥ 2,480**	**$ 23,339**

(22) Equity and Other Equity Items

1) Share Capital and Capital Surplus

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

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

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

	Number of shares authorized	Number of shares issued
IFRS Transition Date As of April 1, 2016	696,061,000	226,074,545
Increase/Decrease	—	—
As of March 31, 2017	696,061,000	226,074,545
Increase/Decrease	—	51,600
As of March 31, 2018	**696,061,000**	**226,126,145**

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

2) Treasury Shares

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

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

	Number of shares
IFRS Transition Date As of April 1, 2016	488,223
Increase/Decrease	3,072,309
As of March 31, 2017	3,560,532
Increase/Decrease	(25,753)
As of March 31, 2018	**3,534,779**

(Note) Increase or decrease during the period is mainly due to purchase of shares less than one unit.

3) Retained Earnings

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

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

4) Other Components of Equity

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	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, 2016	¥ 15,728	¥ (159)	¥ —	¥ —	¥ —	¥ 15,569
Other comprehensive income	2,805	151	(1,221)	969	—	2,703
Total comprehensive income	2,805	151	(1,221)	969	—	2,703
Share-based payment plan	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	(1,302)	—	—	(969)	—	(2,271)
Changes in non-controlling interests	(18)	—	23	—	—	5
Other movements	—	—	—	—	—	—
Total transactions with owners, etc.	(1,320)	—	23	(969)	—	(2,266)
As of March 31, 2017	¥ 17,213	¥ (8)	¥ (1,198)	¥ —	¥ —	¥ 16,006

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

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

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

	Thousands of U.S. dollars						
	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2017	$ 162,017	$ (81)	$ (11,273)	$ —	$ —	$ —	$ 150,662
Other comprehensive income	75,624	742	17,149	1,034	—	—	94,549
Total comprehensive income	75,624	742	17,149	1,034	—	—	94,549
Share-based payment plan	—	—	—	—	(236)	—	(236)
Transfer from other components of equity to retained earnings	(1,719)	—	—	(1,034)	—	—	(2,753)
Changes in non-controlling interests	—	—	36	—	—	—	36
Other movements	—	—	(1,946)	—	—	(4,325)	(6,272)
Total transactions with owners, etc.	(1,719)	—	(1,910)	(1,034)	(236)	(4,325)	(9,225)
As of March 31, 2018	**$ 235,922**	**$ 660**	**$ 3,966**	**$ —**	**$ (236)**	**$ (4,325)**	**$ 235,986**

(a) Exchange Differences on Translation of Foreign Operations

They represent translation differences on foreign operations' financial statements.

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

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

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

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

(d) Remeasurements of Defined Benefit Liabilities (Assets)

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

(e) Restricted Shares

Under the restricted share-based payment 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 payment plan are provided in the note "(30) Share-Based Payment."

(23) Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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, 2016	Ordinary shares	¥ 5,640 million	¥ 25	March 31, 2016	June 20, 2016	Retained Earnings
Board of Directors Meeting on October 24, 2016	Ordinary shares	¥ 5,562 million	¥ 25	September 30, 2016	November 24, 2016	Retained Earnings

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

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 16, 2017	**Ordinary shares**	**¥ 5,563 million ($ 52,361 thousand)**	**¥ 25 ($ 0.24)**	**March 31, 2017**	**June 19, 2017**	**Retained Earnings**
Board of Directors Meeting on October 30, 2017	**Ordinary shares**	**¥ 5,564 million ($ 52,374 thousand)**	**¥ 25 ($ 0.24)**	**September 30, 2017**	**November 30, 2017**	**Retained Earnings**

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

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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

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

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 15, 2018	**Ordinary shares**	**¥ 5,565 million ($ 52,379 thousand)**	**¥ 25 ($ 0.24)**	**March 31, 2018**	**June 18, 2018**	**Retained Earnings**

(24) Revenue

Revenue composed of the followings.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Sale of products	¥ 377,096	**¥ 405,600**	**$ 3,817,772**
Service revenue	11,359	**16,330**	**153,707**
Total	¥ 388,455	**¥ 421,930**	**$ 3,971,478**

(25) Selling, General and Administrative Expenses

1) Major Items in Selling, General and Administrative Expenses are as Follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Transportation and warehousing expenses	¥ 8,421	**¥ 8,776**	**$ 82,607**
Salaries and allowances	17,874	**18,949**	**178,363**
Retirement benefit expenses	1,020	**860**	**8,097**
Experiment and research expenses	19,585	**20,678**	**194,638**
Depreciation	2,159	**2,320**	**21,840**
Supplies expenses	3,386	**3,695**	**34,777**
Business consignment expenses	2,790	**3,631**	**34,177**
Other	26,522	**28,067**	**264,184**
Total	¥ 81,759	**¥ 86,977**	**$ 818,682**

2) Amount of Research and Development Expense included in General and Administrative Expenses and Manufacturing Costs

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Research and development expense	¥ 19,370	**¥ 20,322**	**$ 191,281**

(26) Other Operating Income and Expenses

Other operating Income consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Gain on sales of non-current assets	¥ 663	**¥ 170**	**$ 1,603**
Rent income	89	**94**	**883**
Gain on transfer of business	749	**—**	**—**
Gain on bargain purchase	—	**441**	**4,155**
Settlement received	—	**602**	**5,670**
Other	3,404	**954**	**8,978**
Total	¥ 4,906	**¥ 2,262**	**$ 21,289**

Other operating expenses consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Loss on abandonment of non-current assets	¥ 283	**¥ 921**	**$ 8,665**
Loss on sales of non-current assets	43	**11**	**105**
Impairment loss	2,111	**—**	**—**
Other	1,479	**1,255**	**11,817**
Total	¥ 3,916	**¥ 2,187**	**$ 20,586**

(27) Financial Income and Costs

Financial income consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Financial assets measured at amortized cost			
Interest income	¥ 226	**¥ 238**	**$ 2,236**
Equity financial assets measured at fair value through other comprehensive income			
Dividend income	1,143	**2,083**	**19,608**
Foreign exchange gains	1,676	**1,338**	**12,592**
Total	¥ 3,045	**¥ 3,659**	**$ 34,436**

Financial costs consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
Financial liabilities measured at amortized cost			
Interest expenses	¥ 694	**¥ 1,022**	**$ 9,619**
Total	¥ 694	**¥ 1,022**	**$ 9,619**

(28) Other Comprehensive Income

Changes in items of other comprehensive income are shown below.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	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	¥ 4,026	¥ —	¥ 4,026	¥ (1,245)	¥ 2,781
Remeasurements of defined benefit plans	1,323	—	1,323	(405)	918
Share of other comprehensive income of entities accounted for using equity method	51	—	51	—	51
Total	5,400	—	5,400	(1,650)	3,750
Items that may be reclassified to profit or loss					
Cash flow hedges	162	133	295	—	295
Exchange differences on translation of foreign operations	(303)	—	(303)	—	(303)
Share of other comprehensive income of entities accounted for using equity method	(1,179)	—	(1,179)	—	(1,179)
Total	(1,319)	133	(1,187)	—	(1,187)
Total	¥ 4,080	¥ 133	¥ 4,213	¥ (1,650)	¥ 2,564

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

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

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

	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	$ 109,073	$ —	$ 109,073	$ (33,335)	$ 75,739
Remeasurements of defined benefit plans	2,169	—	2,169	(664)	1,505
Share of other comprehensive income of entities accounted for using equity method	(471)	—	(471)	—	(471)
Total	110,772	—	110,772	(33,999)	76,773
Items that may be reclassified to profit or loss					
Cash flow hedges	896	558	1,454	—	1,454
Exchange differences on translation of foreign operations	9,420	—	9,420	—	9,420
Share of other comprehensive income of entities accounted for using equity method	14,878	—	14,878	—	14,878
Total	25,194	558	25,752	—	25,752
Total	$ 135,966	$ 558	$ 136,524	$ (33,999)	$ 102,525

(29) Earnings per Share

	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**	**Fiscal year ended March 31, 2018**
1) Basic earnings per share	¥ 135.17	**¥ 149.32**	**$ 1.41**
(Basis of calculation)			
Profit attributable to owners of parent	¥ 30,243 million	**¥ 33,230 million**	**$ 312,784 thousand**
Average shares outstanding during the year (1,000 shares)	223,743	**222,551**	**222,551**
2) Diluted earnings per share	¥ 134.77	**¥ 148.89**	**$1.40**
(Basis of calculation)			
Increase in common stock due to stock options (1,000 shares)	652	**637**	**637**
Average diluted shares outstanding during the year (1,000 shares)	224,395	**223,187**	**223,187**

(30) Share-Based Payment

1) Stock Options

(i) Overview of Share-Based Payment Plan

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

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

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

	Shares	Yen	Shares	Yen
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning	621,400	¥ 1	642,100	¥ 1
Granted	74,200	1	—	—
Exercised	(53,500)	1	(26,800)	1
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding at the end	642,100	1	615,300	1
Exercisable at the end	307,100	1	364,500	1

The weighted average share price as of the exercise date of stock options exercised during the period was ¥ 1,762 and ¥ 2,353 in the fiscal years ended March 31, 2017 and 2018, respectively.

In the fiscal years ended March 31, 2017 and 2018, the exercise price of unexercised stock options was ¥ 1 each. The weighted average remaining contract terms in the fiscal years ended March 31, 2017 and 2018 were 11.6 years and 10.7 years, respectively, for the unexercised balance at the end of the fiscal year, and 13.1 years and 12.3 years, respectively, for the exercisable balance at the end of the fiscal year.

(iii) Fair Value of Stock Options Granted During the Period and Assumptions

The weighted average grant-date fair value of stock options granted during the period is measured based on the following assumptions using the Black-Scholes model.

	Fiscal year ended March 31, 2017	**Fiscal year ended March 31, 2018**
Share price at date of grant (Yen)	1,201	—
Exercise price (Yen)	1	—
Expected volatility (%)	28.0	—
Expected option life (Year)	5	—
Expected dividend (%)	4.16	—
Risk free interest rate (%)	(0.381)	—

(Notes) 1. The expected volatility was determined by tabulating actual share prices in the period corresponding to the expected remaining period on the basis of closing price at the end of each month.
2. Since the expected remaining period is difficult to reasonably estimate due to lack of sufficient data accumulated, the average tenure of directors up to this point was deemed as the expected remaining period.
3. Expected dividends were calculated as "actual dividends paid per share ÷ share price at the grant date."
4. For the risk free rate, the government bond yield corresponding to the expected remaining period was used.

2) Restricted Share-Based Payment Plan

From the fiscal year ended March 31, 2018, the Group has introduced the restricted share-based payment 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, 2018 (from April 1, 2017 to March 31, 2018)
Number of restricted shares granted	51,600 shares
Fair value on the grant date	¥ 1,944 per share ($18.30 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 preceding the date when the Board of Directors adopted a resolution.
Transfer Restriction Period	3 years

3) Share-Based Payment Expense

The amount of share-based expense included in "selling, general and administrative expenses" on the consolidated statement of profit or loss was, ¥ 90 million in fiscal year ended March 31,2017 and ¥ 98 million ($920 thousand) in fiscal year ended in March 31, 2018, respectively.

(31) Financial Instruments

1) Capital Management Policy

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

2) Financial Risks

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

(i) Market Risks

(a) Exchange Rate Risks

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

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

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

Details of currency derivatives are as follows:

Derivative Transactions which Hedge Accounting Is Not Applied

	Millions of yen					
	IFRS Transition Date As of April 1, 2016			As of March 31, 2017		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
U.S. dollar						
Forward exchange contracts						
Purchase	¥ 1,318	¥ —	¥ (3)	¥ 3,170	¥ —	¥ 5
Sell	1,242	—	30	6,653	—	(3)
Total	¥ 2,560	¥ —	¥ 27	¥ 9,823	¥ —	¥ 2

	Millions of yen			Thousands of U.S. dollars		
	As of March 31, 2018			**As of March 31, 2018**		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
U.S. dollar						
Forward exchange contracts						
Purchase	**¥ 1,454**	**¥ —**	**¥ (33)**	**$ 13,690**	**$ —**	**$ (311)**
Sell	**2,336**	**—**	**27**	**21,984**	**—**	**253**
Total	**¥ 3,790**	**¥ —**	**¥ (6)**	**$ 35,674**	**$ —**	**$ (58)**

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 U.S. dollar, the major foreign currency, is as follows. These amounts are after deduction of amounts of exchange rate risks hedged through derivative transactions, etc.

	Millions of yen			Thousands of U.S. dollars
Functional Currency	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Japanese yen	¥ 6,059	¥ 5,714	**¥ 14,702**	**$ 138,387**
Korean won	8,059	11,826	**3,998**	**37,632**
Thai baht	¥ (23,887)	¥ (25,009)	**¥ (11,231)**	**$ (105,718)**

Foreign Exchange Sensitivity Analysis

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

	Millions of yen		Thousands of U.S. dollars
Functional Currency	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Japanese yen (weak U.S. dollar)	¥ (57)	**¥ (147)**	**$ (1,384)**
Korean won (weak U.S. dollar)	(118)	**(40)**	**(376)**
Thai baht (weak U.S. dollar)	¥ 250	**¥ 112**	**$ 1,057**

(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 ¥ 2,332 million ($21,948 thousand) for the fiscal year ended March 31, 2018 (date of transition: ¥ 1,744 million, fiscal year ended March 31, 2017: ¥ 1,792 million) due to the change in fair value.

(c) Interest Rate Risks

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

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

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

(ii) Credit Risks

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

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

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

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

In terms of trade receivables, the loss allowance is always determined as the same amount as lifetime expected credit loss (simplified approach). The amount of expected credit loss is calculated by classifying receivables, etc. according to nature of the credit risk of the counterparty and multiplying the receivables amount by the allowance rate set according to the classification. This allowance rate is set in view of the probability of future occurrence of credit loss based on external credit reports.

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

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

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

	Millions of yen			Thousands of U.S. dollars
	Gross carrying amount			
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Trade and other receivables				
Measured at 12-month expected credit losses	¥ 13,907	¥ 20,405	**¥ 20,520**	**$ 193,146**
Measured at lifetime expected credit losses	252	431	**287**	**2,704**
Measured by simplified approach	74,548	88,382	**99,059**	**932,410**
Other financial assets				
Measured at 12-month expected credit losses	5,944	4,209	**2,783**	**26,199**
Measured at lifetime expected credit losses	321	1,100	**390**	**3,674**

* 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 life-time expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at life-time expected credit losses
IFRS Transition Date As of April 1, 2016	¥ —	¥ 227	¥ 191	¥ 0	¥ 321
Increase	—	250	115	1	145
Decrease(Utilization)	—	—	—	—	—
Decrease(Reversal)	—	(60)	(71)	—	(34)
Other	—	(8)	2	—	—
As of March 31, 2017	¥ —	¥ 410	¥ 237	¥ 1	¥ 433
Increase	—	77	16	—	54
Decrease(Utilization)	—	(220)	—	—	—
Decrease(Reversal)	—	(13)	(15)	(0)	(35)
Other	—	10	34	—	(62)
As of March 31, 2018	**¥ —**	**¥ 263**	**¥ 273**	**¥ 1**	**¥ 390**

	Thousands of U.S. dollars				
	Loss Allowance				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at life-time expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at life-time expected credit losses
As of March 31, 2017	$ —	$ 3,855	$ 2,233	$ 7	$ 4,071
Increase	—	720	152	—	512
Decrease(Utilization)	—	(2,067)	—	—	—
Decrease(Reversal)	—	(126)	(138)	(0)	(326)
Other	—	94	324	—	(584)
As of March 31, 2018	$ —	$ 2,476	$ 2,571	$ 6	$ 3,674

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

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

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Guarantee Obligation	¥ 1,281	¥ 2,367	**¥ 2,764**	**$ 26,018**

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

(iii) Liquidity Risks

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

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

	Millions of yen							
IFRS Transition Date As of April 1, 2016	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	¥ 77,984	¥ 77,984	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 77,984
Borrowings	43,038	21,089	6,438	6,292	5,532	3,593	1,233	44,178
Derivative liabilities	312	—	—	—	—	—	312	312
Other	2,767	546	497	370	242	242	871	2,767
Total	¥ 124,101	¥ 99,619	¥ 6,935	¥ 6,662	¥ 5,774	¥ 3,835	¥ 2,416	¥ 125,241

	Millions of yen							
As of March 31, 2017	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	¥ 95,037	¥ 95,037	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 95,037
Borrowings	62,121	24,257	7,290	7,520	9,300	6,141	9,631	64,138
Derivative liabilities	30	13	—	—	—	—	17	30
Other	2,601	613	519	437	330	311	391	2,601
Total	¥ 159,790	¥ 119,920	¥ 7,809	¥ 7,957	¥ 9,630	¥ 6,452	¥ 10,039	¥ 161,806

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

	Thousands of U.S. dollars							
As of March 31, 2018	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	contractual cash flows Total
Trade and other receivables	**$ 1,038,248**	**$ 1,038,248**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,038,248**
Borrowings	**747,399**	**246,261**	**109,494**	**109,693**	**104,287**	**81,844**	**110,431**	**762,011**
Derivative liabilities	**1,118**	**1,118**	**—**	**—**	**—**	**—**	**—**	**1,118**
Other	**20,674**	**4,894**	**4,292**	**3,236**	**3,010**	**2,688**	**2,554**	**20,675**
Total	**$ 1,807,439**	**$ 1,290,521**	**$ 113,786**	**$ 112,930**	**$ 107,297**	**$ 84,532**	**$ 112,985**	**$ 1,822,052**

3) Fair Value of Financial Instruments

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Directly or indirectly observable inputs that are not included in Level 1

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

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

	Millions of yen						Thousands of U.S. dollars	
	IFRS Transition Date As of April 1, 2016		As of March 31, 2017		**As of March 31, 2018**		**As of March 31, 2018**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loans payable	¥ 28,198	¥ 27,789	¥ 46,626	¥ 46,617	**¥ 60,503**	**¥ 60,360**	**$ 569,494**	**$ 568,147**

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

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

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

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

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

	Millions of yen			
IFRS Transition Date As of April 1, 2016	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	¥ 34,885	¥ —	6,134	¥ 41,019
Total	¥ 34,885	¥ —	¥ 6,134	¥ 41,019
<Financial Liabilities>				
Financial liabilities defined as hedging instruments				
Derivatives	—	312	—	312
Total	¥ —	¥ 312	¥ —	¥ 312

	Millions of yen			
As of March 31, 2017	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Derivatives	¥ —	¥ 69	¥ —	¥ 69
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	35,847	—	6,536	42,382
Total	¥ 35,847	¥ 69	¥ 6,536	¥ 42,452
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	13	—	13
Financial liabilities defined as hedging instruments				
Derivatives	—	17	—	17
Total	¥ —	¥ 30	¥ —	¥ 30

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

As of March 31, 2018	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	$ —	$ —	$ 43,488	$ 43,488
Derivatives	—	211	—	211
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	438,964	—	94,229	533,193
Financial assets defined as hedging instruments				
Derivatives	—	1,295	—	1,295
Total	$ 438,964	$ 1,505	$ 137,717	$ 578,186
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	1,118	—	1,118
Total	$ —	$ 1,118	$ —	$ 1,118

(Note) Other than the above assets and liabilities, the Company has entered into an agreement with non-controlling shareholders that the Company purchases all interests held by the non-controlling shareholders under certain terms and conditions. With regard to the obligations to purchase these interests, ¥460 million ($4,325 thousand) that is the present value of the purchase amount has been recognized as financial liabilities. These are classified as Level 3 in the fair value hierarchy.

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

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	**Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)**	**Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)**
Balance at the beginning	¥ 6,134	**¥ 6,536**	**$ 61,517**
Total gains and losses	(1,831)	**2,165**	**20,382**
Profit or loss	—	**32**	**305**
Other comprehensive income (Note)	(1,831)	**2,133**	**20,077**
Purchase	2,399	**4,515**	**42,497**
Selling	(167)	**(673)**	**(6,332)**
Other	—	**2,088**	**19,653**
Balance at the end	¥ 6,536	**¥ 14,631**	**$ 137,717**

(Notes) 1. 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 than the above assets and liabilities, the Company acquired the obligations to purchase non-controlling interests amounting to ¥460 million ($4,325 thousand) in the fiscal year ended March 31, 2018. No material gain or loss has arisen from this transaction.

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

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

4) Hedge Accounting

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

	Millions of yen			
	Notional principal of	Carrying amount of hedging instruments		Item on the consolidated state-
IFRS Transition Date As of April 1, 2016	hedging instruments	Asset	Liability	ment of financial position
Cash flow hedges				
Interest rate risk				
Interest rate swap	¥ 16,158	¥ —	¥ 312	Other financial liabilities

	Millions of yen			
	Notional principal of	Carrying amount of hedging instruments		Item on the consolidated state-
As of March 31, 2017	hedging instruments	Asset	Liability	ment of financial position
Cash flow hedges				
Interest rate risk				
Interest rate swap	¥ 15,527	¥ —	¥ 17	Other financial liabilities

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

As of March 31, 2018	Thousands of U.S. dollars: Notional principal of hedging instruments	Carrying amount of hedging instruments: Asset	Carrying amount of hedging instruments: Liability	Item on the consolidated statement of financial position
Cash flow hedges				
Interest rate risk				
Interest rate swap	**$ 107,930**	**$ 1,295**	**$ —**	**Other financial liabilities**

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

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

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Millions of yen: Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	¥ 295	¥ 133	Financial costs

(Note) Before tax effect

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

(Note) Before tax effect

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Thousands of U.S. dollars: Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	**$ 1,454**	**$ 558**	**Financial costs**

(Note) Before tax effect

(32) Subsidiaries

The number of consolidated subsidiaries as of March 31, 2018 is 48 (43 as of March 31, 2017).

Five companies have newly become the Group's consolidated subsidiaries due to acquisition or establishment in the fiscal year ended March 31, 2018. There are no consolidated subsidiaries which the Company recognizes significant non-controlling interests.

(33) Related Parties

1) Transactions with Related Parties

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

			Millions of yen	
Attribute	Name of company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Associate	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	¥ 9,187	¥ 4,350
		Supply of raw material gas	3,488	1,886

(Notes) 1. Related party transactions have been determined through price negotiations in light of market prices and others.
2. Loss allowance has not been established for the receivables.

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

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

(Notes) 1. Related party transactions have been determined through price negotiations in light of market prices and others.
2. Loss allowance has not been established for the receivables.

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

			Thousands of U.S. dollars	
Attribute	Name of company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Associate	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	**$ 103,837**	**$ 57,635**
		Supply of raw material gas	**50,290**	**29,352**

(Notes) 1. Related party transactions have been determined through price negotiations in light of market prices and others.
2. Loss allowance has not been established for the receivables.

2) Key Management Personnel Compensation

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	**Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)**	**Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)**
Basic compensation	¥ 279	¥ 268	**$ 2,521**
Bonuses	46	44	**412**
Share-based payment	34	37	**346**
Total	¥ 361	¥ 348	**$ 3,279**

(34) Commitments

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

	Millions of yen			Thousands of U.S. dollars
	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	**As of March 31, 2018**	**As of March 31, 2018**
Acquisition of property, plant and equipment	¥ 24,262	¥ 13,075	**¥ 4,429**	**$ 41,693**
Acquisition of intangible assets	198	—	**40**	**373**

(35) Subsequent Events

<u>An Absorption-Type Split in Which the Company's Subsidiary Becomes the Successor Company</u>

(1) Contents of the Business Combination

The Company resolved at its Board of Directors held on March 29, 2017 to conduct an absorption-type split in which UMG ABS, Ltd. ("UMG ABS," a 50/50 joint venture between Ube Industries, Ltd. ("Ube") and Mitsubishi Rayon Co., Ltd. ("MRC")) is the absorbed company, and Techno Polymer Co., Ltd. ("Techno-UMG"), a wholly-owned subsidiary of the Company (renamed Techno-UMG Co., Ltd. on April 1, 2018), is the successor company. The Company, Ube and MRC signed a shareholders agreement as of March 30, 2017 and upon approval from the regulatory authority, the absorption-type split was conducted as of April 1, 2018. Upon completing the absorption-type split, Techno-UMG issued new shares resulting in the Company holding a 51% equity interest in Techno-UMG. The Company has adopted provisions of IFRS 3 Business Combinations, however, detailed information regarding the accounting treatment is not provided since the initial accounting treatment for the business combination has not been completed at the present time.

1) Name of the Company Acquired
   UMG ABS, Ltd.
2) Business of the Company Acquired
   Manufacturing and sales of ABS resins
3) Date of Acquisition
   April 1, 2018
4) Method for the Acquiring Entity to Obtain Control over the Acquired Entity
   An absorption-type split with UMG ABS as the absorbed company and Techno-UMG as the successor company, with the issuance of 58,800 shares of common stock of Techno-UMG

(2) Major Reason of the Business Combination

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

(3) Amounts of Fair Value of Assets and Liabilities and Amount of Goodwill on the Date of the Business Combination

Assets acquired and liabilities assumed have not been determined at the present time as their acquisition-date fair value is under calculation.

<u>Acquisition of Crown Bioscience International</u>

(1)Contents of the Business Combination

The Company has acquired all shares of Crown Bioscience International ("Crown," Registration: Cayman Islands, CEO: Jean-Pierre Wery, listed on the Taipei Exchange (TPEx) as 6554), which is a contract research organization (CRO) providing services for pharmaceuticals to support drug development in pre-clinical phases, making Crown a wholly-owned subsidiary of the Company.

While the provisions of IFRS 3 "Business Combinations" have been applied, detailed information on the accounting treatment for this business combination has not been provided because the accounting treatment at the time of business combination has not been completed at the present time.

1) Name of the Company Acquired
   Crown Bioscience International
2) Business of the Company Acquired
   Drug discovery and development services
3) Date of Acquisition
   May 31, 2018
4) Method of Acquisition
   Acquisition of shares in exchange for cash payment

(2) Major Reason of the Business Combination

The purpose of this business combination is to expand the Group's capabilities of the Life Sciences business by bringing in drug discovery and development services. This business combination enables the Group to provide values to the pharma industry by providing products and services in drug development processes ranging seamlessly from the discovery process to GMP manufacturing.

(3) Amounts of Fair Value of Assets and Liabilities and Amount of Goodwill on the Date of the Business Combination

Assets acquired and liabilities assumed have not been determined at the present time as their acquisition-date fair value is under calculation. The amount of consideration transferred is about ¥ 40.5 billion ($ 382 million).

(36) Disclosure on Transition to IFRS

This is the first consolidated financial statement the Group has prepared in accordance with IFRS.

The Significant Accounting Policies were applied in the preparation of the consolidated financial statements for the fiscal year ended March 2018 (April 1, 2017 to March 31, 2018) and the fiscal year ended March 2017 (April 1, 2016 to March 31, 2017) and the consolidated statement of financial position on the date of transition to IFRS (April 1, 2016).

1) Exemptions of IFRS 1

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

(i) Business Combinations

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

(ii) Exchange Differences on Translating Foreign Operations

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

(iii) Recognition of Prior Designated Financial Instruments

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

(iv) Share-Based Payments

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

2) Adjustments from Japanese GAAP to IFRS

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

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

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

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

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
	Millions of yen						
Assets							Assets
Current assets							Current assets
Cash and deposits	¥ 52,081	¥ 7,888	¥ 37,314	¥ —	¥ 97,283		Cash and cash equivalents
Notes and accounts receivable (net)	77,878	(879)	14,035	—	91,034		Trade and other receivables
Short-term investment securities	60,010	—	(60,010)	—			
Inventories	77,458	399	—	—	77,857		Inventories
		31	28,836	—	28,868		Other current financial assets
Others	33,104	63	(24,066)	—	9,101		Other current assets
Total current assets	300,532	7,501	(3,891)	—	304,142		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	112,694	6,067	—	1,851	120,612	A, B	Property, plant and equipment
Intangible assets							
Goodwill	9,788	(434)	—	—	9,354		Goodwill
Others	6,875	260	998	—	8,133		Other intangible assets
Investments and other assets							
Investment securities	67,878	(6,918)	(37,727)	(27)	23,206	D	Investments accounted for using equity method
Long-term loans receivable	5,894	6	40,460	824	47,185	H	Other current financial assets
Others	12,698	38	(6,917)	—	5,819		Other non-current assets
		18	7,077	386	7,481	D, E	Deferred tax assets
Total non-current assets	215,827	(963)	3,891	3,034	221,790		Total non-current assets
Total assets	¥ 516,360	¥ 6,539	¥ —	¥ 3,034	¥ 525,933		Total assets
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	53,836	2,443	21,705	—	77,984		Trade and other payables
Current borrowings	20,840	(47)	—	—	20,793		Borrowings
		33	1,916	—	1,948		Income tax payable
		(20)	269	297	546	B	Other financial liabilities
Others	34,646	30	(25,513)	1,027	10,191	E	Other current liabilities
Total current liabilities	109,322	2,438	(1,623)	1,324	111,461		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	22,249	(4)	—	—	22,245		Borrowings
Retirement benefit liabilities	15,180	—	—	—	15,180		Retirement benefit liabilities
		—	344	2,189	2,534	B, F	Other financial liabilities
Others	7,254	(18)	(4,788)	—	2,448		Other non-current liabilities
		—	6,067	156	6,223	A, D, H	Deferred tax liabilities
Total non-current liabilities	44,684	(21)	1,623	2,345	48,630		Total non-current liabilities
Total liabilities	154,006	2,417	—	3,668	160,091		Total liabilities
Net assets							Equity
Common stock	23,320	—	—	—	23,320		Share capital
Capital surplus	25,179	—	930	—	26,110		Capital surplus
Retained earnings	281,878	(411)	—	6,681	288,147	E, I, J	Retained earnings
Treasury shares	(957)	—	—	—	(957)		Treasury shares
Accumulated other comprehensive income	23,724	(922)	—	(7,233)	15,569	F, G, I	Other components of equity
	353,145	(1,334)	930	(552)	352,189		Total equity attributable to owners of parent
Subscription rights to shares	930	—	(930)	—			
Minority interests	8,279	5,456	—	(82)	13,653		Non-controlling interests
Total net assets	362,354	4,122	—	(634)	365,842		Total equity
Total liabilities and net assets	¥ 516,360	¥ 6,539	¥ —	¥ 3,034	¥ 525,933		Total liabilities and equities

(ii) Adjustments to Equity in Fiscal Year ended March 2017 (March 31, 2017)

Japanese GAAP Line Item	Japanese GAAP (Millions of yen)	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							Assets
Current assets							Current assets
Cash and deposits	¥ 98,933	¥ —	¥ (1,517)	¥ —	¥ 97,416		Cash and cash equivalents
Notes and accounts receivable (net)	90,695	—	20,435	—	111,130		Trade and other receivables
Short-term investment securities	42,000	—	(42,000)	—			
Inventories	81,918	—	—	—	81,918		Inventories
		—	44,970	—	44,970		Other current financial assets
Others	34,667	—	(25,971)	—	8,695		Other current assets
Total current assets	348,212	—	(4,084)	—	344,128		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	130,160	—	—	1,587	131,748	A, B	Property, plant and equipment
Intangible assets							
Goodwill	8,817	—	—	513	9,331	C	Goodwill
Others	8,369	—	822	(1)	9,190		Other intangible assets
Investments and other assets							
Investment securities	61,684	—	(39,936)	(36)	21,712	D	Investments accounted for using equity method
Retirement benefit assets	373	—	—	—	373		Assets for retirement benefits
		—	46,555	(26)	46,529	H	Other current financial assets
Others	18,401	—	(11,273)	—	7,129		Other non-current assets
		—	7,914	429	8,343	D, E	Deferred tax assets
Total non-current assets	227,805	—	4,084	2,467	234,355		Total non-current assets
Total assets	¥ 576,016	¥ —	¥ —	¥ 2,467	¥ 578,484		Total assets
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	75,026	—	20,011	—	95,037		Trade and other payables
Current borrowings	23,740	—	—	—	23,740		Borrowings
Income tax payable	8,360	—	—	—	8,360		Income tax payable
		—	329	297	626	B	Other financial liabilities
Others	32,536	—	(22,194)	1,015	11,357	E	Other current liabilities
Total current liabilities	139,663	—	(1,854)	1,312	139,120		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	38,381	—	—	—	38,381		Borrowings
Retirement benefit liabilities	13,904	—	—	—	13,904		Retirement benefit liabilities
		—	408	1,597	2,005	B,F	Other financial liabilities
Others	7,354	—	(5,076)	—	2,278		Other non-current liabilities
		—	6,522	(90)	6,432	A,D,H	Deferred tax liabilities
Total non-current liabilities	59,639	—	1,854	1,507	63,000		Total non-current liabilities
Total liabilities	199,302	—	—	2,818	202,120		Total liabilities
Net assets							Equity
Common stock	23,320	—	—	—	23,320		Share capital
Capital surplus	17,469	—	912	60	18,441		Capital surplus
Retained earnings	300,547	—	—	8,970	309,517	E,I,J	Retained earnings
Treasury shares	(5,396)	—	—	—	(5,396)		Treasury shares
Accumulated other comprehensive income	25,454	—	—	(9,448)	16,006	F,G,I	Other components of equity
	361,394	—	912	(417)	361,889		Total equity attributable to owners of parent
Subscription rights to shares	912	—	(912)	—			
Minority interests	14,409	—	—	66	14,475		Non-controlling interests
Total net assets	376,715	—	—	(351)	376,364		Total equity
Total liabilities and net assets	¥ 576,016	¥ —	¥ —	¥ 2,467	¥ 578,484		Total liabilities and equities

(iii) Adjustments to Comprehensive Income in Fiscal Year ended March 2017 (April 1 to March 31, 2017)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
	Millions of yen						
Net sales	¥ 390,599	¥ (2,143)	¥ —	¥ —	¥ 388,455		Revenue
Cost of sales	(274,614)	1,752	—	440	(272,422)	G	Cost of sales
Gross profit	115,985	(391)	—	440	116,034		Gross profit
Selling, general and administrative expense	(83,615)	619	—	1,237	(81,759)	A,C G,E	Selling, general and administrative expenses
		—	4,920	(14)	4,906		Other operating income
		—	(3,916)	—	(3,916)		Other operating expenses
		—	714	(36)	678	D	Share of profit of investments accounted for using equity method
Operating income	32,370	227	1,718	1,628	35,943		Operating profit
Non-operating income	6,400	—	(6,400)	—			
Non-operating expense	(2,506)	—	2,506	—			
Extraordinary gains	5,187	—	(5,187)	—			
Extraordinary losses	(3,124)	—	3,124	—			
		—	5,950	(2,905)	3,045	H	Finance income
		55	(1,711)	962	(694)	G,H	Finance costs
Profit before tax and other adjustments	38,327	282	—	(315)	38,294		Profit before tax
Corporate, inhabitant, and enterprise taxes	(9,938)	(26)	1,889	300	(7,776)	D	Income taxes
Income tax-deferred	1,901	(13)	(1,889)	—			
Profit	¥ 30,291	¥ 243	¥ —	¥ (16)	¥ 30,518		Profit
Other comprehensive income							Other comprehensive income
Unrealized gains on securities, net of taxes	2,058	—	—	723	2,781	H	Net change on financial assets measured at fair value through other comprehensive income
		—	—	295	295	F	Net change in fair value on cash flow hedges
Foreign currency translation adjustment	(730)	412	—	16	(303)	C	Exchange differences on translation of foreign operations
Remeasurements of defined benefit plans, net of tax	1,676	—	—	(758)	918	G	Remeasurements of defined benefit liabilities
Share of other comprehensive income of entities accounted for using equity method	(1,130)	—	—	2	(1,128)		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	1,874	412	—	278	2,564		Total other comprehensive income, net of tax
Comprehensive income	¥ 32,165	¥ 655	¥ —	¥ 262	¥ 33,082		Total comprehensive income

3) Notes on Adjustments to Equity and Adjustments to Comprehensive Income

(i) Notes on Change in Reporting Date and Change in Consolidation Range

Under Japanese GAAP, in cases where the reporting dates of subsidiaries or associates accounted for using the equity method differ from the Company's consolidated reporting date, consolidated financial statements are still prepared based on individual financial statements as of the reporting dates of the subsidiaries or associates accounted for using the equity method. Under IFRS, however, financial statements of subsidiaries or associates accounted for using the equity method are prepared with the Company's consolidated reporting date as the reporting date, either by aligning the reporting date with the Company's consolidated reporting date or by preparing provisional settlement of accounts as of the consolidated reporting date except when it is practically impossible. In cases where financial statements of subsidiaries or associates accounted for using the equity method are prepared on different dates from the Company's consolidated reporting date, adjustments are made for the effects of significant transactions or circumstances arisen between the individual reporting dates and the Company's consolidated reporting date.

Even under Japanese GAAP, at the end of the previous consolidated fiscal year, the Group prepared the financial statements regarding the Company's consolidated reporting date as the reporting date of its subsidiaries or associates accounted for using equity method, either by aligning the individual reporting dates with the Company's reporting date (except some subsidiaries and associates) or by preparing provisional settlement of accounts as of the consolidated reporting date.

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

Since the first quarter of the fiscal year ended March 31, 2017 prepared under Japanese GAAP, the Group included in the consolidation range JSR MOL Synthetic Rubber Ltd., PT.ELASTOMIX INDONESIA, and Techno Europe N.V., which had been excluded from the consolidation range, because of an increase in their material relevance. This action has aligned the consolidation range under IFRS and the consolidation range under Japanese GAAP.

(ii) Notes on Reclassification

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

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

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

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

(iii) Notes on Differences in Recognition and Measurement

A. Government Grants

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

B. Leases

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

C. Goodwill

Under Japanese GAAP, goodwill is amortized, while it is not amortized under IFRS. Therefore the amount of amortization of goodwill accounted for under Japanese GAAP is reversed under IFRS.

D. Deferred Tax Assets and Deferred Tax Liabilities

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

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

E. Levies

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

F. Derivative Transactions

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

G. Liabilities Pertaining to Defined Benefits

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

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

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

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

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

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

I. Amount of Exchange Differences on Translating Foreign Operations

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

J. Retained Earnings

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

	Millions of yen	
	Date of Transition (April 1, 2016)	Fiscal Year ended March 2017 (March 31, 2017)
Adjustments related to the change in reporting date / change in consolidation range (See (i))	¥ (411)	¥ —
Adjustments related to government grants (See A)	(219)	(187)
Adjustments related to the amortization of goodwill (See C)	—	495
Adjustments related to deferred tax assets and deferred tax liabilities (See D)	43	68
Adjustments related to levies (See E)	(709)	(699)
Adjustments related to changes in immediate recognition and accounting methods for actuarial differences in defined benefit plans (See G)	(815)	913
Adjustments related to the amount of exchange differences on translating foreign operations (See I)	8,385	8,385
Others	(5)	(4)
Total retained earnings adjustment	¥ 6,270	¥ 8,970

4) Material Adjustments to the Consolidated Statement of Cash Flows for the Fiscal Year ended March 2017 (April 1, 2016 to March 31, 2017)

There were no material differences between the disclosed consolidated statement of cash flows under IFRS and that of Japanese GAAP.

KPMG

Independent Auditor's Report

To the Board of Directors of JSR Corporation

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries , which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSR Corporation and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 35 to the consolidated financial statements. The Company acquired all shares of Crown Bioscience International ("Crown") as of May 31, 2018, making Crown a wholly owned subsidiary of the Company.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 15, 2018
Tokyo, Japan