JSR Corporation

FINANCIAL SECTION 2021

CONTENTS

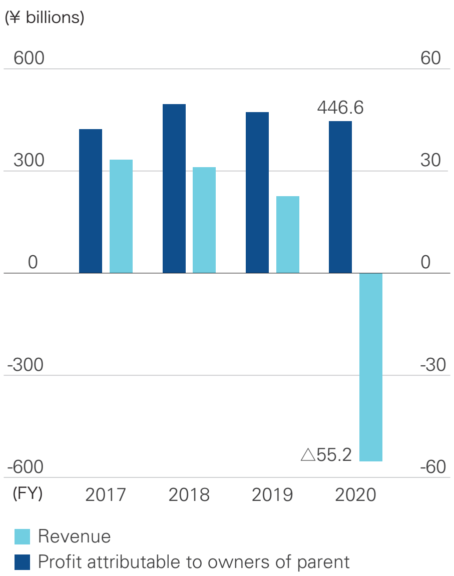
TEN-YEAR SUMMARY

Millions of yen

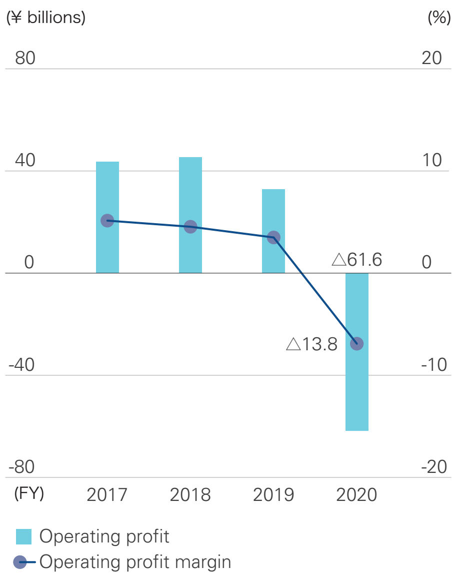
JGAAP For the year:	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Results for the year						
Net sales	¥ 349,947	¥ 371,487	¥ 394,309	¥ 404,073	¥ 386,709	¥ 390,599
Costs and expenses	(313,982)	(336,281)	(358,247)	(366,005)	(352,301)	(358,228)
Operating profit	35,964	35,206	36,062	38,068	34,408	32,370
Interest and dividends income	634	809	916	1,390	1,380	1,369
Interest expenses	(147)	(126)	(142)	(345)	(527)	(699)
Profit before income taxes	41,245	42,847	36,956	41,069	27,367	38,327
Profit attributable to owners of parent	26,407	30,278	25,173	29,919	24,069	30,078
Capital expenditures	19,728	27,608	21,499	35,157	24,276	31,785
Depreciation	17,784	19,145	18,096	17,407	18,508	14,676
Year-end financial position						
Total assets	430,693	482,935	501,320	534,592	516,360	576,016
Long-term loans payable	500	6,626	11,069	20,387	22,249	38,381
Total liabilities	148,335	167,202	164,060	169,918	154,006	199,302
Equity	280,955	308,641	331,284	358,303	353,145	361,394
Current ratio (times)	2.3	2.3	2.5	2.5	2.7	2.5
Return on assets (%)	6.4	6.6	5.1	5.8	4.6	5.5
Return on equity (%)	9.7	10.3	7.9	8.7	6.8	8.4
Equity ratio (%)	65.2	63.9	66.1	67.0	68.4	62.7
Per share of common stock (Yen and U.S. Dollars)						
Profit attributable to owners of parent	¥ 109.46	¥ 126.13	¥ 106.10	¥ 128.19	¥ 105.87	¥ 134.43
Cash dividends	32.00	34.00	38.00	40.00	50.00	50.00
Equity	1,164.63	1,299.77	1,409.06	1,557.08	1,565.45	1,624.14

(Notes) 1. Amounts in U.S. dollars are translated from yen, provided for convenience only, at the exchange rate of 1.00 U.S. dollar = 110.71 Japanese yen; the prevailing rate on March 31, 2021.
2. The Group has adopted International Financial Reporting Standards (IFRS) as from the fiscal year ended March 2018.
3. ROA = Under Japanese GAAP, return on total assets. Under IFRS, return on equity attributable to owners of parent.
4. ROE = Under Japanese GAAP, return on equity. Under IFRS, return on equity attributable to owners of parent.

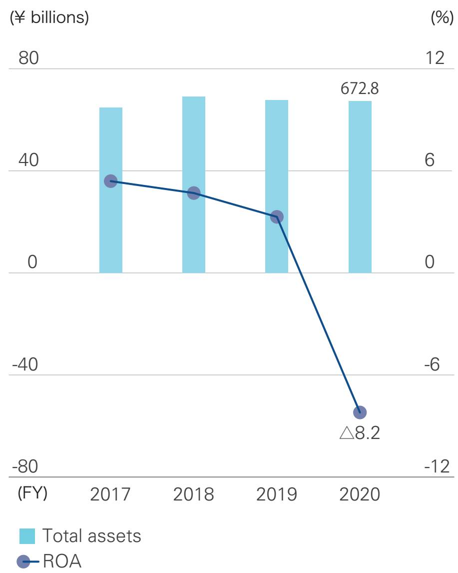
Revenue/Profit (Loss) attributable to owners of parent



Operating Profit (loss)/ Operating Profit (loss) Margin



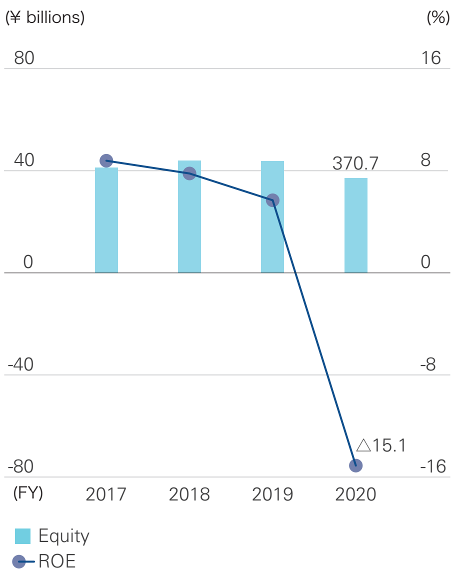
Total Assets/ROA



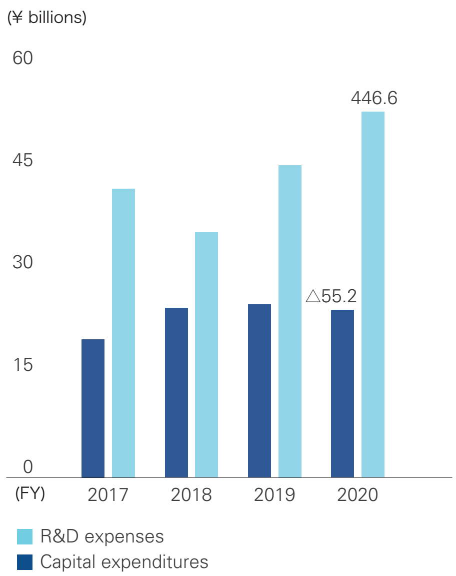
Millions of yen Thousands of U.S. dollars

IFRS For the year:	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
Results for the year						
Revenue	¥ 388,455	¥ 421,930	¥ 495,354	¥ 471,967	¥ 446,609	$ 4,034,041
Costs, other income and expenses	(352,512)	(378,360)	(450,093)	(439,083)	(508,242)	(4,590,752)
Operating profit (loss)	35,943	43,569	45,261	32,884	(61,633)	(556,711)
Finance income	3,045	3,659	2,499	1,929	947	8,552
Finance costs	(694)	(1,022)	(1,352)	(2,184)	(1,743)	(15,748)
Profit (loss) before tax	38,294	46,206	46,408	32,629	(62,430)	(563,906)
Profit (loss) attributable to owners of parent	30,243	33,230	31,116	22,604	(55,155)	(495,923)
Capital expenditures	31,377	42,408	35,981	45,880	53,669	414,416
Depreciation	14,793	16,973	21,790	26,343	29,477	266,254
Year-end financial position						
Total assets	578,484	647,699	691,435	677,713	672,773	6,076,891
Borrowings (non-current liabilities)	38,381	53,456	50,777	52,684	81,406	735,304
Total liabilities	202,120	236,084	251,075	240,301	302,036	1,203,383
Total equity attributable to owners of parent	361,889	393,499	401,998	396,793	333,995	3,016,846
Current ratio (times)	2.5	2.3	1.97	2.05	1.95	1.95
Return on assets (%)	5.5	5.4	4.7	3.3	(8.2)	(8.2)
Return on equity (%)	8.5	8.8	7.8	5.7	(15.1)	(15.1)
Equity ratio (%)	62.6	60.8	58.1	58.5	49.6	49.6
Per share of common stock (Yen and U.S. Dollars)						
Profit attributable to owners of parent	¥ 135.17	¥ 149.32	¥ 140.62	¥ 104.38	¥ (256.73)	$ (2.32)
Cash dividends	50.00	50.00	60.00	60.00	60.00	0.54
Equity attributable to owners of parent	1,626.36	1,767.81	1,823.69	1,848.01	1,554.17	14.04

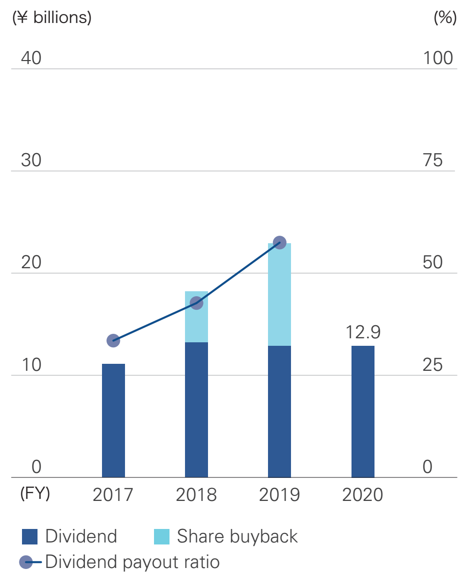
Equity/ROE



R&D Expenses/Capital Expenditures



Shareholder Return/
Dividend Payout Ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY ended March 2021 (April 1, 2020 to March 31, 2021)

In FY ended March 2021 (April 1, 2020 to March 31, 2021), there were signs of a slowdown in the global economic recovery due to the spread of COVID-19, intensifying trade friction between the U.S. and China, the rise of protectionism, and other factors. As for trends among the Group's main customer industries, demand grew in the semiconductor market from 5G mobile communications systems (5G), computers, and data centers, and both memory and logic semiconductors performed well. The flat-panel display market was strong due to the promotion of telework and stay-at-home demand. Global automobile production for the full year fell from the previous year because of COVID-19 lockdowns and other restrictions, although production did recover in the second half of the year. Global automobile tire production over the full term was also down, due to the impact of falling automobile production and other factors, but a clear recovery trend was seen in the second half of the year. As for the exchange rate, the yen appreciated against the dollar year-on-year.

Amid these circumstances, JSR Group strived to expand business in growth fields as well as take steps such as cutting business costs to mitigate the risk of declining sales due to economic stagnation and weak demand. In the Elastomers Business, the Group focused on lowering manufacturing costs and other measures to guard against the risk of declining sales due to sluggish demand. The Group has been promoting the streamlining of raw materials and logistics and other cost-cutting measures, the optimization of sales prices, and the retooling of personnel structures with the implementation of an early retirement incentive program. Additionally, the Group has reorganized operations in the Display Materials Business by downsizing operations in South Korea and Taiwan and shifting operations to China, and in the Elastomers Business, the Group has implemented structural reforms throughout the organization, including adjustments to business and product segments. A one-time expense pertaining to these business structural reforms was recorded in FY ended March 2021.

In addition, JSR Group issued 35,000 million yen in straight bonds in May 2020 to secure funds for future investments in growth areas such as semiconductors and life sciences, and to diversify fund procurement to improve the stability of the Group's financial base. The Group took definitive steps regarding business expansion in growth areas, such as making Medical & Biological Laboratories Co., Ltd. (MBL) a wholly owned subsidiary to bolster competitiveness in the therapeutic discovery support field and in the development of new companion diagnostics, as well as commencing commercial production operations at a new U.S. facility of functional cleaning solutions intended for cutting-edge semiconductors.

As a result, the Group reported revenue of 446,609 million yen (down 5.4% year-on-year), an increase compared to the forecast at the time the Second Quarter results were announced, but a decrease compared to the previous fiscal year. Core operating profit was 25,963 million yen, up from the forecast at the time the Second Quarter results were announced, but down year-on-year. Although the Digital Solutions Business grew, the Group's business was affected by revenue declines in the Elastomers Business and Plastics Business, which were hit by the effects of COVID-19. The Group posted an operating loss of 61,633 million yen, versus an operating profit of 32,884 million yen in the previous fiscal year, due to the recording of restructuring expenses. Loss attributable to owners of parent was 55,155 million yen, compared with profit attributable to owners of parent of 22,604 million yen in the previous fiscal year.

Business Segment Overview

The JSR Group's business is classified into four reportable segments: Digital Solutions, Life Sciences, Elastomers, and Plastics. The reportable segments are positioned as shown below.

Digital Solutions Business Segment

The Digital Solutions Business segment experienced both increased revenue and profit compared to the previous fiscal year.

In the Semiconductor Materials Business, demand for both memory and logic semiconductors has been firm since the First Quarter of FY 2020. Sales of advanced photoresists were particularly strong, due in part to advanced device launches by major customers. In addition, smooth product launches were achieved of cleaning solutions and packaging materials for cutting-edge semiconductors destined for major customers, which contributed to revenue gains from the previous fiscal year. The sector secured higher core operating profit despite

Core Operating Profit (¥ millions)

	FY2019	FY2020
Digital Solutions Business	144,805	151,420
Core Operating Profit	30,917	34,568
Life Sciences Business	50,496	55,197
Core Operating Profit	3,945	3,510
Elastomers Business	178,794	143,186
Core Operating Profit	(1,758)	(11,420)
Plastics Business	95,092	79,123
Core Operating Profit	6,237	4,430
Other Businesses & Adjustment	2,779	17,682
Core Operating Profit	(6,105)	(5,125)
Revenue	471,967	446,609
Core Operating Profit	33,236	25,963

greater expenses incurred with expanded cleaning solutions sales. Since the Semiconductor Materials Business is deemed an essential business for people's livelihoods, global R&D, production, and other business activities continued without being impacted by the COVID-19 pandemic.

The Display Materials Business saw expanded sales volume to China of alignment films for wide-screen TV LCD panels, a focus point of the business. The sector posted lower revenue on lower sales of color resist and photosensitive spacers caused by some customers abandoning LCD production, amid the shift of LCD production from South Korea and Taiwan to China. Despite this, the Display Materials Business boosted its core operating profit on the back of strong alignment film sales.

The Edge Computing Business suffered revenue and profit declines because of a sales decrease in near-infrared (NIR) filters.

Consequently, the Digital Solutions Business segment posted a core operating profit of 34,568 million yen (up 11.8% year-on-year) on revenue of 151,420 million yen (up 4.6% year-on-year).

Life Sciences Business Segment

In the Life Sciences Business, with the U.S. headquarters guiding strategies for the entire business segment, the Group has worked to expand revenue primarily in the biomedical drug discovery business and the biomedical drug contract development and manufacturing business, in addition to JSR materials. Favorable progress was achieved by Contract Research Organization (CRO) business provided by Group company Crown Bioscience International (Crown). In the biologics Contract Development and Manufacturing Organization (CDMO) business, led by Group companies Selexis SA (Selexis) and KBI Biopharma, Inc. (KBI), Selexis posted solid revenue growth, while KBI achieved higher revenue on lower profit due to COVID-19-related supply-chain interruptions and a one-time accounting adjustment recorded in the previous fiscal year. Revenue from diagnostic reagent materials, bioprocess materials, and other products also climbed. The diagnostic reagent business of Medical & Biological Laboratories Co., Ltd. (MBL), which became a wholly owned subsidiary in the current fiscal year, grew steadily, contributing to overall higher revenue from the previous fiscal year.

As a result, the Life Sciences Business segment posted a core operating profit of 3,510 million yen (down 11.0% year-on-year) on revenue of 55,197 million yen (up 9.3% year-on-year)

Elastomers Business Segment

The COVID-19 pandemic's impact on production of automobile tires, one of the segment's main customer industries, was compounded by temporary production stoppages or reductions at tire-maker plants in Europe and elsewhere intended to curb the spread of COVID-19. Consequently, yearly production was down from the previous fiscal year, although production began to recover in the second half of the year.

Amid these circumstances, the sales volume of Solution Styrene-Butadiene Rubber (SSBR), positioned as a strategic product, remained at the same level as the previous fiscal year, despite a year-on-year decline in worldwide tire production. Nevertheless, the Elastomers Business recorded lower revenue compared to the previous fiscal year, as the segment's overall sales volume was sluggish and sales prices slid because of a deterioration in raw-material market conditions. The segment posted a core operating loss for the full term as a result of revenue declines and narrower price spreads.

Consequently, the Elastomers Business segment's core operating loss expanded from 1,758 million yen to 11,420 million yen on revenue of 143,186 million yen (down 19.9% year-on-year).

Plastics Business Segment

The Plastics Business segment saw a drop in sales volume and revenue from the previous fiscal year, due to weaker demand resulting from the COVID-19 pandemic. Core operating profit fell due to the segment's sales volume decline.

As a result, the Plastics Business segment posted a core operating profit of 4,430 million yen (down 29.0% year-on-year) on revenue of 79,123 million yen (down 16.8% year-on-year).

Business Outlook

The business landscape is anticipated to improve in FY 2021, given the upward adjustment of the global economic growth rate and other factors, despite the rocky international situation caused by the re-emergence of COVID-19 infections and ongoing confrontations between the two major powers, the United States and China. While the economy is expected to pick up on the back of additional support measures and vaccine roll-outs in major countries, the complication of various risks, such as countries imposing stringent restrictions on economic activities to control the pandemic, means future prospects remain uncertain and geopolitical fluctuations must continue to be addressed. The semiconductor market, driven by digital infrastructure demand, is expected to see robust growth as an essential industry, and continued growth is predicted for display production as well. The solid demand forecasts over the medium-to-long-term for the life sciences field remain unchanged. As with automobile production, the recovery trend in automobile tire production is predicted to continue, although the industry's prospects are not clear. The semiconductor market, driven by digital infrastructure demand, is expected to see robust growth as an essential industry, and continued growth is predicted for display production as well.

The solid demand forecasts over the medium-to-long-term for the life sciences field remain unchanged.

For the FY ending March 2022, JSR forecasts revenue of 468,000 million yen (up 4.8 percent year-on-year), core operating profit of 53,000 million yen (up 104.1 percent year-on-year), operating profit of 53,000 million yen (compared to an operating loss of 61,600 million yen in the previous fiscal year), and profit for the year attributable to owners of parent of 32,000 million yen (compared to a loss of 55,200 million yen in the previous fiscal year). The forecast assumes an exchange rate of 106 yen per U.S. dollar. Actual business performance may vary substantially due to future developments in social conditions and economic conditions. JSR will promptly disclose revisions to the earnings forecast, should they become necessary.

Analysis of Financial Position

Overview of Financial Position for FY ended March 2021

Total assets as of March 31, 2021 amounted to 672,773 million yen, down 4,941 million yen from a year earlier.

Current assets totaled 329,279 million yen, up 25,804 million yen, due to an increase in cash and cash equivalents resulting from the issue of bonds.

Non-current assets totaled 343,494 million yen, down 30,744 million yen, due to the recording of impairment losses for property, plant, and equipment.

Total liabilities amounted to 302,036 million yen, up 61,735 million yen, due to an increase in bonds and borrowings resulting from the issue of bonds.

In terms of equity, total equity attributable to owners of parent amounted to 333,995 million yen, down 62,798 million yen from a year earlier, due to the recording of net loss attributable to owners of parent. Total equity, including noncontrolling interests, amounted to 370,736 million yen, down 66,675 million yen.

Overview of Cash Flows for FY ended March 2021

Cash and cash equivalents ("funds") as of March 31, 2021 stood at 85,377 million yen, up 23,445 million yen from a year earlier.

Net cash provided by operating activities amounted to 70,403 million yen, up 16,175 million yen from the previous year. The main factors included impairment loss of 79,575 million yen, loss before tax of 62,430 million yen, and depreciation expenses and depreciation charges of 29,477 million yen.

Net cash used in investing activities totaled 52,687 million yen, up 17,095 million yen from the previous year. The main item was 55,205 million yen in payments for purchase of property, plant and equipment.

Net cash provided by financing activities totaled 4,297 million yen, up 29,561 million yen from the previous year. The main items were 34,836 million yen in proceeds from the issue of bonds, 12,887 million yen in dividends paid, and 11,717 million yen in payments for acquisition of shares of subsidiaries not involving a change in the scope of consolidation.

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

Financing and Capital Liquidity

The Group's need for capital includes working capital such as raw material costs; overhead costs; selling, general and administrative expenses; capital investment, business investment including M&As; and repayment of interest-bearing debt related to manufacturing and sales. The Group meets such needs for capital mainly from operating cash flows and by borrowing from financial institutions.

The Group formulates a financial plan based on the annual business plan, and 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, while considering business expansion and enhancement of the financial position. The Group registered for the issuance of up to 50 billion yen in corporate bonds. In the current fiscal year under review, we will issue a total of 35 billion yen in unsecured corporate bonds to further diversify our methods for raising capital.

We are also introducing a cash management system for the purpose of efficient use of capital, and are seeking to centralize capital procurement and management within the Group.

Significant Accounting Policies

The Group's consolidated financial statements are prepared in accordance with IFRS. In preparing these statements, we make accounting estimates based on reasonable criteria for necessary matters.

The significant accounting policies, accounting estimates, and assumptions used in the estimates adopted in the Group's consolidated financial statements are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., A. Consolidated Financial Statements Note 4 'Significant Accounting Policies' and Note 6 'Significant Accounting Estimates and Assumptions for Estimates" in the securities report published in Japanese.

Basic Policy on Profit Allocation and Dividends for the Fiscal Year ended March 31, 2021 and the Fiscal Year ending March 31, 2022

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

The Company determines returns to shareholders by taking into account business performance and medium-term and long-term demand for funds, while giving consideration to a balance between returning profits to shareholders and retaining earnings necessary for future business advancement.

Over the period of the management policy up to the FY ending March 2025, we intend to maintain an overall return ratio of about 50%, taking into consideration business continuity and stability and the flexible buyback of shares. The Company's policy is to pay an interim and year-end dividend. The decision-making bodies that determine dividend payments is the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

Based on this policy, the interim dividend for the fiscal year under consideration was set at 30 yen per share. As previously announced, the year-end dividend was also set at 30 yen per share, yielding a combined annual dividend of 60 yen per share.

Moreover, the Articles of Incorporation stipulate that the Company may distribute dividends pursuant to Paragraph 5, Article 454 of the Companies Act; a resolution to distribute an interim dividend for the FY ended March 2021 was made by the Board of Directors on October 27, 2020.

Risk Information

JSR Group believes that preventing a major crisis from occurring and minimizing the impacts on business activities should such a crisis occur is an important management role. Risks related to business strategy are managed by means of deliberation and resolution at important meetings such as the Board of Directors. JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows, and other aspects of its business performance.

To manage risks associated with business operations, the Group has formulated Risk Management Policies and established a Risk Management Committee. Since the FY ended March 2010, we have operated our own risk management system, and under the direction of the Risk Management Committee, regularly identify risks in all departments in Japan and overseas, including Group companies. We have identified risks using a risk map which shows degree of impact on management and frequency of occurrence. Risks that may significantly impact business continuity are positioned as JSR Group Significant Risks, of which management is directly cognizant. By monitoring risks and regularly reviewing them, the Group is working to construct and maintain a system for prevention and crisis preparedness.

Forward-looking statements are based on the Group's judgments as of March 31, 2021, and the Group's business and other risks are not limited to the following matters.

(1) Changes in Demand due to Economic Trends

Major industries in which JSR Group's products are sold, such as automobiles and electronics, may be influenced by the economic climate in countries or regions. An economic slowdown could reduce demand in these industries and adversely affect JSR Group's operating results.

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

Fluctuations in prices for crude oil and naphtha, or changes in market conditions for other major raw materials, could change procurement prices of raw materials or market conditions for products and adversely affect JSR Group's operating results, especially in the Elastomers Business and Plastics Business.

(3) Development of New Products

Large, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect JSR Group's operating results.

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

JSR Group actively invests in R&D to create next-stage growth businesses. However, there is no guarantee that all R&D activities will yield worthwhile results. Depending on R&D results, there could be an adverse effect on JSR Group's operating results.

(5) Protection of Intellectual Property

Disputes over intellectual property with other companies could arise or infringements on JSR's intellectual property by other companies could occur.

(6) Product Quality Assurance and Product Liability

Damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.

(7) Procurement of Raw Materials

An interruption in the supply of raw materials due to an accident at a raw materials manufacturer or a supply stoppage due to quality issues or bankruptcy could hinder production activities and adversely affect JSR Group's operating results.

(8) Natural Disasters and Accidents

Constraints on economic activity caused by prolonged COVID-19 infections or a major natural disaster or accident at a manufacturing facility that damages the manufacturing facility or disrupts production could adversely affect JSR Group's operating results.

(9) Environmental Issues

In the event that a spill of any type of chemical occurs or that environmental regulations become more stringent, the Group's business activities could be constrained, the Group may have to pay compensation and other costs, or the Group may have to make new substantial capital expenditures. Any of these events could adversely affect JSR Group's operating results.

(10) Laws and Regulations

In the countries where it operates, JSR Group is subject to various laws and regulations involving business and investment permits, import and export activities, trade, labor relations, intellectual property, taxes, foreign exchange, and other matters. 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.

(11) Fluctuation in Exchange Rates

JSR Group is susceptible to the effects of exchange rate fluctuations. Operating results of consolidated subsidiaries and equity-method affiliates located in other countries are converted into Japanese yen amounts for the purposes of preparing consolidated financial statements. Accordingly, yen appreciation could adversely affect JSR Group's operating results.

(12) Overseas Operations

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 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.

(13) Litigation

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, 2021 were audited by KPMG AZSA LLC.

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Note	Millions of yen		Thousands of U.S. dollars
	Note	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Assets				
Current assets				
Cash and cash equivalents	9	¥ 61,931	¥ 85,377	$ 771,173
Trade and other receivables	10, 35	110,506	125,292	1,131,712
Inventories	12	112,840	104,862	947,180
Other financial assets	11, 35	4,064	1,933	17,461
Other current assets	14	11,487	11,815	106,718
Subtotal		300,829	329,279	2,974,245
Assets associated with disposal group classified as held for sale	13	2,646	—	—
Total current assets		303,475	329,279	2,974,245
Non-current assets				
Property, plant and equipment	15, 16, 18	215,664	170,428	1,539,406
Goodwill	17, 18	58,283	58,633	529,611
Other intangible assets	17, 18	15,891	15,014	135,615
Investments accounted for using equity method	19	25,385	21,015	189,820
Retirement benefit asset	23	2,560	4,905	44,303
Other financial assets	11, 35	44,656	49,751	449,383
Other non-current assets	14	2,469	3,598	32,499
Deferred tax assets	20	9,331	20,150	182,009
Total non-current assets		374,238	343,494	3,102,645
Total assets		677,713	672,773	6,076,891
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	22, 35	92,839	100,797	910,460
Contract liabilities		8,489	9,368	84,614
Borrowings	21, 35	30,043	37,872	342,080
Income taxes payable		1,757	4,866	43,957
Provisions	24	—	1,837	16,594
Other financial liabilities	21, 35	3,138	3,874	34,990
Other current liabilities	25	9,486	10,196	92,097
Subtotal		145,752	168,810	1,524,790
Liabilities associated with disposal group classified as held for sale	13	2,646	—	—
Total current liabilities		148,398	168,810	1,524,790
Non-current liabilities				
Contract liabilities		—	7,861	71,002
Bonds and borrowings	21, 35	52,684	81,406	735,304
Retirement benefit liability	23	16,216	16,434	174,458
Other financial liabilities	21, 35	16,198	19,314	46,392
Other non-current liabilities	25	3,667	5,136	148,438
Deferred tax liabilities	20	3,139	3,077	27,790
Total non-current liabilities		91,903	133,227	1,203,383
Total liabilities		240,301	302,036	2,728,174
Equity				
Equity attributable to owners of parent				
Share capital	26	23,370	23,370	211,095
Capital surplus	26	18,242	11,562	104,438
Retained earnings	26	369,102	302,916	2,736,120
Treasury shares	26	(19,547)	(19,202)	(173,442)
Other components of equity	26	5,626	15,348	138,634
Total equity attributable to owners of parent		396,793	333,995	3,016,846
Non-controlling interests		40,619	36,741	331,871
Total equity		437,412	370,736	3,348,717
Total liabilities and equity		¥677,713	¥672,773	$6,076,891

See accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Note	Millions of yen Fiscal year ended March 31, 2020	Millions of yen Fiscal year ended March 31, 2021	Thousands of U.S. dollars Fiscal year ended March 31, 2021
Continuing operations				
Revenue	7, 28	¥ 471,967	¥ 446,609	$ 4,034,041
Cost of sales		(331,228)	(313,200)	(2,829,015)
Gross profit		140,739	133,408	1,205,026
Selling, general and administrative expenses	29	(104,343)	(105,117)	(949,481)
Other operating income	30	1,304	1,790	16,172
Other operating expenses	18, 30	(4,879)	(87,584)	(791,108)
Share of profit (loss) of investments accounted for using equity method		64	(4,132)	(37,319)
Operating profit (loss)	7	32,884	(61,633)	(556,711)
Finance income	7, 31	1,929	947	8,552
Finance costs	7, 31	(2,184)	(1,743)	(15,748)
Profit (loss) before tax	7	32,629	(62,430)	(563,906)
Income tax expenses	20	(6,859)	7,900	71,357
Profit (loss) from continuing operations		25,770	(54,530)	(492,549)
Discontinued operations				
Profit from discontinued operations	13	252	—	—
Profit (loss) for the period		¥ 26,022	¥ (54,530)	$ (492,549)
Profit (loss) attributable to:				
Owners of parent		22,604	(55,155)	(498,197)
Non-controlling interests		3,418	625	5,648
Total		¥ 26,022	¥ (54,530)	$ (492,549)

	Note	Yen Fiscal year ended March 31, 2020	Yen Fiscal year ended March 31, 2021	U.S. dollars Fiscal year ended March 31, 2021
Earnings (loss) per share				
Basic earnings (loss) per share		¥104.38	¥(256.73)	$(2.32)
Continuing operations	33	103.22	(256.73)	(2.32)
Discontinued operations	33	1.16	—	—
Diluted earnings (loss) per share		104.19	(256.73)	(2.32)
Continuing operations	33	103.03	(256.73)	(2.32)
Discontinued operations	33	1.16	—	—

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Note	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Profit (loss)		¥26,022	¥(54,530)	$(492,549)
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	32	(1,377)	5,101	46,076
Remeasurements of defined benefit plans	32	661	1,438	12,986
Share of other comprehensive income of investments accounted for using equity method	32	(31)	68	615
Items that may be reclassified to profit or loss				
Net change in fair value of cash flow hedges	32	(124)	28	251
Exchange differences on translation of foreign operations	32	(4,111)	6,167	55,709
Share of other comprehensive income of investments accounted for using equity method	32	(904)	65	585
Total other comprehensive income, net of tax		(5,886)	12,867	116,222
Total comprehensive income		20,136	(41,663)	(376,327)
Comprehensive income attributable to:				
Owners of parent		17,486	(43,458)	(392,542)
Non-controlling interests		2,650	1,795	16,214
Total		¥20,136	¥(41,663)	$(376,327)

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

Fiscal year ended March 31, 2020 — Millions of yen

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2019		¥23,370	¥18,436	¥351,476	¥(10,042)	¥18,758	¥401,998	¥38,361	¥440,360
Effect of changes in accounting policies				133			133		133
Restated balance at April 1, 2019		23,370	18,436	351,609	(10,042)	18,758	402,131	38,361	440,493
Profit				22,604			22,604	3,418	26,022
Other comprehensive income						(5,118)	(5,118)	(768)	(5,886)
Total comprehensive income		—	—	22,604	—	(5,118)	17,486	2,650	20,136
Share-based remuneration transactions			(174)		292	(47)	71		71
Dividends	27			(13,054)			(13,054)	(1,453)	(14,507)
Changes in treasury shares			(31)		(9,798)		(9,829)		(9,829)
Transfer from other components of equity to retained earnings				7,968		(7,968)	—		—
Changes by sale of shares of subsidiaries							—	(361)	(361)
Changes in equity due to capital increase of subsidiary							—	1,422	1,422
Other movements			10	(24)			(13)		(13)
Total transactions with owners, etc.		—	(194)	(5,110)	(9,506)	(8,014)	(22,825)	(392)	(23,217)
Balance at March 31, 2020		¥23,370	¥18,242	¥369,102	¥(19,547)	¥ 5,626	¥396,793	¥40,619	¥437,412

Fiscal year ended March 31, 2021 — Millions of yen

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2020		¥23,370	¥18,242	¥369,102	¥(19,547)	¥ 5,626	¥396,793	¥40,619	¥437,412
Profit (loss)				(55,155)			(55,155)	625	(54,530)
Other comprehensive income						11,697	11,697	1,170	12,867
Total comprehensive income		—	—	(55,155)	—	11,697	(43,458)	1,795	(41,663)
Share-based remuneration transactions			(6)		266	(9)	251		251
Dividends	27			(12,888)			(12,888)	(479)	(13,368)
Changes in treasury shares			(18)		80		62		62
Transfer from other components of equity to retained earnings				2,399		(2,399)	—		—
Changes in non-controling interests			(6,656)			(27)	(6,682)	(5,198)	(11,881)
Other movements				(541)		460	(82)	5	(77)
Total transactions with owners, etc.		—	(6,679)	(11,031)	346	(1,975)	(19,339)	(5,673)	(25,012)
Balance at March 31, 2021		**¥23,370**	**¥11,562**	**¥302,916**	**¥(19,202)**	**¥15,348**	**¥333,995**	**¥36,741**	**¥370,736**

Fiscal year ended March 31, 2021 — Thousands of U.S. dollars

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2020		$211,095	$164,768	$3,333,957	$(176,564)	$ 50,816	$3,584,073	$366,897	$3,950,970
Profit (loss)				(498,197)			(498,197)	5,648	(492,549)
Other comprehensive income						105,655	105,655	10,566	116,222
Total comprehensive income		—	—	(498,197)	—	105,655	(392,542)	16,214	(376,327)
Share-based remuneration transactions			(53)		2,400	(80)	2,267		2,267
Dividends	27			(116,416)			(116,416)	(4,328)	(120,744)
Changes in treasury shares			(160)		722		562	(1)	561
Transfer from other components of equity to retained earnings				21,665		(21,665)	—		—
Changes in non-controling interests			(60,117)			(243)	(60,360)	(46,954)	(107,315)
Other movements				(4,889)		4,151	(738)	43	(695)
Total transactions with owners, etc.			(60,330)	(99,640)	3,122	(17,837)	(174,685)	(51,240)	(225,926)
Balance at March 31, 2021		**$211,095**	**$104,438**	**$2,736,120**	**$(173,442)**	**$138,634**	**$3,016,846**	**$331,871**	**$3,348,717**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Note	Millions of yen Fiscal year ended March 31, 2020	Millions of yen Fiscal year ended March 31, 2021	Thousands of U.S. dollars Fiscal year ended March 31, 2021
Cash flows from operating activities				
Profit (loss) before tax		¥ 32,629	¥(62,430)	$(563,906)
Loss before tax from discontinued operations	13	(3,208)	—	0
Depreciation and amortization		26,359	29,477	266,254
Interest and dividend income		(1,369)	(903)	(8,153)
Interest expenses		1,825	1,743	15,744
Share of loss (profit) of investments accounted for using equity method		(64)	4,132	37,319
Impairment loss	18	1,801	79,575	718,771
Decrease (increase) in trade and other receivables		23,317	(13,009)	(117,502)
Decrease (increase) in inventories		1,446	9,807	88,586
Increase (decrease) in trade and other payables		(27,721)	11,772	106,336
Other		11,912	15,001	135,501
Dividends received		1,591	1,076	9,720
Interest received		216	201	1,812
Interest paid		(1,732)	(1,605)	(14,496)
Income taxes refund		—	958	8,653
Income taxes paid		(12,773)	(5,393)	(48,712)
Net cash provided by (used in) operating activities		54,228	70,403	635,927
Cash flows from investing activities				
Net decrease (increase) in time deposits		1,036	2,145	19,371
Purchase of property, plant and equipment		(43,951)	(55,205)	(498,647)
Proceeds from sale of property, plant and equipment		913	284	2,565
Purchase of investments		(4,426)	(1,606)	(14,510)
Proceeds from sale of investments		15,449	2,016	18,210
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation		(749)	—	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		—	498	4,503
Purchase of shares in associates		(1,928)	—	—
Payments for loans receivable		(1,441)	(567)	(5,123)
Collection of loans receivable		309	627	5,666
Other		(804)	(878)	(7,934)
Net cash provided by (used in) investing activities		(35,592)	(52,687)	(475,897)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	21	2,547	(2,424)	(21,892)
Repayments of long-term borrowings	21	(7,839)	(11,428)	(103,224)
Proceeds from long-term borrowings	21	5,846	11,320	102,252
Proceeds from issuance of bonds		—	34,836	314,656
Payments for purchase of treasury shares		(10,002)	(3)	(27)
Dividends paid	27	(13,052)	(12,887)	(116,404)
Dividends paid to non-controlling interests		(1,453)	(464)	(4,190)
Capital contribution from non-controlling interests		1,422	—	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		—	(11,717)	(105,836)
Repayments of lease liabilities	21	(3,025)	(3,264)	(29,479)
Other		292	327	2,957
Net cash provided by (used in) financing activities		(25,264)	4,297	38,812
Effect of exchange rate changes on cash and cash equivalents		(1,049)	1,432	12,931
Net increase (decrease) in cash and cash equivalents		(7,677)	23,445	211,773
Cash and cash equivalents at beginning of period		70,785	61,931	559,401
Cash and cash equivalents included in assets associated with disposal groups classified as held for sale	13	(1,176)	—	—
Cash and cash equivalents at end of period	9	¥ 61,931	¥ 85,377	$ 771,173

See accompanying notes.

NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

(1) Reporting Entity

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

(2) Basis of Preparation

1) Compliance with Accounting Standards

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

2) Basis for Measurement

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

3) Presentation Currency and Units

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

The translation of the amounts in Japanese yen into US dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2021, which was ¥110.71 to $1.00. The amounts translated should not be construed as representations that the amounts in Japanese yen have been, could have been, or could in the future be, converted into US dollars at this or any other rates of exchange.

4) Authorization of Consolidated Financial Statements

The consolidated financial statements have been authorized by Nobuo Kawahashi, the Company's representative director and president and COO, and Hideki Miyazaki, the Company's CFO, on June 17, 2021.

(3) Explanation of New Standards and Interpretations Not Applied

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

(4) Significant Accounting Policies

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

1) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Associates

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

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

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

(iii) Joint Ventures

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

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

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

2) Business Combinations

The Group takes in account business combinations using the acquisition method.

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

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

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

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

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

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

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

3) Foreign Currency Translation

(i) Functional Currency and Presentation Currency

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

(ii) Foreign Currency Transactions

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

(iii) Foreign Operations

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

4) Cash and Cash Equivalents

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

5) Inventories

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

6) Property, Plant and Equipment (Excluding Right-of-use Assets)

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

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

The estimated useful lives of major assets are as follows:

- Buildings and structures: 10 to 50 years
- Machinery, equipment, and vehicles: 5 to 25 years
- Tools, furniture, and fixtures: 3 to 10 years

7) Intangible Assets

(i) R&D Expenses

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

(ii) Goodwill

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

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

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

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

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

The estimated useful life of major assets is as follows:

- Technology-based intangible assets: 5 years

(iv) Intangible Assets Acquired Individually

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

The estimated useful life of a major asset is as follows:

- Software: 5 years

8) Impairment of Non-financial Assets

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

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

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

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

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

9) Financial Instruments

(9.1) Financial Assets

(i) Initial Recognition and Measurement

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

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

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

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

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

(ii) Subsequent Measurement

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

(a) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method

(b) Financial assets measured at fair value

Measured at fair value on the reporting date

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

(iii) Derecognition

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

(9.2) Financial Liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

(a) **Financial liabilities measured at amortized cost**
Measured at amortized cost using the effective interest method

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

(iii) Derecognition

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

(9.3) Offsetting Financial Instruments

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

10) Impairment of Financial Assets

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

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

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

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

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

11) Derivatives and Hedge Accounting

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

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

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

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

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

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

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

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

12) Leases

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

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

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

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

13) Employee Benefits

(i) Short-term Employee Benefits

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

(ii) Long-Term Employee Benefits

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

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

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

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

(iii) Termination benefits

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

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

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

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

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

15) Provisions

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

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

16) Share Capital

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

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

17) Share-based Remuneration Plans

(i) Stock Options

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

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

(ii) Restricted Share-based Remuneration Plan

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

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

18) Revenue Recognition

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

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

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

19) Government Grants

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

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

20) Finance Income and Finance Cost

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

Finance cost comprises interest paid, etc.

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

21) Income Taxes

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

(i) Current Taxes

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

(ii) Deferred Taxes

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

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

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

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

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

22) Earnings per Share

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

(5) Changes in Presentation

(Consolidated statements of financial position)
"Contract liabilities" included in "Other current liabilities" in the previous fiscal year have been reclassified as a separate item in the current fiscal year, because the amounts have become significant.

The amounts of "Contract liabilities" were ¥8,489 million in the previous fiscal year.

(6) Significant Accounting Estimates and Judgments Involving Estimates

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

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

Actual results may differ from these estimates.

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

1) Impairment of Non-Financial Assets

In the calculation of recoverable amount in impairment test, certain assumptions have been made for 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 "(18) Impairment of Non-Financial Assets."

2) Recoverability of Deferred Tax Assets

For the recognition of deferred tax assets, the amount is determined, assuming the probability that there will be taxable profits, by estimating the timing when taxable profits that can be obtained in the future are available and the amount of these profits based on the business plan. The relevant content and amount of deferred tax assets are provided in the note "(20) Income Taxes."

(7) Segment Information

1) Overview of Reportable Segments

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

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

JSR Group has four reportable segments: Digital Solutions Business, which is engaged mainly in the manufacture and sale of semiconductor materials, display materials, and products related to edge computing; and Life Sciences Business; Elastomers Business, which is engaged mainly in 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 is engaged mainly in the manufacture and sale of ABS and other resins for automobiles, office equipment, and amusement applications. The Digital Solutions Business is a reportable segment comprising multiple segments based on the nature of the products and services, the nature of production processes, and similarity in markets and other economic characteristics.

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

JSR has classified the lithium-ion capacitor business as discontinued operations from the previous fiscal year, and segment information presents only amounts for continuing operations excluding the lithium-ion capacitor business. JSR lost control over JM Energy Corporation (*) on April 1, 2020, and JM Energy Corporation (*) became an equity method affiliate of JSR. The profit or loss using the equity method from JM Energy Corporation (*) in the fiscal year is included in the other segment.

(*) JM Energy changed company name to "Musashi Energy Solutions Co., Ltd." on November 1, 2020.

Main Products in Each Business Segment

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

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

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

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

	The Reportable Segment							
	Digital Solutions	Life Sciences	Elastomers	Plastics	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	¥144,805	¥ 50,496	¥178,794	¥95,092	¥ 2,779	¥471,967	¥ 0	¥471,967
Segment profit (loss) (core operating profit) [Note 3]	30,917	3,945	(1,758)	6,237	(250)	39,091	(5,855)	32,236
Segment assets	145,736	129,485	260,488	69,035	11,485	616,230	58,837	675,068
Other items								
Depreciation and amortization	6,627	5,420	9,925	2,372	221	24,565	1,778	26,343
Impairment losses	—	60	1,454	—	—	1,514	—	1,514
Capital expenditures	18,341	8,613	15,560	2,891	—	45,405	475	45,880

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.
Note 2: The segment profit (loss) downward adjustment of ¥(5,855) million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amounts in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, securities (debt instruments)) and long-term investment funds (securities (equity instruments)) owned by the parent company.
Note 3: The Segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Millions of yen

	The Reportable Segment							
	Digital Solutions	Life Sciences	Elastomers	Plastics	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	¥151,420	¥ 55,197	¥143,186	¥79,123	¥17,682	¥446,609	¥ 0	¥446,609
Segment profit (loss) (core operating profit) [Note 3]	34,568	3,510	(11,420)	4,430	1,108	32,196	(6,233)	25,963
Segment assets	164,777	158,393	183,747	76,569	10,778	594,263	78,509	672,773
Other items								
Depreciation and amortization	7,525	6,236	11,169	2,631	238	27,800	1,677	29,477
Impairment losses	1,408	940	77,227	—	—	79,575	—	79,575
Capital expenditures	13,542	18,566	16,593	3,511	479	52,691	979	53,669

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.
Note 2: The Segment profit (loss) downward adjustment of ¥(6,233) million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amount in the segment assets line is corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instruments)) and long-term investment funds (securities (equity instruments)) by the parent company.
Note 3: The Segment profit (loss) has been changed from "Operating profit (loss)" to "Core operating profit" from the current fiscal year. "Core operating profit" is presented as a profit (loss) after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit. The Company is undertaking business restructuring to achieve medium-to-long-term growth and increase corporate value. The change was made in response to the restructuring of the Display Solutions Business during the current fiscal year, because it was deemed to be useful for the management of each segment and for users of consolidated financial statements to determine the Company's recurring segment profit or loss.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Thousands of U.S. dollars

	The Reportable Segment							
	Digital Solutions	Life Sciences	Elastomers	Plastics	Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
Revenue from external customers	$1,367,721	$ 498,570	$1,293,342	$714,689	$159,719	$4,034,041	$ 0	$4,034,041
Segment profit (loss) (core operating profit) [Note 3]	312,237	31,703	(103,150)	40,016	10,011	290,817	(56,302)	234,515
Segment assets	1,488,364	1,430,706	1,659,715	691,614	97,349	5,367,749	709,142	6,076,891
Other items								
Depreciation and amortization	67,971	56,324	100,889	23,769	2,153	251,107	15,147	266,254
Impairment losses	12,722	8,491	697,558	—	—	718,771	—	718,771
Capital expenditures	122,322	167,703	149,874	31,713	—	475,937	8,838	484,775

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.
Note 2: The Segment profit (loss) downward adjustment of $(56,032) thousand contains company-wide profits and losses not allocated to the reportable segments. The adjustment amount in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instruments)) and long-term investment funds (securities (equity instruments)) by the parent company.
Note 3: The Segment profit (loss) has been changed from "Operating profit (loss)" to "Core operating profit" from the current fiscal year. "Core operating profit" is presented as a profit (loss) after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit. The Company is undertaking business restructuring to achieve medium-to-long-term growth and increase corporate value. The change was made in response to the restructuring of the Display Solutions Business during the current fiscal year, because it was deemed to be useful for the management of each segment and for users of consolidated financial statements to determine the Company's recurring segment profit or loss.

Adjustments to reconcile segment profit to quarterly profit (loss) before tax are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Segment profit	¥33,236	¥ 25,963	$ 234,515
Loss from sales of shares of subsidiaries and affiliated companies	(352)	—	—
Business restructuring expenses	—	(87,436)	(789,778)
Special retirement benefits	—	(160)	(1,448)
Operating profit (loss)	32,884	(61,633)	(556,711)
Finance income	1,929	947	8,552
Finance costs	(2,184)	(1,743)	(15,748)
Profit before tax (loss)	32,629	(62,430)	(563,906)

(*) Business restructuring expenses consisted of other operating expenses of ¥84,021 million ($758,928 thousand) and Share of loss of investments accounted for using equity method of ¥3,415 million ($30,851 thousand). Please refer to "Note 30. Other Operating Income and Expenses" for details on the business restructuring expenses.

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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Japan	¥198,238	¥184,637	$1,667,758
China	67,022	73,317	662,240
U.S.	60,403	59,616	538,489
Other regions	146,304	129,039	1,165,554
Total	¥471,967	¥446,609	$4,034,041

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

Property, Plant and Equipment

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Japan	¥111,160	¥ 92,718	$ 837,482
U.S.	23,769	40,319	364,189
Other regions	80,735	37,391	337,735
Total	¥215,664	¥170,428	$1,539,406

Note: We confine items presented to property, plant and equipment considering cost of the preparation.
The presentation of amounts for some regions has been omitted for the fiscal year ended March 31, 2021 because the amounts have become materially insignificant. Figures for the fiscal year ended March 31, 2020 have been reclassified.

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.

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

1) Business Combination

Fiscal year ended March 31, 2019 (April 1, 2019 to March 31, 2020)
Not Applicable

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Not Applicable

2) Acquisition of Non-controlling Interest

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Not Applicable

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
From October 28, 2020 to January 15, 2021, to improve the enterprise value, the Group additionally acquired 40.18% of the shares in MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. from non-controlling-interest shareholders, and as a result, the voting rights ratio increased to 100% from 50.82%.

As the consideration for additional acquisition, cash of ¥11,415 million ($103,104 thousand) was paid to the non-controlling-interest shareholders, and the group accounted for ¥6,398 million ($57,792 thousand) as the decreasing capital surplus,which is the difference between the consideration for the additional acquisition and ¥5,016 million ($45,312 thousand), which is the total amount of Non-controlling interest reduced because of the additional acquisition and the exchange differences on translation of foreign operations.

(9) Cash and Cash Equivalents

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Cash and cash equivalents			
Cash and deposit	¥48,931	¥73,372	$662,740
Short-term investment	13,001	12,005	108,434
Total	¥61,931	¥85,377	$771,173

(10) Trade and Other Receivables

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

Trade and other receivables include the following items.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Trade receivables			
Notes and account receivable-trade	¥ 97,758	¥108,615	$ 981,081
Other receivables			
Account receivables-other	12,430	16,410	148,223
Other	317	267	2,408
Total	¥110,506	¥125,292	$1,131,712

(11) Other Financial Assets

1) Breakdown of Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Derivative asset	¥ 3	¥ 1	$ 7
Investments (equity financial assets)	39,955	46,186	417,176
Term deposits	3,297	1,412	12,753
Other	5,466	4,086	36,909
Total	48,721	51,684	466,845
Current assets	4,064	1,933	17,461
Non-current assets	44,656	49,751	449,383
Total	¥48,721	¥51,684	$466,845

Derivative assets are classified as financial assets measured at fair value through profit or loss. Investments (equity financial assets) are classified as financial assets measured at fair value through other comprehensive income, or those through profit or loss. 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:

Name of Stock	Millions of yen As of March 31, 2020	Millions of yen As of March 31, 2021	Thousands of U.S. dollars As of March 31, 2021
BRIDGESTONE Corporation	¥ 6,576	¥ 8,856	$ 79,993
Optorun Co., Ltd.	5,941	6,336	57,234
Carbon, Inc.	5,775	5,230	47,245
Cambridge Quantum Computing	1,464	3,060	27,637
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	1,051	2,597	23,458
Vedanta Biosciences Inc	1,088	1,882	17,000
Mitsubishi Chemical Holdings Corporation	1,030	1,330	12,016
Tosoh Corporation	1,456	835	7,544
Other	11,992	12,254	110,686
Total	¥36,373	¥42,380	$382,802

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

	Millions of yen Fiscal year ended March 31, 2020	Millions of yen Fiscal year ended March 31, 2021	Thousands of U.S. dollars Fiscal year ended March 31, 2021
Dividends received	¥1,139	¥715	$6,458

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 Fiscal year ended March 31, 2020		Millions of yen Fiscal year ended March 31, 2021		Thousands of U.S. dollars Fiscal year ended March 31, 2021	
Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses
¥15,449	¥7,338	¥2,016	¥808	$18,210	$7,300

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

(12) Inventories

Inventories consist of the following items.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Finished goods and merchandise	¥ 73,823	¥ 61,394	$554,545
Work in process	3,613	3,156	28,510
Raw materials and supplies	35,404	40,312	364,126
Total	¥112,840	¥104,862	$947,180

The amount of valuation losses on inventories recognized as expenses was ¥497 million as of March 31, 2020 and ¥662 million ($5,980 thousand) as of March 31, 2021. The write-off amount is included in "cost of sales" in the consolidated statement of profit or loss. The amount included in cost of sales was ¥308,487 million as of March 31, 2020 and ¥287,563 million ($2,597,440 thousand) as of March 31, 2021.

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

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

1) Disposal Groups Classified as Held for Sale

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

As part of JSR's business portfolio management efforts, JSR entered into an agreement with Musashi Seimitsu Industry Co., Ltd. (Musashi Seimitsu Industry), for the transfer of 80% of the shares of JM Energy Corporation (JM Energy)(*), a consolidated subsidiary of JSR, in January, 2020. As a result, JSR lost control of JM Energy(*) in, April 2020 so from the previous fiscal year, the assets and liabilities of JM energy(*) were classified as disposal groups classified as held for sale, and, as of April 1, 2020, the stock transfer was carried out as scheduled.

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Assets associated with disposal groups classified as held for sale			
Cash and cash equivalents	¥1,176	¥—	$—
Trade and other receivables	216	—	—
Inventories	1,207	—	—
Other current assets	47	—	—
Property, plant and equipment	0	—	—
Total assets	¥2,646	¥—	$—
Liabilities associated with disposal groups classified as held for sale			
Trade and other payables	659	—	—
Income taxes payable	222	—	—
Other current liabilities	1,016	—	—
Retirement benefit liability	254	—	—
Deferred tax liabilities	496	—	—
Total liabilities	¥2,646	¥—	$—

(*) JM Energy changed its company name to Musashi Energy Solutions Co., Ltd. on November 1, 2020.

2) Discontinued Operations

As described in "1) Disposal Groups Classified as Held for Sale", JSR has classified the lithium-ion capacitor business as discontinued operations from the previous fiscal year because JSR lost control over JM Energy Corporation (*). Because JSR transferred 80% of shares to JM Energy Corporation on April 1, 2020, JM Energy Corporation became an equity method affiliate of JSR, and the profit or loss using the equity method from JM Energy Corporation (*) in the fiscal year ended March 31, 2021 is included in the "Other" segment in "Note 7: Segment information".

(i) Profit or Loss from Discontinued Operations

The following are the profit or loss from discontinued operations.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Revenue	¥ 590	¥—	$—
Cost of sales and expenses	(3,798)	—	—
Loss before tax from discontinued operations	(3,208)	—	—
Income tax expenses	3,460	—	—
Profit from discontinued operations	¥ 252	—	—

There is no profit or loss recognized by disposing of the assets or disposal groups that make up the discontinued business. Please refer to the consolidated statement of profit or loss for basic and diluted earnings per share for discontinued operations.

(ii) Cash Flows Arising from Discontinued Operations

The following are cash flows from discontinued operations.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Cash flows from operating activities	¥(1,278)	¥ —	$ —
Cash flows from investing activities	(517)	(1,176)	(10,627)
Cash flows from financing activities	2,858	—	—
Total	¥ 1,062	¥(1,176)	$(10,627)

Note: Cash flows from investing activities in the current fiscal year are due to expenditures (cash and cash equivalents of the disposed subsidiary) due to the sale of shares of the subsidiary accompanying a change in the scope of consolidation.

(14) Other Assets

The breakdown of other assets is as shown below.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Other current assets			
Excise tax receivable	¥ 5,837	¥ 4,276	$ 38,622
Income taxes receivable	1,569	2,044	18,458
Prepaid expenses	1,921	3,509	31,693
Other	2,160	1,987	17,945
Total	¥11,487	¥11,815	$106,718
Other non-current assets			
Long-term prepaid expenses	195	41	373
Other	2,274	3,557	32,126
Total	¥ 2,469	¥ 3,598	$ 32,499

(15) Property, Plant and Equipment

Changes in carrying amounts and the balance of acquisition costs and accumulated depreciation of property, plant and equipment are as follows. For information on impairment losses, see "(18) 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, 2019	¥ 47,295	¥ 69,697	¥11,029	¥17,240	¥ 38,173	¥ 23	¥183,457
Adjustment due to adoption of IFRS 16	11,965	227	12	1,607	—	—	13,810
April 1, 2019	¥ 59,260	¥ 69,924	¥11,041	¥18,847	¥ 38,173	¥ 23	¥197,268
Acquisition	4,587	5,458	813	1,997	35,753	143	48,750
Depreciation	(6,585)	(12,559)	(4,196)	(253)	—	—	(23,593)
Impairment loss	(104)	(1,563)	(93)	(1)	(37)	—	(1,797)
Sales and disposals	(424)	(788)	(72)	(12)	(159)	—	(1,454)
Transfer	4,772	11,978	4,604	(0)	(21,337)	(18)	—
Exchange differences of foreign operations	(816)	(1,342)	(96)	(31)	(1,300)	0	(3,584)
Other	(210)	656	(3)	(271)	(95)	(1)	75
March 31, 2020	¥ 60,481	¥ 71,763	¥11,999	¥20,275	¥ 50,999	¥ 147	¥215,664
Acquisition	8,644	2,670	1,310	44	39,670	96	52,434
Depreciation	(7,322)	(14,349)	(4,731)	(243)	—	(29)	(26,675)
Impairment loss	(17,655)	(52,226)	(2,241)	—	(988)	—	(73,110)
Sales and disposals	(102)	(298)	(89)	0	(221)	1	(709)
Transfer	21,585	40,648	3,790	291	(66,177)	(137)	—
Exchange differences of foreign operations	2,043	3,276	195	64	1,839	(9)	7,408
Other	625	(290)	(111)	(1,081)	(3,780)	52	(4,585)
March 31, 2021	¥ 68,299	¥ 51,194	¥10,122	¥19,350	¥ 21,342	¥ 120	¥170,428

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2020	$ 546,301	$ 648,209	$108,383	$183,140	$ 460,653	$ 1,324	$1,948,010
Acquisition	78,076	24,118	11,836	395	358,321	870	473,615
Depreciation	(66,141)	(129,610)	(42,737)	(2,191)	—	(261)	(240,941)
Impairment loss	(159,471)	(471,736)	(20,244)	—	(8,922)	—	(660,374)
Sales and disposals	(922)	(2,690)	(806)	0	(1,992)	6	(6,404)
Transfer	194,968	367,158	34,238	2,628	(597,751)	(1,241)	—
Exchange differences of foreign operations	18,456	29,588	1,764	580	16,607	(81)	66,915
Other	5,650	(2,619)	(1,003)	(9,767)	(34,143)	467	(41,415)
March 31, 2021	$ 616,917	$ 462,418	$ 91,430	$174,784	$ 192,772	$ 1,085	$1,539,406

Acquisition Cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2020	¥162,022	¥364,873	¥68,381	¥21,779	¥50,999	¥147	¥668,201
March 31, 2021	¥194,226	¥409,383	¥70,942	¥21,176	¥21,342	¥199	¥717,267

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2021	$1,754,367	$3,697,793	$640,788	$191,271	$192,772	$1,800	$6,478,792

Accumulated Depreciation and Impairment

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2020	¥101,541	¥293,110	¥56,382	¥1,504	¥—	¥—	¥452,536
March 31, 2021	¥125,927	¥358,188	¥60,819	¥1,825	¥ 0	¥79	¥546,839

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2021	$1,137,449	$3,235,375	$549,358	$16,487	$0	$715	$4,939,386

(Notes) 1. Depreciation expenses of property, plant and equipment are recorded as "inventories" in the consolidated statement of financial position, or "cost of sales", "selling, general and administrative expenses" and "profit from discontinued operations" in the consolidated statement of profit or loss.
2. Impairment loss is recorded as "other operating expenses" and "Profit from discontinued operations" in the consolidated statement of profit or loss.
3. "Other" in the changes of carrying amounts includes transfer to/from "inventories" in the consolidated statement of financial position, or "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of profit or loss.
4. Amounts of property, plant and equipment pledged as collateral for liabilities are stated in "(21) Borrowings and bonds (including Other financial liabilities)."
5. Right-of-use asset included in carrying amounts of property, plant and equipment is stated in "(16) Lease."

(16) Lease

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

1) Right-of-Use Asset

Net increase in right-of-use asset, depreciation and carrying amount in the fiscal year ended March 31, 2020 are as follows:

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	¥12,710	¥3,944	¥ 33	¥2,278	¥18,965
Depreciation	(2,734)	(704)	(37)	(253)	(3,728)

(Note) Increase amount of right-of-use asset is ¥7,718 million.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	¥17,000	¥ 943	¥ 29	¥1,056	¥19,028
Depreciation	(3,154)	(425)	(22)	(243)	(3,844)

(Note) Increase amount of right-of-use asset is ¥8,165 million.

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	¥153,552	¥ 8,519	¥ 261	¥ 9,539	¥171,872
Depreciation	(28,491)	(3,839)	(195)	(2,191)	(34,717)

(Note) Increase amount of right-of-use asset is $73,754 thousand.

2) Finance Costs Related to Lease

Finance costs related to leases in the fiscal year ended March 31, 2020 are as follows:

Fiscal year ended March 31 ,2020 (from April 1, 2019 to March 31, 2020)

	Millions of yen
Finance costs related to leases	¥ 615
Expenses relating to short-term leases	340
Expenditures relating to leases of low-value assets	672
Variable lease payments	67
The amount of cash outflow related to leases	¥3,899

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Millions of yen	Thousands of U.S. dollars
Finance costs related to leases	¥ 537	$ 4,852
Expenses relating to short-term leases	246	2,223
Expenditures relating to leases of low-value assets	570	5,147
Variable lease payments	40	357
The amount of cash outflow related to leases	¥3,264	$29,479

For the information on Maturity analysis for lease liabilities, see "(35) Financial Instruments, 2) Financial Risks, (iii) Liquidity Risks."

(17) Goodwill and Other Intangible Assets

Changes in carrying amounts and the balance of acquisition costs and accumulated amortization of goodwill and other intangible assets are as follows. For information of impairment losses, see "(18) Impairment of Non-financial Assets."

Changes in Carrying Amounts

Millions of yen

		Other intangible asset		
	Goodwill	Software	Other	Total
April 1, 2019	¥59,066	¥ 4,137	¥10,068	¥14,205
Acquisition	—	4,134	306	4,440
Amortization	—	(1,144)	(1,621)	(2,765)
Impairment loss	—	(3)	—	(3)
Sales and disposals	—	(116)	(267)	(382)
Transfer to other property, plant and equipment	—	(214)	214	—
Exchange differences of foreign operations	(784)	(34)	(194)	(228)
Other	—	461	165	626
March 31, 2020	¥58,283	¥ 7,220	¥ 8,671	¥15,891
Acquisition	—	8,259	309	8,567
Amortization	—	(1,334)	(1,468)	(2,802)
Impairment loss	(688)	(3,908)	(1,869)	(5,777)
Sales and disposals	—	(4)	(201)	(205)
Transfer to other property, plant and equipment	—	(480)	480	—
Exchange differences of foreign operations	1,039	59	283	343
Other	—	(1,056)	53	(1,003)
March 31, 2021	¥58,633	¥ 8,755	¥ 6,258	¥15,014

Thousands of U.S. dollars

		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2020	$526,446	$ 65,213	$ 78,323	$143,536
Acquisition	—	74,597	2,790	77,386
Amortization	—	(12,050)	(13,264)	(25,313)
Impairment loss	(6,217)	(35,299)	(16,880)	(52,180)
Sales and disposals	—	(37)	(1,812)	(1,850)
Transfer to other property, plant and equipment	—	(4,339)	4,339	—
Exchange differences of foreign operations	9,383	535	2,561	3,096
Other	—	(9,536)	475	(9,061)
March 31, 2021	$529,611	$ 79,085	$ 56,530	$135,615

Acquisition Cost

Millions of yen

		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2020	¥58,283	¥24,919	¥26,708	¥51,627
March 31, 2021	¥58,633	¥30,999	¥27,615	¥58,614

Thousands of U.S. dollars

		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2021	$529,611	$280,000	$249,438	$529,439

Accumulated Amortization and Impairment

Millions of yen

		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2020	¥—	¥17,699	¥18,037	¥35,736
March 31, 2021	¥—	¥22,243	¥21,357	¥43,600

Thousands of U.S. dollars

		Other intangible asset		
	Goodwill	Software	Other	Total
March 31, 2021	$—	$200,915	$192,909	$393,824

(Notes) 1. Amortization expenses of other intangible assets are recorded as "cost of sales", "selling, general and administrative expenses" and "profit (loss) from discontinued operations" in the consolidated statement of profit or loss.
2. "Other operating expenses" in the consolidated statement of profit or loss include the impairment loss.
3. "Other" changes in the carrying amount include the transfer amount to "Cost of sales", "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(18) Impairment on Non-Financial Assets

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

Impairment losses in the fiscal years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Property, plant and equipment			
Buildings and structures	¥ 92	¥17,655	$159,471
Machinery and vehicles	1,355	52,226	471,736
Tools, fixtures and fittings	63	2,241	20,244
Construction in progress	—	988	8,922
Subtotal	1,510	73,110	660,374
Goodwill and other intangible asset			
Goodwill	—	688	6,217
Software	3	3,908	35,299
Other	—	1,869	16,880
Subtotal	3	6,465	58,397
Total	¥1,514	¥79,575	$718,771

The Company had commenced and partially implemented business restructuring, including unlimited structure reforms in the Elastomers Business in the current fiscal year. As part of the business restructuring program, the Company reduced the carrying amount to the recoverable amount for assets of some operations of the Elastomers Business, the Display Solutions Business and the Life Sciences Business for which the investment amount became unlikely to be recovered. The reduction amount of ¥79,575 million ($718,771 thousand) whose breakdown(¥ 77,227 million ($697,558 thousand), ¥ 1,408 million ($12,722 thousand), ¥940 million ($ 8,491 thousand)) was recorded as impairment loss under "Other operating expenses."

Regarding the Elastomers business, the Group changed the cash-generating unit for impairment accounting from the production line to the entire Elastomers business as the Group has reviewed our strategic approach while working on profit improvement measures and business restructuring. The recoverable amount in the Elastomers business is measured by the fair value less cost of disposal, and the fair value is calculated based on the enterprise values obtained from the potential buyers as part of its business structure reforms. The fair value hierarchy is classified as Level 3. Adopting the enterprise values obtained from the potential buyers as the basis of the fair value by comparing them with a discounted present value of future cash flows of the Elastomers business calculated by an external valuation expert.

Future cash flows are calculated based on a five-year business plan, and the terminal value is calculated in consideration of the terminal growth rate and the EBITDA multiples of similar transactions.

The recoverable amount in the Display solutions business and part of the Life Sciences business is measured by the value in use.

2) Impairment Test on Goodwill

The goodwill listed in the consolidated statement of financial position is mainly the goodwill related to drug discovery and development service that happened in the 2018 acquisition of Crown Bioscience International, and the carrying amount of goodwill allocated to cash-generating units (or groups of cash-generating units) is as follows:

Segment	Cash-generating units (groups of cash-generating units)	Millions of yen As of March 31, 2020	Millions of yen As of March 31, 2021	Thousands of U.S. dollars As of March 31, 2021
Plastics business	Plastics	¥ 2,598	¥ 2,598	$ 23,471
Life Sciences business	In-vitro Diagnostics and Research Reagents	3,641	3,641	32,889
	Contract Development and Manufacturing for Biomedicine	5,124	5,213	47,086
	Contract of the Services for Development and Generation of Cell-lines	9,184	9,528	86,064
	Drug Discovery and Development Services	36,904	36,823	332,605
	Other	830	830	7,498
Total		¥58,283	¥58,633	$529,612

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

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

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

Measured at the Value in Use

Cash-generating units (groups of cash-generating units)	Terminal growth rate	Pre-tax discount rate	Term to estimate cash flows
Plastics	0.0%	10.3%	5 years
In-vitro Diagnostics and Research Reagents	1.0%	10.0%	5 years
Contract Development and Manufacturing for Biomedicine	2.0%	13.0%	5 years
Contract of the Services for Development and Generation of Cell-lines	2.0%	10.8%	5 years
Drug Discovery and Development Services	2.0%	14.8%	5 years

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

(19) Investments Accounted for Using the Equity Method

1) Investments in Associates

There are no investments in significant associates.

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

	Millions of yen As of March 31, 2020	Millions of yen As of March 31, 2021	Thousands of U.S. dollars As of March 31, 2021
Carrying amount	¥5,955	¥5,061	$45,716

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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Share of profit (loss)	¥287	¥(640)	$(5,777)
Share of other comprehensive income	(88)	(22)	(198)
Share of total comprehensive income	¥199	¥(661)	$(5,975)

2) Investments in Joint Ventures

There are no investments in significant joint ventures.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Carrying amount	¥19,429	¥15,954	$144,103

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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Share of profit (loss)	¥ (223)	¥(3,492)	$(31,543)
Share of other comprehensive income	(847)	155	1,398
Share of total comprehensive income	¥(1,070)	¥(3,337)	$(30,144)

(20) 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, 2019 (April 1, 2019 to March 31, 2020)

	Millions of yen				
	April 1, 2019	Recognized through profit (loss)	Recognized through other comprehensive income	Other	March 31, 2020
Deferred Tax Assets					
Inventories	¥ 1,133	¥ (33)	¥ —	¥ —	¥ 1,100
Accrued bonuses	1,710	198	—	—	1,908
Non-current assets	1,956	(632)	—	—	1,324
Retirement benefit liability	4,780	(133)	(292)	—	4,355
Unused tax losses	425	276	—	—	701
Other	3,562	2,094	507	(300)	5,863
Total	¥ 13,566	¥1,770	¥ 215	¥ (300)	¥15,252
Deferred Tax Liabilities					
Non-current assets	(1,625)	73	—	—	(1,551)
Financial asset measured at fair value through other comprehensive income	(8,763)	—	657	3,176	(4,931)
Other	(1,992)	(586)	—	—	(2,578)
Total	¥(12,380)	¥ (512)	¥ 657	¥3,176	¥ (9,060)

Fiscal year ended March 31, 2020 (April 1, 2020 to March 31, 2021)

Millions of yen

	April 1, 2020	Recognized through profit (loss)	Recognized through other comprehensive income	Other	March 31, 2021
Deferred Tax Assets					
Inventories	¥ 1,100	¥ 22	¥ —	¥ —	¥ 1,122
Accrued bonuses	1,908	(41)	—	—	1,867
Non-current assets	1,324	24,405	—	—	25,729
Retirement benefit liability	4,355	75	(711)	—	3,719
Unused tax losses	701	(426)	—	69	344
Other	5,863	829	(185)	(422)	6,086
Total	¥15,252	¥ 24,864	¥ (895)	¥(353)	¥ 38,868
Deferred Tax Liabilities					
Non-current assets	(1,551)	37	—	—	(1,514)
Financial asset measured at fair value through other comprehensive income	(4,931)	—	(2,241)	377	(6,794)
Retained earnings	(1,619)	(11,440)	—	—	(13,059)
Other	(959)	532	—	—	(427)
Total	¥ (9,060)	¥(10,871)	¥(2,241)	¥ 377	¥(21,794)

Fiscal year ended March 31, 2020 (April 1, 2020 to March 31, 2021)

Thousands of U.S. dollars

	April 1, 2020	Recognized through profit (loss)	Recognized through other comprehensive income	Other	March 31, 2021
Deferred Tax Assets					
Inventories	$ 9,937	$ 201	$ —	$ —	$ 10,138
Accrued bonuses	17,233	(369)	—	—	16,864
Non-current assets	11,962	220,441	—	—	232,403
Retirement benefit liability	39,337	675	(6,419)	—	33,592
Unused tax losses	6,333	(3,850)	—	623	3,106
Other	52,961	7,487	(1,667)	(3,808)	54,974
Total	$137,764	$224,584	$ (8,086)	$(3,185)	$ 351,077
Deferred Tax Liabilities					
Non-current assets	(14,013)	336	—	—	(13,676)
Financial asset measured at fair value through other comprehensive income	(44,536)	—	(20,239)	3,405	(61,370)
Retained earnings	(14,625)	(103,333)	—	—	(117,958)
Other	(8,659)	4,807	—	—	(3,853)
Total	$ (81,833)	$ (98,191)	$(20,239)	$ 3,405	$(196,857)

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Unused tax losses	¥ 9,881	¥11,471	$103,617
Deductible temporary differences	2,531	1,874	16,924
Total	¥12,412	¥13,345	$120,541

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Not later than one year	¥ 276	¥ —	$ 0
Later than one year and not later than five years	2,015	2,259	20,406
Later than five years	7,590	9,212	83,211
Total	¥9,881	¥11,471	$103,617

The amount of taxable temporary differences pertaining to investments in subsidiaries, etc., for which deferred tax liabilities have not been recognized was ¥34,309 million as of March 31, 2020 and ¥22,963 million ($207,417 thousand) as of March 31, 2021. 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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Current tax expenses	¥ 4,656	¥ 6,093	$ 55,036
Deferred tax expenses	(1,257)	(13,993)	(126,394)
Total	¥ 3,399	¥ (7,900)	$ (71,357)
Continuing operations	6,859	(7,900)	(71,357)
Discontinued operations	(3,460)	—	—

Deferred tax expenses include tax losses of ¥720 million and ¥218 million ($1,973 thousand), which had not been recognized, in the previous fiscal year and the current fiscal year, respectively. Also, the amounts of benefits arising from temporary differences in past periods are included in the previous fiscal year and the current fiscal year, which were ¥164 million and ¥90 million ($812 thousand), respectively.

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

	%	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Statutory income tax rate	30.6	30.6
Retained earnings	0.6	(18.0)
Tax credit on experiment and research expenses	(2.9)	1.3
Differences in tax rates applied to foreign operations	(3.8)	(0.7)
Special deduction for reconstruction district	(0.3)	0.3
Share of loss (profit) of entities accounted for using the equity method	(0.1)	(2.0)
Other	(3.1)	1.2
Average effective tax rate	21.0	12.7

(21) Borrowings and Bonds (Including Other Financial Liabilities)

1) Financial Liabilities

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

	Millions of yen		Thousands of U.S. dollars	%	
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021	Average interest rates	Payment Due
Current borrowings	¥ 23,559	¥ 22,333	$ 201,724	0.69%	—
Current portion of non-current borrowings	6,483	15,539	140,356	1.52%	—
Non-current borrowings	52,684	46,537	420,350	2.01%	2022-27
Bonds payable	—	34,869	314,955	0.28%	2025-30
Current lease liabilities	3,094	3,330	30,076	—	—
Non-current lease liabilities	15,672	19,043	172,008	—	2022-44
Derivative liabilities	111	815	7,364	—	—
Other	460	—	—	—	—
Total	¥102,063	¥142,465	$1,286,832	—	—
Current liabilities	33,181	41,745	377,070	—	—
Non-current liabilities	68,882	100,720	909,762	—	—
Total	¥102,063	¥142,465	$1,286,832	—	—

Borrowings and bonds 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 and bonds payable are as follows:

	Millions of yen					
	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Non-current borrowings	¥8,248	¥13,392	¥15,276	¥ 8,238	¥ 1,384	¥46,537
Bonds Payable	—	—	—	13,000	22,000	35,000

	Thousands of U.S. dollars					
	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Non-current borrowings	$74,501	$120,962	$137,978	$ 74,409	$ 12,500	$420,350
Bonds Payable	—	—	—	117,424	198,717	316,141

2) Pledged Assets

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

Pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Cash and cash equivalents	¥ 7	¥ 7	$ 63
Property, plant and equipment	14,040	12,814	11,574
Total	¥14,047	¥12,821	$11,580

Corresponding liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Current borrowings and current portion of non-current borrowings	¥29	¥ 2	$ 14
Other current liabilities	2	—	—
Non-current portion of non-current borrowings	2	31	280
Total	¥33	¥33	$294

3) Reconciliation of Liabilities Arising from Financing Activities

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

	As of March 31, 2019	Adjustment due to adoption of IFRS 16	As of April 1, 2019	Cash flow	Non-cash items: Lease	Non-cash items: Exchange differences	Non-cash items: Transfer between non-current and current	Non-cash items: Other	As of March 31, 2020
Borrowings (non-current)	¥50,777	¥ —	¥50,777	¥ 5,568	¥ —	¥(1,476)	¥(2,184)	¥—	¥ 52,684
Borrowings (current)	33,519	—	33,519	(5,014)	—	(648)	2,184	1	30,043
Lease liabilities	1,731	13,678	15,408	(3,025)	6,721	(339)	—	—	18,766
Total	¥86,027	¥13,678	¥99,704	¥(2,470)	¥6,721	¥(2,464)	¥ —	¥ 1	¥101,492

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Millions of yen

	As of April 1, 2020	Cash flow	Non-cash items: Lease	Non-cash items: Exchange differences	Non-cash items: Transfer between non-current and current	Non-cash items: Other	As of March 31, 2021
Borrowings (non-current)	¥ 52,684	¥ 10,896	¥ —	¥2,166	¥(19,208)	¥ —	¥ 46,537
Bonds Payable	—	34,836	—	—	—	33	34,869
Borrowings (current)	30,043	(13,427)	—	1,715	19,208	333	37,872
Lease liabilities	18,766	(3,264)	6,000	871	—	—	22,373
Total	¥101,492	¥ 29,041	¥6,000	¥4,752	¥ —	¥366	¥141,650

Thousands of U.S. dollars

	As of April 1, 2020	Cash flow	Non-cash items: Lease	Non-cash items: Exchange differences	Non-cash items: Transfer between non-current and current	Non-cash items: Other	As of March 31, 2021
Borrowings (non-current)	$475,872	$ 98,416	$ —	$19,563	$(173,502)	$ —	$ 420,350
Bonds Payable	—	314,656	—	—	—	299	314,955
Borrowings (current)	271,362	(121,281)	—	15,492	173,502	3,005	342,080
Lease liabilities	169,507	(29,479)	54,191	7,864	—	—	202,084
Total	$916,742	$ 262,313	$54,191	$42,919	$ —	$3,303	$1,279,468

(22) Trade and Other Payables

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Trade Payable			
Notes and accounts payable-trade	¥61,156	¥ 73,751	$666,166
Other Payable			
Accounts payable-other, and accrued expenses	31,178	26,521	239,553
Other	504	525	4,741
Total	¥92,839	¥100,797	$910,460

(23) Employee Benefits

1) Outline of Post-Employment Benefit Plans

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

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

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

2) Defined Benefit Plans

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Present value of funded retirement benefit obligation	¥ 38,349	¥ 38,495	$ 347,712
Fair value of plan assets	(37,472)	(40,114)	(362,334)
Subtotal	877	(1,619)	(14,622)
Present value of unfunded retirement benefit obligation	12,779	13,148	118,757
Total Net liability (asset) for retirement benefit	¥ 13,656	¥ 11,529	$ 104,135
Amounts on consolidated statement of financial position			
Retirement benefit liability	16,216	16,434	148,438
Retirement benefit asset	(2,560)	(4,905)	(44,303)
Total Net liability (asset) for retirement benefit	¥ 13,656	¥ 11,529	$ 104,135

(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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Balance of present value of retirement benefit obligation at the beginning of the fiscal year	¥52,139	¥51,128	$461,817
Service cost	2,409	2,462	22,238
Interest expense	158	215	1,940
Remeasurement			
Actuarial gains (losses) arising from changes in demographic assumptions	(207)	53	475
Actuarial gains (losses) arising from changes in financial assumptions	(827)	44	398
Benefits paid	(2,333)	(2,402)	(21,700)
Other	(212)	144	1,302
Balance of present value of retirement benefit obligation at the end of the fiscal year	¥51,128	¥51,643	$466,469

The weighted average duration of defined benefit plan obligations was 13.7 years in the fiscal year ended March 31, 2020 and 13.3 years in the fiscal year ended March 31, 2021.

(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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Balance of fair value of plan assets at the beginning of the fiscal year	¥37,772	¥37,472	$338,468
Interest revenue	117	312	2,817
Remeasurement			
Return on plan assets	(84)	2,436	22,005
Contributions paid by the employer	1,677	1,519	13,717
Benefits paid	(1,816)	(1,703)	(15,380)
Other	(194)	78	708
Balance of fair value of plan assets at the end of the fiscal year	¥37,472	¥40,114	$362,334

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

The Group will make contributions of ¥1,990 million ($17,973 thousand) in the fiscal year ending March 31, 2022.

(iv) Items of Plan Assets

Plan assets consisted of the following items.

	Millions of yen					
	As of March 31, 2020			As of March 31, 2021		
	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	¥ 3,861	¥ —	¥ 3,861	¥ 4,546	¥ —	¥ 4,546
Equity instruments						
Domestic equity securities	1,149	—	1,149	1,482	—	1,482
Foreign equity securities	3,316	—	3,316	4,005	—	4,005
Debt instruments						
Domestic bonds	9,197	—	9,197	9,669	—	9,669
Foreign bonds	10,657	—	10,657	10,632	—	10,632
General accounts of life insurance	—	660	660	—	688	688
Alternative investments*	—	8,632	8,632	—	9,090	9,090
Total	¥28,180	¥9,292	¥37,472	¥30,335	¥9,779	¥40,114

*Alternative investments include hedge funds.

	Thousands of U.S. dollars		
	As of March 31, 2021		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total
Cash and cash equivalents	$ 41,064	$ —	$ 41,064
Equity instruments			
Domestic equity securities	13,390	—	13,390
Foreign equity securities	36,175	—	36,175
Debt instruments			
Domestic bonds	87,340	—	87,340
Foreign bonds	96,037	—	96,037
General accounts of life insurance	—	6,218	6,218
Alternative investments*	—	82,110	82,110
Total	$274,006	$88,328	$362,334

*Alternative investments include hedge funds.

(v) Main Component Used for Actuarial Assumption

	%	
	As of March 31, 2020	As of March 31, 2021
Discount rates (weighted average)	0.51	0.50

(vi) Sensitivity Analysis

In the fiscal year ended March 31, 2021, 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 ¥2,751 million ($24,849 thousand). This provisional calculation assumes that variables other than the assumptions used in the calculation are constant. In reality, since individual assumptions are affected by changes in economic indicators and conditions at the same time, the assumptions are expected to change independently or in a correlated fashion, and the actual effects of such changes on defined benefit plan obligations may differ from the expected effects.

3) Defined Contribution Plans

The amount recognized as expenses in relation to defined contribution plans was ¥1,273 million in the fiscal year ended March 31, 2020 and ¥1,427 million ($12,893 thousand) in the fiscal year ended March 31, 2021.

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, 2020 and the fiscal year ended March 31, 2021 was ¥3,724 million and ¥3,792 million ($34,254 thousand), respectively.

(24) Provisions

Increase or decrease in provisions are the following:

	Millions of yen	Thousands of U.S. dollars
	Provision for loss on business restructuring	Provision for loss on business restructuring
As of April 1, 2020	¥ —	$ —
Increase	1,837	16,594
As of March 31, 2021	¥1,837	$16,594

Provision for Loss on Business Restructuring

To provide for losses due to business restructuring that are expected to arise for the future, the estimated loss is reported.

The payment period is within one year from the end of the fiscal year.

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

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2021
Current liabilities	¥1,837	$16,594
Total	¥1,837	$16,594

(25) Other Liabilities

Other liabilities include the following items.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Other current liabilities			
Unearned revenue	¥ 52	¥ 55	$ 501
Accrued bonuses	5,188	5,254	47,461
Accrued consumption taxes	860	1,019	9,205
Other	3,386	3,867	34,930
Total	9,486	10,196	92,097
Other non-current assets			
Provision for environmental measures	804	787	7,111
Other	2,864	4,349	39,281
Total	¥3,667	¥ 5,136	$46,392

(Note) “Contract liabilities” included in “Other current liabilities” in the previous fiscal year have been reclassified as a separate item in the current fiscal year, because the amount has become significant. The change is reflected in the above-mentioned previous fiscal year.

(26) Equity and Other Equity Items

1) Share Capital and Capital Surplus

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

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

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

	Number of shares authorized	Number of shares issued
As of April 1, 2019	696,061,000	226,126,145
Increase/Decrease	—	—
As of March 31, 2020	696,061,000	226,126,145
Increase/Decrease	—	—
As of March 31, 2021	696,061,000	226,126,145

(Note) All shares issued by the Company are ordinary shares with no rights limitations and without par value and restricted shares. Issued shares are fully paid.

2) Treasury Shares

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

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

	Number of shares
As of April 1, 2019	5,694,949
Increase/Decrease	5,717,359
As of March 31, 2020	11,412,308
Increase/Decrease	(188,973)
As of March 31, 2021	11,223,335

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

3) Retained Earnings

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

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

4) Other Components of Equity

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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, 2019	¥19,508	¥ 30	¥ (293)	¥ —	¥(26)	¥(460)	¥18,758
Other comprehensive income	(1,320)	(63)	(4,364)	630	—	—	(5,118)
Total comprehensive income	(1,320)	(63)	(4,364)	630	—	—	(5,118)
Share-based remuneration plan	—	—	—	—	(47)	—	(47)
Transfer from other components of equity to retained earnings	(7,338)	—	—	(630)	—	—	(7,968)
Total transactions with owners, etc.	(7,338)	—	—	(630)	(47)	—	(8,014)
As of March 31, 2020	¥10,849	¥(34)	¥(4,657)	¥ —	¥(73)	¥(460)	¥ 5,626

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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, 2020	¥10,849	¥(34)	¥(4,657)	¥ —	¥(73)	¥(460)	¥ 5,626
Other comprehensive income	5,055	14	5,038	1,590	—	—	11,697
Total comprehensive income	5,055	14	5,038	1,590	—	—	11,697
Share-based remuneration plan	—	—	—	—	(9)	—	(9)
Transfer from other components of equity to retained earnings	(808)	—	—	(1,590)	—	—	(2,399)
Changes in non-controlling interests	—	—	(27)	—	—	—	(27)
Other movements	—	—	—	—	—	460	460
Total transactions with owners, etc.	(808)	—	(27)	(1,590)	(9)	460	(1,975)
As of March 31, 2021	¥15,096	¥(20)	¥ 354	¥ —	¥(82)	¥ —	¥15,348

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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, 2020	$ 97,996	$(305)	$(42,065)	$ —	$(659)	$(4,151)	$ 50,816
Other comprehensive income	45,656	128	45,506	14,365	—	—	105,655
Total comprehensive income	45,656	128	45,506	14,365	—	—	105,655
Share-based remuneration plan	—	—	—	—	(80)	—	(80)
Transfer from other components of equity to retained earnings	(7,300)	—	—	(14,365)	—	—	(21,665)
Changes in non-controlling interests	—	—	(243)	—	—	—	(243)
Other movements	—	—	—	—	—	4,151	4,151
Total transactions with owners, etc.	(7,300)	—	(243)	(14,365)	(80)	—	(17,837)
As of March 31, 2021	$136,352	$(177)	$ 3,199	$ —	$(739)	$ —	$138,634

(a) Net Change in Financial Assets Measured at Fair Value through Other Comprehensive Income
It represents valuation differences on fair value of equity instruments measured at fair value through other comprehensive income.

(b) Net Change in Fair Value of Cash Flow Hedges
It represents change in profit or loss on valuation of derivatives as hedging instruments that were recorded in the statement of comprehensive income on and before the date of cessation of hedge accounting.

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

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

(e) Restricted Shares
Under the restricted share-based remuneration plan, monetary remuneration to be used as contributed properties for restricted shares is provided. The amount equivalent to fair value of remuneration determined at the initial recognition is recorded in share capital, and recognized as the amount debited to other components of equity. Over the vesting period, other components of equity recognized as the debited amount are deducted at the time when remuneration cost is recognized. Details of the restricted share-based remuneration plan are provided in the note "(35) Share-based remuneration."

(f) 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, the present value of the purchase amount had been recognized as financial liabilities, and the same amount had been reduced from other components of equity in the previous fiscal year.

The carrying amount of financial liabilities at the time of extinguishment was transferred to capital surplus because the obligations to purchase these interests expired in the current fiscal year.

(27) Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 18, 2019	Ordinary Shares	¥6,613 million	¥30	March 31, 2019	June 19, 2019	Retained Earnings
Board of Directors Meeting on October 28, 2019	Ordinary Shares	¥6,441 million	¥30	September 30, 2019	November 27, 2019	Retained Earnings

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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, 2020	**Ordinary Shares**	**¥6,441 million ($58,183 thousand)**	**¥30 ($0.27)**	**March 31, 2020**	**June 18, 2020**	**Retained Earnings**
Board of Directors Meeting on October 27, 2020	**Ordinary Shares**	**¥6,447 million ($58,233 thousand)**	**¥30 ($0.27)**	**September 30, 2020**	**November 27, 2020**	**Retained Earnings**

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

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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, 2020	Ordinary Shares	¥6,441 million	¥30	March 31, 2020	June 18, 2020	Retained Earnings

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 17, 2021	**Ordinary Shares**	**¥6,447 million ($58,234 thousand)**	**¥30 ($0.27)**	**March 31, 2021**	**June 18, 2021**	**Retained Earnings**

(28) Revenue

1) Disaggregation of Revenue

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

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

		Millions of yen		
		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	¥ 27,853	¥116,953	¥144,805
	Semiconductor Materials	16,899	67,095	83,994
	Display Materials	5,350	43,638	48,988
	Edge Computing Materials	5,604	6,220	11,823
	Life Sciences	9,912	40,584	50,496
	Elastomers	103,219	75,575	178,794
	Plastics	55,969	39,124	95,092
Other		1,286	1,493	2,779
Total		¥198,238	¥273,729	¥471,967
Adjustment		0	—	0
Amount Recorded in the Consolidated Financial Statements		¥198,238	¥273,729	¥471,967

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

		Millions of yen		
		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	¥ 28,152	¥123,268	¥151,420
	Semiconductor Materials	19,269	75,585	94,855
	Display Materials	4,919	42,436	47,354
	Edge Computing Materials	3,964	5,247	9,211
	Life Sciences	12,369	42,828	55,197
	Elastomers	84,967	58,219	143,186
	Plastics	47,817	31,306	79,123
Other		11,333	6,350	17,682
Total		¥184,637	¥261,971	¥446,609
Adjustment		0	—	0
Amount Recorded in the Consolidated Financial Statements		¥184,637	¥261,971	¥446,609

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

		Thousands of U.S. dollars		
		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	$ 254,286	$1,113,435	$1,367,721
	Semiconductor Materials	174,053	682,734	856,787
	Display Materials	44,428	383,306	427,734
	Edge Computing Materials	35,805	47,395	83,200
	Life Sciences	111,723	386,848	498,570
	Elastomers	767,469	525,872	1,293,342
	Plastics	431,917	282,772	714,689
Other		102,362	57,356	159,719
Total		$1,667,757	$2,366,283	$4,034,040
Adjustment		1	—	1
Amount Recorded in the Consolidated Financial Statements		$1,667,758	$2,366,283	$4,034,041

(1) Digital Solutions Business

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

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

(2) Life Sciences Business

(i) Manufacturing and sale of in-vitro diagnostics and research reagents, related materials, and bioprocess materials

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

(ii) Contract development and manufacturing for bioprocess, etc.

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

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

(3) Elastomers Business

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

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

(4) Plastics Business

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

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

2) Liabilities Arising from Contracts with the Customers

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

The Group recognized almost all balances of contract liabilities at the beginning of the current fiscal year as revenue in that year, and there is no importance for the amounts carried over from the next fiscal year.

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

The major changes in the contract liabilities in the current fiscal year are that unearned revenue from the customers temporarily increased in the Life Sciences Business.

3) Transaction Price Allocated to the Remaining Performance Obligations

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

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

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

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

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

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

(29) 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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Transportation and warehousing expenses	¥ 12,151	¥ 11,242	$101,543
Salaries and allowances	23,651	25,475	230,104
Retirement benefit expenses	1,280	1,108	10,007
Experiment and research expenses	24,066	23,406	211,420
Depreciation	5,798	7,052	63,700
Supplies expenses	3,772	3,049	27,539
Business consignment expenses	3,544	3,745	33,830
Other	30,081	30,040	271,339
Total	¥104,343	¥105,117	$949,481

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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Research and development expense	¥25,233	¥24,436	$220,716

(30) 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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Gain on sales of non-current assets	¥ 7	¥ 135	$ 1,221
Rent income	84	103	933
Other	1,213	1,552	14,019
Total	¥1,304	¥1,790	$16,172

Other operating expenses consisted of as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Loss on abandonment of non-current assets	¥ 657	¥ 278	$ 2,512
Loss on sales of non-current assets	61	84	760
Impairment loss	1,514	—	—
Business Restructuring expenses*	—	84,021	758,928
Other	2,646	3,200	28,908
Total	¥4,879	¥87,584	$791,108

*Business Restructuring expenses mainly consisted of costs related to structural reforms in the Elastomers Business of ¥81,563 million ($736,725 thousand) and costs related to structural reforms in the Display Solutions Business of ¥2,458 million ($22,203 thousand). The main contents are impairment losses on non-current assets of ¥79,575 million ($718,771 thousand) and special retirement benefits.

(31) Financial Income and Costs

Financial income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Interest income			
Financial assets measured at amortized cost	¥ 230	¥188	$1,695
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	1,139	715	6,458
Foreign exchange gains	559	35	314
Other	—	10	86
Total	¥1,929	¥947	$8,552

Financial costs consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Interest expenses			
Financial liabilities measured at amortized cost	¥1,210	¥1,206	$10,892
Lease liabilities	615	537	4,852
Other*	359	0	4
Total	¥2,184	¥1,743	$15,748

* "Other" in the previous fiscal year is mainly profit or loss on shares of subsidiaries.

(32) Other Comprehensive Income

Changes in items of other comprehensive income are shown below:

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

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	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	¥(2,034)	¥ —	¥(2,034)	¥657	¥(1,377)
Remeasurements of defined benefit plans	952	—	952	(292)	661
Share of other comprehensive income of investments accounted for using the equity method	(31)	—	(31)	—	(31)
Total	¥(1,113)	¥ —	¥(1,113)	¥366	¥ (747)
Items that may be reclassified to profit or loss					
Cash flow hedges	(103)	(22)	(124)	—	(124)
Exchange differences on translation of foreign operations	(4,068)	(43)	(4,111)	—	(4,111)
Share of other comprehensive income of investments accounted for using the equity method	(904)	—	(904)	—	(904)
Total	¥(5,075)	¥(64)	¥(5,139)	¥ —	¥(5,139)
Total	¥(6,187)	¥(64)	¥(6,252)	¥366	¥(5,886)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	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	¥ 7,342	¥—	¥ 7,342	¥(2,241)	¥ 5,101
Remeasurements of defined benefit plans	2,072	—	2,072	(635)	1,438
Share of other comprehensive income of investments accounted for using equity method	68	—	68	—	68
Total	¥ 9,482	¥—	¥ 9,482	¥(2,875)	¥ 6,607
Items that may be reclassified to profit or loss					
Cash flow hedges	(10)	37	28	—	28
Exchange differences on translation of foreign operations	6,167	—	6,167	—	6,167
Share of other comprehensive income of investments accounted for using the equity method	65	—	65	—	65
Total	¥ 6,223	¥37	¥ 6,260	¥ —	¥ 6,260
Total	¥15,705	¥37	¥15,742	¥(2,875)	¥12,867

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	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	$ 66,315	$ —	$ 66,315	$(20,239)	$ 46,076
Remeasurements of defined benefit plans	18,717	—	18,717	(5,731)	12,986
Share of other comprehensive income of investments accounted for using the equity method	615	—	615	—	615
Total	$ 85,647	$ —	$ 85,647	$(25,970)	$ 59,677
Items that may be reclassified to profit or loss					
Cash flow hedges	(88)	339	251	—	251
Exchange differences on translation of foreign operations	55,709	—	55,709	—	55,709
Share of other comprehensive income of investments accounted for using the equity method	585	—	585	—	585
Total	$ 56,206	$339	$ 56,545	$ —	$ 56,545
Total	$141,853	$339	$142,192	$(25,970)	$116,222

(33) Earnings per Share

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
1) Basic earnings (loss) per share	¥104.38	¥(256.73)	$(2.32)
Continuing operations	¥103.22	¥(256.73)	$(2.32)
Discontinued operations	¥1.16	¥—	$—
(Basis of calculation)			
Profit (loss) attributable to owners of parent	¥22,604 million	¥(55,155) million	$(498,197) thousand
Continuing operations	¥22,352 million	¥(55,155) million	$(498,197) thousand
Discontinued operations	¥252 million	—	—
Average shares outstanding during the year (1,000 shares)	216,545	214,838	214,838
2) Diluted earnings (loss) per share	¥104.19	¥(256.73)	$(2.32)
Continuing operations	¥103.03	¥(256.73)	$(2.32)
Discontinued operations	¥1.16	¥—	$—
(Basis of calculation)			
Increase in common stock due to stock options (1,000 shares)	405	—	—
Average diluted shares outstanding during the year (1,000 shares)	216,950	214,838	214,838

(Note) Dilutive potential ordinary shares are 331 thousand shares in the current fiscal year.
These are excluded from the calculation of the Diluted loss per share because these have reverse dilution effect.

(34) Share-based Remuneration

1) Stock Options

(i) Overview of Share-based Remuneration Plan

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

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

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

	Shares	Yen	Shares	Yen	U.S. dollars
	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021		
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
Outstanding at the beginning	480,200	¥ 1	361,000	¥ 1	$0.01
Granted	—	—	—	—	—
Exercised	(119,200)	1	(48,400)	1	0.01
Forfeited	—	—	—	—	—
Expired	—	—	—	—	—
Outstanding at the end	361,000	1	312,600	1	0.01
Exercisable at the end	229,100	1	312,600	1	0.01

The weighted average share price as of the exercise date of stock options exercised during the period was ¥1,697 and ¥2,445 ($22.09) in the fiscal years ended March 31, 2020 and 2021, respectively.

In the fiscal years ended March 31, 2020 and 2021, the exercise price of unexercised stock options was ¥1 each.

The weighted average remaining contract terms in the fiscal years ended March 31, 2020 and 2021 were 10.5 years and 10.2 years, respectively, for the unexercised balance at the end of the fiscal year, and 10.0 years and 10.2 years, respectively, for the exercisable balance at the end of the fiscal year.

2) Restricted Share-based Remuneration Plan

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

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

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

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Number of restricted shares granted	155,100 shares
Fair value on the grant date	¥2,110 per share ($19.06 per share)
Calculation method for fair value measurement	Calculated on the basis of closing price of ordinary shares of the Company at the Tokyo Stock Exchange on the business day proceeding the date when the Board of Directors adopted a resolution.
Transfer Restriction Period	3 years

3) Share-based Remuneration Expense

The amount of share-based remuneration expense included in "selling, general and administrative expenses" in the consolidated statement of profit or loss was ¥245 million in the fiscal year ended March 31, 2020 and ¥318 million ($2,876 thousand) in the fiscal year ended March 31, 2021.

(35) Financial Instruments

1) Capital Management Policy

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

2) Financial Risks

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

(i) Market Risks

(a) Exchange Rate Risks

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

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

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

Details of currency derivatives are as follows:

Derivative Transactions to which Hedge Accounting Is Not Applied

Millions of yen

	As of March 31, 2020			As of March 31, 2021		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
Forward exchange contracts						
Purchase	¥ 585	¥—	¥ 4	¥ 651	¥—	¥ 16
Sell	6,670	—	(49)	8,584	—	(462)
Total	¥7,255	¥—	¥(44)	¥9,235	¥—	¥(447)

Thousands of U.S. dollars

	As of March 31, 2021		
	Contracted Amount	Later than one year	Fair value
Forward exchange contracts			
Purchase	$ 5,878	$—	$ 142
Sell	77,538	—	(4,176)
Total	$83,416	$—	$(4,035)

Millions of yen

	As of March 31, 2020			As of March 31, 2021		
	Assumed principal	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
Currency swap						
U.S. dollars	¥—	¥—	¥—	¥ 6,975	¥4,982	¥(228)
EUR	—	—	—	6,620	—	(33)
Total	¥—	¥—	¥—	¥13,595	¥4,982	¥(262)

Thousands of U.S. dollars

	As of March 31, 2021		
	Assumed principal	Later than one year	Fair value
Currency swap			
U.S. dollars	$ 63,000	$45,000	$(2,064)
EUR	59,794	—	(300)
Total	$122,794	$45,000	$(2,363)

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

Exposure to Exchange Rate Risks

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

	Millions of yen		Thousands of U.S. dollars
Functional Currency	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Japanese yen	¥4,613	¥1,954	$17,646
Korean won	3,472	780	7,042
Thai baht	3,831	7,379	39,156

Foreign Exchange Sensitivity Analysis

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

	Millions of yen		Thousands of U.S. dollars
Functional Currency	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Japanese yen (weak U.S. dollar)	¥(46)	¥(20)	$(176)
Korean won (weak U.S. dollar)	(35)	(8)	(70)
Thai baht (weak U.S. dollar)	(38)	(74)	(392)

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

(b) Equity Price Risks

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

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

If the share price increases (decreases) by 5% with other changing factors remaining constant, other components of equity (net of related tax effects) will increase (decrease) by ¥1,252 million ($11,312 thousand) for the fiscal year ended March 31, 2021 (fiscal year ended March 31, 2020: ¥1,001 million) due to the change in fair value.

(c) Interest Rate Risks

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

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

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

(ii) Credit Risks

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

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

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

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

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

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

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

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

Millions of yen

	Gross carrying amount				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses
As of March 31, 2020	¥12,748	¥ 0	¥ 98,547	¥3,879	¥130
As of March 31, 2021	¥16,676	¥—	¥109,332	¥3,802	¥168
			Thousands of U.S. dollars		
As of March 31, 2021	$150,631	$—	$987,533	$34,341	$1,519

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

Millions of yen

	Loss Allowance				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses
As of April 1, 2019	¥—	¥ 0	¥ 618	¥ 1	¥ 309
Increase	—	—	676	—	47
Decrease (Utilization)	—	—	(28)	—	(225)
Decrease (Reversal)	—	—	(545)	(1)	0
Other	—	—	68	—	(1)
As of March 31, 2020	¥—	¥ 0	¥ 789	¥ 0	¥ 130
Increase	—	—	299	2	40
Decrease (Utilization)	—	(0)	(188)	—	—
Decrease (Reversal)	—	—	(116)	(1)	—
Other	—	—	(67)	(1)	1
As of March 31, 2021	¥—	¥—	¥ 717	¥ 0	¥ 168

Thousands of U.S. dollars

	Loss Allowance				
	Trade and other receivables			Other financial assets	
	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses	Measured by simplified approach	Measured at 12-month expected credit losses	Measured at lifetime expected credit losses
As of March 31, 2020	$—	$ 0	$ 7,123	$ 0	$1,173
Increase	—	—	2,700	—	360
Decrease (Utilization)	—	(0)	(1,699)	—	—
Decrease (Reversal)	—	0	(1,046)	(5)	(18)
Other	—	0	(604)	(10)	4
As of March 31, 2021	$—	$ 0	$ 6,474	$ 1	$1,519

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Guarantee Obligation	¥3,140	¥—	$—

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

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

Millions of yen

As of March 31, 2020	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	¥ 92,839	¥ 92,839	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 92,839
Borrowings	82,726	30,210	13,816	8,186	12,109	19,527	379	84,226
Derivative liabilities	111	44	—	—	—	—	66	111
Lease liabilities	18,766	3,425	3,313	1,965	1,824	1,609	8,332	20,468
Total	¥194,442	¥126,518	¥17,129	¥10,151	¥13,933	¥21,136	¥8,777	¥197,644

Millions of yen

As of March 31, 2021	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	¥100,797	¥100,797	¥ —	¥ —	¥ —	¥ —	¥ —	¥100,797
Borrowings	84,409	38,067	8,954	13,705	15,033	8,272	1,389	85,421
Bonds payable	34,869	97	97	97	97	13,097	22,336	35,820
Derivative liabilities	815	544	—	—	—	—	271	815
Lease liabilities	22,373	3,800	2,612	2,344	2,122	2,044	11,508	24,430
Total	¥243,263	¥143,305	¥11,662	¥16,146	¥17,252	¥23,413	¥35,504	¥247,283

Thousands of U.S. dollars

As of March 31, 2021	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	$ 910,460	$ 910,460	$ —	$ —	$ —	$ —	$ —	$ 910,460
Borrowings	762,433	343,844	80,878	123,792	135,787	74,718	12,546	771,574
Bonds payable	314,955	874	874	874	874	118,298	201,749	323,544
Derivative liabilities	7,364	4,914	—	—	—	—	2,450	7,364
Lease liabilities	202,084	34,327	23,590	21,174	19,165	18,466	103,948	220,669
Total	$2,197,295	$1,294,419	$105,342	$145,840	$155,827	$211,482	$320,692	$2,233,611

3) Fair Value of Financial Instruments

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

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

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

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

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

	Millions of yen				Thousands of U.S. dollars	
	As of March 31, 2020		As of March 31, 2021		As of March 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loans payable	¥59,167	¥58,412	¥62,076	¥60,874	$560,706	$549,850
Bonds payable	—	—	34,869	35,474	314,955	320,427

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

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

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

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

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

Bonds payable are classified as Level 2 in the fair value hierarchy.

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

	Millions of yen			
As of March 31, 2020	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	¥ —	¥ —	¥ 3,582	¥ 3,582
Derivatives	—	3	—	3
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	20,013	—	16,360	36,373
Financial assets defined as hedging instruments				
Derivatives	—	—	—	—
Total	¥20,013	¥ 3	¥19,942	¥39,958
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	44	—	44
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	—	66	—	66
Total	¥ —	¥111	¥ —	¥ 111

Millions of yen

As of March 31, 2021	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	¥ —	¥ —	¥ 3,805	¥ 3,805
Derivatives	—	1	—	1
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	25,141	—	17,239	42,380
Financial assets defined as hedging instruments				
Derivatives	—	—	—	—
Total	¥25,141	¥ 1	¥21,044	¥46,186
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	544	—	544
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	—	271	—	271
Total	¥ —	¥815	¥ —	¥ 815

Thousands of U.S. dollars

As of March 31, 2021	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	$ —	$ —	$ 34,370	$ 34,370
Derivatives	—	7	—	7
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	227,091	—	155,715	382,806
Financial assets defined as hedging instruments				
Derivatives	—	—	—	—
Total	$227,091	$ 7	$190,084	$417,183
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	4,914	—	4,914
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	—	2,450	—	2,450
Total	$ —	$7,364	$ —	$ 7,364

(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 in the previous fiscal year. With regard to the obligations to purchase these interests, ¥460 million 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. There is no recognition as financial liabilities because the obligations to purchase these interests expired in the current fiscal year.

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, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Balance at the beginning	¥17,219	¥19,942	$180,126
Total gains and losses	355	446	4,029
Profit or loss	(271)	(32)	(286)
Other comprehensive income (Note)	625	478	4,315
Purchase	4,171	1,644	14,847
Selling	(56)	—	—
Other	(1,747)	(934)	(8,432)
Balance at the end	¥19,942	¥21,098	$190,570

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

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

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

4) Hedge Accounting

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

Millions of yen

As of March 31, 2020	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	¥4,516	¥—	¥ 66	Other financial liabilities
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	11,862 ($109 million)	—	11,862	Borrowings

Millions of yen

As of March 31, 2021	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	¥2,048	¥—	¥ 38	Other financial liabilities
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	8,691 ($79 million)	—	8,691	Borrowings

Thousands of U.S. dollars

As of March 31, 2021	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	$18,500	$—	$ 347	Other financial liabilities
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	78,500	—	78,500	Borrowings

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

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

Millions of yen

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	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	¥(124)	¥(22)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	(67)	—	—

(Note) Before tax effect

Millions of yen

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	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	¥ 28	¥(37)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	517	—	—

(Note) Before tax effect

Thousands of U.S. dollars

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	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	$ 251	$(338)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	4,670	—	—

(Note) Before tax effect

(36) Subsidiaries

The number of consolidated subsidiaries as of March 31, 2021 was 64 (61 as of March 31, 2020).

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

The number of companies consolidated by acquisition, establishment, etc.: 5

The number of subsidiaries excluded by liquidation, sales, etc.: 2

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

Techno-UMG Co., Ltd.

(1) Proportion of non-controlling interests and the cumulative amount of non-controlling interests

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2021
Proportion of share of non-controlling interests	49%	49%
The cumulative amount of non-controlling interests	¥20,268	$183,070

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

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Profit or loss allocated to non-controlling interests	¥1,475	$13,325
Dividends paid for non-controlling interests	423	3,820

(3) The condensed financial information

1) Condensed Statement of Financial Position

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2021
Current assets	¥43,266	$390,805
Non-current assets	23,928	216,129
Total assets	67,194	606,933
Current liabilities	20,628	186,323
Non-current liabilities	853	7,708
Total current liabilities	¥21,481	$194,031
Total equity	¥45,712	$412,902
Total liabilities and equity	¥67,194	$606,933

2) Condensed Statements of Profit or Loss and Comprehensive Income

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Revenue	¥66,346	$599,278
Profit (loss)	3,109	28,084
Comprehensive income	3,249	29,345

3) Condensed Statement of Cash Flows

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2021
Cash flows from operating activities	¥10,073	$ 90,984
Cash flows from investing activities	(2,815)	(25,425)
Cash flows from financing activities	(863)	(7,796)
Net increase (decrease) in cash and cash equivalents	6,395	57,763
Cash and cash equivalents at the end of the period	10,376	93,722

(37) Related Parties

1) Transactions with Joint Venture

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	¥8,863	¥3,229
		Supply of raw material gas	4,141	1,506

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

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Millions of yen

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	¥6,109	¥2,869
		Supply of raw material gas	2,095	1,019

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

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Thousands of U.S. dollars

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	$55,181	$25,916
		Supply of raw material gas	18,927	9,207

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

2) Key Management Personnel Compensation

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Basic compensation	¥361	¥339	$3,062
Bonuses	134	149	1,347
Share-based remuneration	99	124	1,124
Total	¥595	¥613	$5,533

(38) Commitments

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Acquisition of property, plant and equipment	¥5,152	¥16,672	$150,593

(39) Subsequent Events

The Separation of the Company's Elastomer Business and Transfer of Stock to ENEOS

The Board of Directors meeting of JSR Corporation held on May 11, 2021 (hereinafter referred to as "JSR" or "Splitting Company") resolved to separate JSR's Elastomers business into a new standalone company named "Japan Synthetic Rubber Spin-off Preparation Co., Ltd." by an absorption-type company split (hereinafter referred to as "Japan Synthetic Rubber" or "Successor Company"). Additionally, JSR resolved to transfer all stocks of Japan Synthetic Rubber to ENEOS Corporation and entered into the stock transfer agreement with ENEOS Corporation as described below.

The completion of the Company Separation and the stock transfer are subject to the necessary clearances, permits and approvals under domestic and international competition laws and other laws and regulations.

The Group will classify the Elastomer Business as discontinued operations from the fiscal year ending March 31, 2022. The Group will present profit or loss from discontinued operations separately from continuing operations.

I. Purpose of the Transaction

JSR was established in December 1957 through the "Act on Special Measures for Synthetic Rubber Manufacturing Business," which was enacted to support the domestic production of synthetic rubber in Japan (former name: Japan Synthetic Rubber Co., Ltd.). In 1969, JSR became a private company and expanded its petrochemical business from synthetic rubber to emulsions and synthetic resins. Subsequently, JSR expanded its business to include semiconductor materials, display materials, optical materials, and other areas, leveraging JSR's unique polymer technology.

In recent years, as the business environment has become increasingly complex and uncertain, JSR has positioned its digital solutions and life sciences businesses, where the global market offers strong growth potential and where JSR can better leverage its strengths in technological innovation, as growth drivers for JSR over the medium- to long-term. To generate value to all stakeholders, JSR is building a strong organization that can respond to changes in the business environment and achieve sustainable growth.

As the number one synthetic rubber company in Japan, JSR's Elastomers business has earned international trust with its advanced technological capabilities, especially in the field of high-value-added synthetic rubbers such as solution polymerized butadiene styrene rubber (SSBR). However, the business environment has become increasingly challenging due to intensifying global competition. To address these challenges, JSR launched a strategic review of its business portfolio while taking measures to improve profitability and implement structural business reforms. Following the conclusion of this strategic review, JSR resolved to separate the Elastomers business and transfer this business to a new base where it can grow further.

JSR has determined that the best way to ensure the sustainable development of the Elastomers business is to transfer the business to ENEOS Corporation, a subsidiary of ENEOS Holdings, Japan's largest integrated energy, resources, and materials company. ENEOS Corporation is engaged in the manufacture and sale of petrochemical products globally, has advanced technological capabilities, greater business scale, and is actively working to strengthen its lineup of high-value-added products. Consequently, JSR has resolved to make the Elastomers business a separate company and transfer the shares of that company to ENEOS Corporation, a subsidiary of ENEOS Holdings, Inc.

II. Outline of the Company Separation

1. Summary of the Company Separation

(1) Schedule

Date of the Board of Directors to approve stock transfer	May 11, 2021
Establishment of the Successor Company	May 12, 2021
Board of Directors meeting to approve agreement of the absorption-type split	May 11, 2021
Date of conclusion of the absorption-type split agreement	May 18, 2021
Ordinary General Shareholders' Meeting to approve the absorption-type split agreement	June 17, 2021
Effective date of the absorption-type company split	April 1, 2022 (plan)

(2) Method
This is an absorption-type company split in which JSR is the Splitting Company and Japan Synthetic Rubber is the Successor Company.

(3) Details of Allocation to the Splitting Company
Upon the absorption-type split, the Successor Company will issue and allocate one share of common stock to the Splitting Company.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the absorption-type split
There will be no change in the handling of JSR's stock acquisition rights as a result of the absorption-type split.

(5) Capital to be increased or decreased as a result of the Company Separation
There will be no increase or decrease in the capital of JSR as a result of this absorption-type split.

(6) Rights and obligations to be ceded by the Successor Company
As of the effective date of the absorption-type split, the Successor Company will cede to the assets, liabilities, contractual status, rights and obligations, etc., related to JSR's Elastomers business as stipulated in the absorption-type split agreement.

(7) Prospect of fulfillment of obligations
JSR has determined that there are no concerns with the prospects for the fulfillment of obligations to be borne by the Successor Company on and after the effective date of the absorption-type split.

2. Outline of the Parties related to the Company Separation

(1) Name	Japan Synthetic Rubber Spin-off Preparation Co., Ltd.
(2) Address	1-9-2 Higashi Shimbashi, Minato-ku, Tokyo
(3) Representative	Representative Director and President Hayato Hirano
(4) Business Outline	Sales and manufacturing of synthetic rubbers and high performance materials.
(5) Capital	1 million yen
(6) Date of establishment	May 12, 2021
(7) Number of shares issued	1,000 shares
(8) Shareholder	JSR Corporation 100.00%
(9) Relationship between the Splitting Company and Successor Company	1. Capital At the time of Japan Synthetic Rubber's establishment, JSR held 100% of the stocks of the Successor Company, but plans to transfer all such stocks to ENEOS Corporation on April 1, 2022. 2. Personnel Hayato Hirano, Managing Officer of the Splitting Company will concurrently serve as Representative Director. 3. Business Not applicable. 4. Status of related parties On the effective date of the absorption-type split, Japan Synthetic Rubber would be a consolidated subsidiary of JSR and fall under the category of a related party; however, it is scheduled to transfer all of its stocks in the Successor Company to ENEOS Corporation on April 1, 2022, and will no longer be a related party.

3. Overview of the business unit to be separated

(1) Business of the division to be separated

Part of the Elastomer product manufacturing and sales business operated by JSR. Subsidiaries and affiliates, related to the Elastomer business such as ELASTOMIX CO., LTD. and JSR Trading Co., Ltd. will also be included in the scope of this absorption-type company split.

(2) Operating results of the division to be separated
(Fiscal year ended March 31, 2021)

- Revenue ¥143,186 million ($1,293,342 thousand)

(3) Items and amounts of assets of the division to be separated
(As of March 31, 2021)

- Current Assets ¥96,449 million ($871,188 thousand)
- Non-current Assets ¥87,298 million ($788,528 thousand)
- Total ¥183,747 million ($1,659,715 thousand)

(Note) The above amounts are for the entire elastomer business as of March 31, 2021, and differ from the actual amounts to be separated.

4. Status after the Company Separation

Please refer to "2. Outline of the Parties related to the Company Separation" above for the name, head office location, title and name of representative, business, capital and fiscal year-end, net assets and total assets of the Splitting Company and the Successor Company after the absorption-type split.

III. Outline of the Stock Transfer

1. Reason for the change

As described in "I. Purpose of the Transaction" above.

2. Method of transfer

After the Elastomer business is transferred to Japan Synthetic Rubber through an absorption-type split, the Company will transfer all of its Japan Synthetic Rubber stocks to ENEOS Corporation.

3. Overview of the Subsidiary to be transferred

As described in the "Successor Company" section of "2. Outline of the Parties related to the Company Separation" above.

4. Outline of Transferee

(1) Name	ENEOS Corporation
(2) Address	1-1-2 Otemachi, Chiyoda-ku, Tokyo 100-8162, Japan
(3) Representative	Representative Director Tsutomu Sugimori Representative Director, President Katsuyuki Ota
(4) Business Outline	Refining and marketing of petroleum products (such as gasoline, kerosene, and lubricating oil), import and sale of gas and coal, manufacture and sale of petrochemical products and supply of electricity and hydrogen
(5) Capital	30 billion yen
(6) Date of Establishment	May 10, 1888
(7) Consolidated Net Assets (As of March 31, 2021)	760,808 (Million yen)
(8) Consolidated Total Assets (As of March 31, 2021)	3,368,039 (Million yen)
(9) Major Shareholders and Shareholding Ratio (As of March 30, 2021)	ENEOS Holdings, Inc. 100%
(10) Relationship between our Company and the Company	1. Capital Not applicable. 2. Personnel Not applicable. 3. Business There is a business relationship between JSR and ENEOS regarding the purchase and sale of petrochemical-related materials. In addition, JSR has business relationships with subsidiaries and other group companies of ENEOS regarding sales and purchase of petrochemical products and related materials. 4. Status of related parties Not applicable.

5. Number of shares to be transferred, enterprise value, and status of shares held before and after the transfer

(1) Shares held before the change	1,001 shares (Percentage of voting rights held: 100.00%) (plan)
(2) Number of shares to be transferred	1,001 shares (Percentage of voting rights held: 100.00%) (plan)
(3) Enterprise value	115 billion yen
(4) Number of shares held after the change	0 shares (Percentage of voting rights held: 0.00%)

(Note) JSR and ENEOS have agreed on an enterprise value of 115 billion yen ($1,038,750 thousand) for the Elastomers business, and the final stock transfer price will be determined after adjustments are made in consideration of the cash and deposits, interest-bearing debt, various other liabilities and assets, and working capital of the Elastomers business as of the completion of the absorption-type split.

6. Schedule

Date of resolution by the Board of Directors	May 11, 2021
Date of conclusion of stock purchase agreement	May 11, 2021
Execution date of share transfer	April 1, 2022 (plan)

Change in the Equity Method Affiliates

The Board of Directors decided at a meeting held on May 11, 2021 to transfer all shares held of Kumho Polychem Co., Ltd. (located in Seoul, Republic of Korea, hereinafter referred to as "KPC"), an equity method affiliate, to Kumho Petrochemical Co., Ltd. (located in Seoul, Republic of Korea, hereinafter referred to as "KKPC"). The Group will classify KPC as held for sale from the fiscal year ending March 31, 2022.

1. Reasons for the share transfer and dissolution of the joint venture

KPC was established in 1985 as a joint venture between JSR and KKPC and has been mainly engaged in the manufacture and sale of ethylene propylene rubber. Since its establishment, KPC's products have been recognized as indispensable products for the automotive industry. In light of the current business environment, JSR is reviewing its strategies in each of its businesses. In order for this business to continue to grow, transformation is necessary in several ways including consideration of the investment of management resources at an appropriate scale. Therefore, we have reached an agreement with KKPC to dissolve the joint venture agreement with KPC, judging that enabling rapid decision-making under KKPC's sole control will lead to increased corporate value.

2. Profile of joint venture

(1) Name	Kumho Polychem Co., Ltd.
(2) Location	8F, East Wing, Signature Tower #100, Cheonggyecheon-ro, Jung-gu, Seoul 100-230, Korea
(3) Representative	Chairman Chan Koo Park, Vice President Takeshi Sugimoto
(4) Description of business	Production and sales of Ethylene Propylene Rubber
(5) Capital	WON 21,500,000,000
(6) Date of establishment	June 5, 1985
(7) Major shareholders and percentage of shares held	JSR Corporation 50%, Kumho Petrochemical 50%
(8) Relationship	1. Capital JSR's equity interest in KPC is 50%. 2. Personnel An employee of JSR serves as the Executive Vice President of KPC. In addition, one director and two employees of the Company serve as directors and auditors of KPC. 3. Business JSR purchases products from this company.

(9) Operating results and financial position for the three most recent fiscal years

(Unit Million WON)	Fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018)	Fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)
Total Assets	480,523	429,172	405,905
Net Assets	318,614	308,730	304,688
Revenue	476,796	390,670	328,029
Operating Profit	(2,751)	(8,155)	(2,993)
Profit	(5,073)	(9,176)	(5,483)

3. Profile of joint venture partner

(1) Name	Kumho Petrochemical Co., Ltd. (KKPC)
(2) Location	10th-14th Floor, Signature Tower East Wing, 100 Cheonggyecheon-ro, Jung-gu, Seoul, Republic of Korea
(3) Representative	CEO Chan-Koo Park, Dong-Joon Moon
(4) Description of business	Production of synthetic rubbers, plastics, functional chemicals, etc. KKPC group provides services in construction, logistics, financial-related matters.
(5) Capital	167,456 million WON
(6) Date of establishment	December 28, 1970

4. Details of the share transfer

(1) Number of shares held prior to transfer	2,150,000 shares (Percentage of voting rights: 50%)
(2) Number of shares transferred	2,150,000 shares
(3) Number of shares held after transfer	0 shares (Percentage of voting rights: 0%)
(4) Date of share transfer	July 1, 2021 (plan)

INDEPENDENT AUDITOR’S REPORT

KPMG

To the Board of Directors of JSR Corporation:

Opinion

We have audited the accompanying consolidated financial statements of JSR Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of matter

We draw attention to Note 39 “Subsequent Events” of the consolidated financial statements.

The Board of Directors meeting of the Company held on May 11, 2021 resolved to separate its Elastomers business into a new standalone company named “Japan Synthetic Rubber Spin-off Preparation Co., Ltd.” by an absorption-type company split. Additionally, the Company resolved to transfer all stocks of Japan Synthetic Rubber Spin-off Preparation Co., Ltd. to ENEOS Corporation and conclude the stock transfer agreement with ENEOS Corporation.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Appropriateness of the impairment loss on non-financial assets used in the Elastomers business

The key audit matter

As described in Note 18, “Impairment on Non-Financial Assets” of the consolidated financial statements, the Group recognized an impairment loss of ¥77,227 million on non-financial assets used in the Elastomers business in the consolidated statement of profit or loss.

Non-financial assets need to be tested for impairment whenever there is an impairment indicator. In the impairment testing, when the recoverable amount of non-financial assets is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less cost of disposal.

In the current fiscal year, since the Company had commenced and partially implemented business structure reforms related to the Elastomers business, an impairment indicator was identified for the entire business, and therefore the Company performed an impairment test. In the impairment testing, the Company used the fair value less cost of disposal as the recoverable amount because as part of its business structure reforms the Company obtained the enterprise values of the entire Elastomers business from potential buyers through a fair bidding process.

The impairment loss was calculated based on the fair value less cost of disposal and the carrying amounts of non-financial assets used in the Elastomers business. The Company assessed the appropriateness of using the enterprise values obtained from potential buyers as a basis for the fair value by comparing them with a discounted present value of future cash flows of the Elastomers business calculated by an external valuation expert. The future cash flows were based on the five-year business plan developed by management and the terminal value was measured considering EBITDA multiples of similar transactions from the market participants' perspectives in addition to a terminal growth rate. Since the discounted present value of future cash flows is based on the premise that the assets will be used for a long period, the cash flows after the periods covered by the five-year business plan had a significant effect on the discounted present value. Therefore, the measurement of the terminal value was important in estimating the discounted present value of future cash flows. The terminal growth rate and the EBITDA multiples of similar transactions used in the measurement of the terminal value included assumptions involving uncertainty, which required management judgement. In addition, selecting appropriate models and input data for estimating the discount rate required a high degree of expertise in valuation.

Moreover, the carrying amounts of non-financial assets used in the Elastomers business may not be properly aggregated by management because the Elastomers business is spread over a number of subsidiaries of the Company.

We, therefore, determined that our assessment of the appropriateness of the impairment loss on non-financial assets used in the Elastomers business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess the appropriateness of the impairment loss on non-financial assets used in the Elastomers business included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the impairment testing on non-financial assets. In this assessment, we focused our testing on the following controls:

- Controls designed to prevent and/or detect the use of unreasonable assumptions in assessing the appropriateness of the fair value less cost of disposal; and
- Controls to ensure that the carrying amounts of non-financial assets used in the Elastomers business are properly aggregated.

(2) Assessment of the reasonableness of the fair value less cost of disposal

We performed the following procedures by involving a valuation specialist within our domestic network firms in assisting our assessment of the reasonableness of key assumptions and the discount rate adopted in calculating the terminal value included in the discounted present value of future cash flows:

- Evaluated the reasonableness of the terminal growth rate and the EBITDA multiples of similar transactions the Company adopted by inspecting the results of the evaluation by the external valuation expert and inquiring of the external expert about the rationales, and then comparing them with relevant data published by external organizations;
- Assessed the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards;
- Assessed the reasonableness of input data used to calculate the discount rate through comparison with relevant data published by external organizations; and
- After considering the results of our assessment of the reasonableness of key assumptions and the discount rate, analyzed the sensitivity of the discounted present value of future cash flows to changes in input data used to calculate the terminal growth rate and the discount rate.

Furthermore, we assessed the consistency of the fair value with the consideration for the stock transfer agreement related to the Elastomers business entered into on May 11, 2021.

(3) Assessment of the appropriateness of the carrying amounts

We examined whether the carrying amounts of non-current assets used in the Elastomers business were properly aggregated by confirming the consistency with the carrying amount reaggregated from data we independently retrieved from the accounting system.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business

The key audit matter

As described in Note 18, "Impairment on Non-Financial Assets" of the consolidated financial statement, the Group recognized goodwill of ¥36,823 million allocated to the drug discovery and development services business, which represented 5% of total assets in the consolidated financial statements. The goodwill arose when the Company acquired control of Crown Bioscience International.

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

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

The value in use was discounted to the present value of an estimated amount of future cash flows based on the five-year business plan approved by management. The five-year revenue projection based on the business plan involved a high degree of uncertainty as the revenue is affected by the future growth potential of the CRO business in which the drug discovery and development services business operates and the capacity of the equipment used in the business. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows.

In addition, selecting appropriate models and input data for estimating the discount rate requires a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess whether management's judgment with respect to the recognition of an impairment loss on goodwill allocated to the drug discovery and development services business was appropriate included the following:

(1) Internal control testing

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

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

In order to assess the reasonableness of key assumptions adopted by management in preparing the business plan, which was used as the basis for estimating future cash flows, we inquired of management and the personnel responsible for the drug discovery and development services business about the basis on which those assumptions were developed. In addition, we:

- Compared the five-year revenue included in the business plan with available external data related to the market growth rate and examined the consistency of the capacity of the equipment which is currently held and/or is expected to be invested in the future with the projected revenue; and
- Compared management's estimate of future cash flows with those independently estimated by incorporating the effect of specific uncertainty into the business plan and assessed any impact on management's judgment as to whether an impairment loss should be recognized.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

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

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

Tomoyoshi Inoue
Designated Engagement Partner
Certified Public Accountant

Iwao Hirano
Designated Engagement Partner
Certified Public Accountant

Yukihiro Kase
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
July 9, 2021

Notes to the Reader of Independent Auditor's Report:

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