KUREHA

KUREHA CORPORATION
Business Report 2017

Year ended March 31, 2017

The Pursuit of Excellence

Building on Core Strengths

Kureha Corporation is a manufacturer of highly originative specialty chemicals and plastics that leverages proprietary technologies to develop products in the fields of advanced materials, agrochemicals, pharmaceuticals, and packaging materials. Since its establishment in 1944, Kureha has utilized its strengths in technology and innovation to provide a wide range of solutions suited to the market needs of each era.

Today, this corporate DNA drives Kureha to always pursue originality and excellence in harmony with the environment, and consistently create products that bring value to customers and society.

Corporate Philosophy

To be a company supporting an ever-changing society.
To be a company that changes society for the better.
We formulated our Corporate Identity to reflect our vision for Kureha.

- **We treasure people and the natural environment.**
- **We constantly evolve through innovation.**
- **We contribute to society by developing beneficial products.**

The Pursuit of Excellence

Contents

R&D Innovation:

The Source of Our Competitiveness

We pride ourselves on our expertise in polymer engineering and processing as well as organic synthesis and carbon materials development. These technologies provide the base for the development of our original innovative materials and products. We are constantly adding and fusing new ideas to these accumulated technologies, and in the spirit of "if it doesn't exist, let's create it," each day we pursue technology solutions that only Kureha can provide to meet unmet needs.

Originality and Quality to Answer Global Needs:

The Growth Potential in Global Markets

Kureha's overseas sales had reached 26% of total revenue as of March 2017. Along with exports from Japan, we have production, processing and sales locations in the United States, Germany, the Netherlands, France, the U.K., China, Vietnam and Australia, enabling an effective response to needs in overseas markets. With continued growth expected in newly emerging countries and many other regions, we are taking active and strategic steps to expand sales of highly competitive products in line with the needs of overseas markets, whether for advanced materials, chemicals, or plastic products.

Maximizing Earnings & Diversifying Risks:

The Path to Sustainable Growth

Our innovative products and services are broadly based but highly specialized, supporting a wide range of industries, including electrical and electronic-appliances, automotive, agriculture, medicine and energy. We maximize earnings and diversify risk through broad-based business development in promising growth fields such as the environment, energy, health and lifestyle. We continuously optimize our portfolio to align with shifting market needs while securing our earnings path.

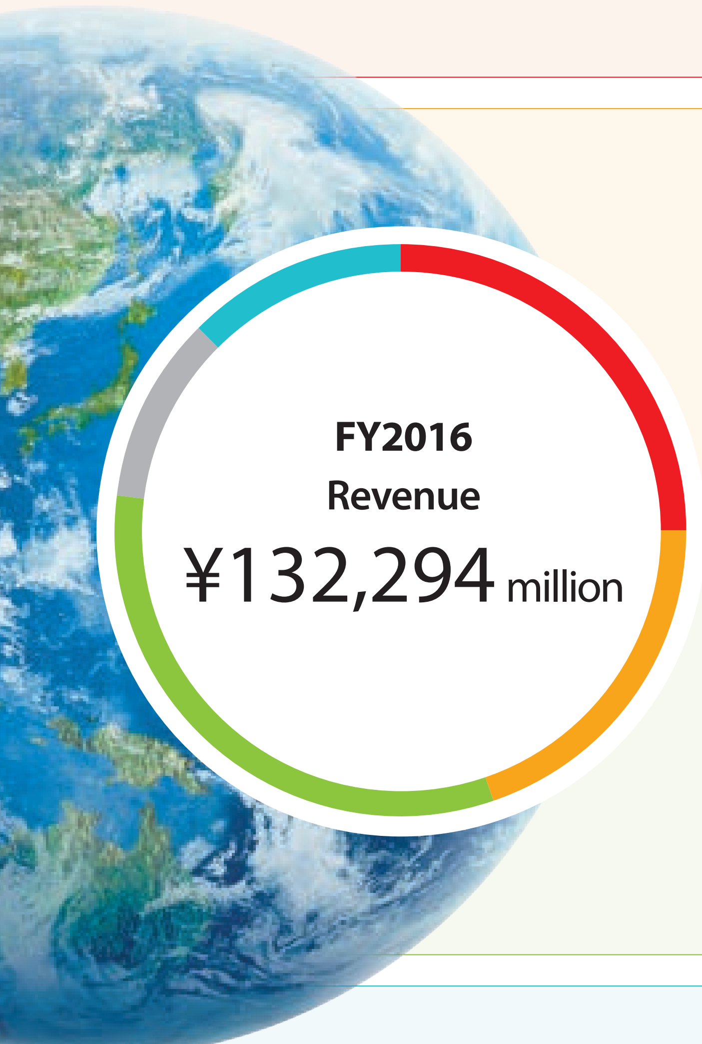
At a Glance

FY2016 Revenue by Segment

Advanced Materials

¥33,369 million

25.2%



Specialty Chemicals

¥25,866 million

19.6%

Specialty Plastics

¥42,791 million

32.3%

Construction and Other Operations

¥13,934 million

10.5%

(Construction)

¥16,332 million

12.3%

(Other Operations)

Consolidated Financial Highlights

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

Business Areas

Advanced Plastics
Carbon Fibers & Products
Battery Materials

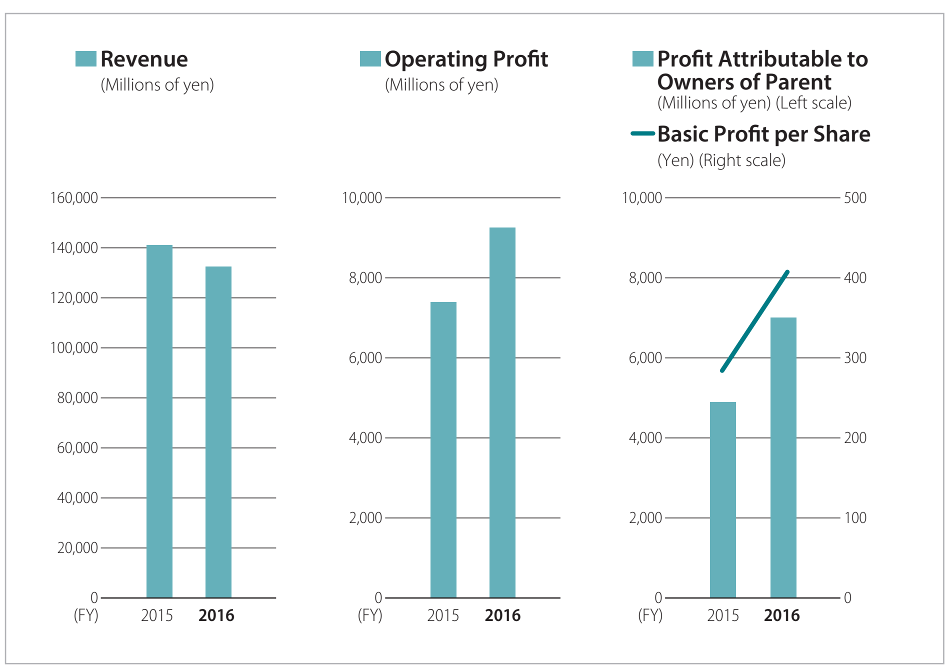
Agrochemicals
Pharmaceuticals
Industrial Chemicals

Household Products
Packaging Materials
Synthetic Fiber Products

Engineering & Construction
Environment Management
Logistics

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	**FY2016**
For the year:			
Revenue	**¥132,294**	¥ 140,779	**$1,179,196**
Operating profit	**9,255**	7,384	**82,493**
Profit attributable to owners of parent	**7,001**	4,881	**62,403**
Capital expenditure	**10,304**	11,422	**91,844**
Depreciation and amortization	**10,191**	10,333	**90,836**
Research and development expenses	**4,734**	4,885	**42,196**
Year-end:			
Total assets	**¥234,907**	¥ 239,807	**$2,093,831**
Total equity attributable to owners of parent	**124,297**	118,177	**1,107,915**
Interest-bearing debt	**71,007**	81,184	**632,917**
	Yen		U.S. dollars
Amounts per share:			
Basic profit per share	**¥ 407.38**	¥ 284.05	**$ 3.63**
Owners' equity per share	**7,232.89**	6,876.19	**64.47**
	Percent		
Ratios:			
Ratio of profit attributable to owners of parent to revenue	**5.3%**	3.5%	
Return on equity	**5.8**	4.1	
Return on assets	**3.8**	2.7	
Owner's equity ratio	**52.9**	49.3	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥112.19 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2017.
2. For amounts per share, see Note 29 of the Notes to Consolidated Financial Statements.
3. Return on equity = Profit attributable to owners of parent/Shareholders' equity × 100
4. Return on assets = Profit before tax/Total assets × 100
5. Owner's equity ratio = Owner's equity/Total liabilities and equity



Laying the Groundwork for Lasting Future Growth

Yutaka Kobayashi
President & Chief Executive Officer

Dear Shareholders,

In FY2016 (ended March 31, 2017), Kureha's revenue was down by 6.0% to 132.3 billion yen, mainly due to a decline in the pharmaceuticals business caused by increasing market influence from generic drugs, fierce competition in the polyphenylene sulfide (PPS) business, and the time required for business strategy realignment in the polyglycolic acid (PGA) business. Operating profit, however, rose 25.3% to 9.3 billion yen supported by continued strong performance in the Specialty Plastics segment as well as lower restructuring costs.

Kureha is currently transitioning away from its previous profit structure. The pharmaceuticals business has been one of our main earnings drivers up to this point, but the growing market share of generic drugs has reduced that contribution. In response to this situation, our mid-term management plan, titled "Kureha's Challenge 2018," designates the period from FY2016 through FY2018 as a time to lay a strong foundation for future growth. We are now working to fundamentally change our business portfolio based on three tenets: Boosting competitiveness and earnings capacity in existing businesses, steadily growing the PGA business to establish it as an earnings pillar, and thoroughly exploring new business themes.

During FY2016, the first year of this plan, we fell short of our initial target in the Advanced Materials business due to changes in the business environment. Competition in the PPS business has become increasingly fierce with rising market demand, which severely affected our performance during the year. However, we moved forward with determination to make strategic changes in the PGA business to better respond to market needs. Although we saw some delays in this implementation during the year, we did gain the crucial ability to interact directly with customers. In this business, we are now focused on establishing an earnings base from a long-term perspective, with less priority on short-term profit, thus laying an important foundation for future growth.

Challenges for FY2017 and the Mid-term Management Plan

For FY2017 (ending March 31, 2018), we are forecasting year-on-year increases in both revenue and operating profit, with revenue of 142.0 billion yen (+7.3%), and operating profit of 11.0 billion yen (+18.8%). We expect this growth to be driven by accelerated market development and a strong sales recovery in the PGA business.

We are also paving the way to ensure we achieve our management goals and quantitative targets for FY2018 (revenue of 160.0 billion yen with operating profit of 14.0 billion yen), the final year of the current mid-term management plan. Our efforts focus on building a strong foundation centered on the Advanced Materials segment, particularly the highly profitable PGA business.

In addition to efforts to strengthen sales, Kureha has also pursued group-wide productivity gains and cost reductions through the Reform Project since FY2013. Going forward, we will expand the scope of activities under this project to include clear differentiation in cost as well as quality, operational efficiency in administrative divisions, and improved productivity, in order to further strengthen competitiveness and enhance earnings capacity. From FY2017 onward, we will not limit our efforts to short-term improvements, but instead seek innovations that provide bolder and substantive change.

Thorough exploration of new business themes is another key component of the current business plan. By combining a grasp of latent market needs with multifaceted use of Kureha's accumulated technologies, we will create next-generation businesses that offer new value to society. In April 2016, Kureha launched the New Business Creation Project to accelerate the search for new technologies and business themes. In collaboration with a range of companies, universities and organizations, we have identified several promising themes in the areas of environment, energy, and quality of life in which Kureha can apply its technological strengths. We are now conducting development in these areas aimed at commercialization within 5-10 years.

Strengthening Our Management Fundamentals

To demonstrate our relevance to society and make Kureha a high value-added enterprise that continually contributes to global society, we must always act in accordance with our corporate philosophy, The Pursuit of Excellence.

Guided by this philosophy, we spare no efforts to strengthen our management fundamentals to ensure that Kureha maintains the high-quality management systems and governance that investors, and society at large, can trust. We adhere strictly to the Corporate Governance Guidelines formulated in 2015 to enhance the effectiveness of our corporate governance.

Furthermore, in April 2016 we established the CSR Division to reinforce our group's efforts to contribute to and co-exist with society. Under its guidance, Kureha is pursuing dialogue with various stakeholders to better integrate CSR into management decisions while promoting activities related to environmental protection and operational safety. Our business divisions are currently in the process of establishing priority action items based on environmental, social and governance (ESG) criteria. These action items are revised and implemented annually.

Kureha has also implemented working style reforms to raise productivity and reduce working hours, enhancing self-improvement and work-life balance for employees. Several measures are now underway to strengthen individual and organizational competitiveness. In May 2016 we launched a company-wide project, led by myself, to establish a work environment that encourages participation by all employees and a better balance between work and family responsibilities, and to put in place structures that support diversity. This project concluded in March 2017 with a report submitted to management. We are now focusing on creating workspaces and systems that allow all employees to gain a sense of personal growth through their work, and to carry out their duties and serve customers with renewed vigor.

Our Resolution to Achieve the Mid-term Management Plan

Kureha recognizes that it has fallen short of its targets in past business plans. Our current mid-term management plan, Kureha's Challenge 2018, applies lessons from past strategies to achieve Kureha's goal of unique value creation through product differentiation and new business creation. To achieve this, all of our group employees, myself included, are now working resolutely with a sense of urgency toward the plan's management goals and quantitative targets, driven by our watchwords Passion, Speed, and Commitment.

Kureha has maintained an identity as "a company built on technology" ever since its foundation in 1944. We will continue to develop our technological strengths, enhance our presence in global markets, and generate new added value with the aim of being a company that continually contributes to society.

We thank you for your investment and your confidence in us, and look forward to your continued support.

Yutaka Kobayashi

Yutaka Kobayashi
President & Chief Executive Officer
June 2017

UPDATE: Mid-term Management Plan, Kureha's Challenge 2018 (FY2016– 2018)

Management Goals:

Kureha has defined this three-year plan as a "period to lay the foundation for future expansion," and set the following goals to fundamentally reform Kureha's earnings structure.

1) Business strategies

- Enhancing competitiveness and earnings capacity of existing businesses
- Expanding the PGA business
- Exploring new business themes

2) Promote CSR-based management

3) Strengthen the management fundamentals

Overview of FY2016

Kureha established a growth foundation in which household products were positioned as a stable, high-margin business. However, results fell short of initial forecasts as the Advanced Materials segment—a key to future growth—performed more slowly than expected due to increased competition in the polyphenylene sulfide (PPS) market and delays in the business strategy realignment in the polyglycolic acid (PGA) business.

In FY2017 and beyond, we will continue in the strategic direction outlined in Kureha's Challenge 2018, accelerate expansion of the PGA business which will be our future growth driver, and strengthen cost competitiveness with the aim of achieving the quantitative targets for the plan's final year.

▶ Expanding Overseas Sales

FY2016
26%

FY2017
31%

FY2018
35%

▶ Quantitative Targets

	FY2016	FY2017 Targets	FY2018 Targets
Revenue	¥132.3 billion	**¥142.0 billion**	**¥160.0 billion**
Operating profit	9.3 billion	**¥ 11.0 billion**	**¥ 14.0 billion**
Profit attributable to owners of parent	7.0 billion	**8.4 billion**	**9.0 billion**
DE ratio	0.6		**0.5**
ROE	5.8%		**6.0%**

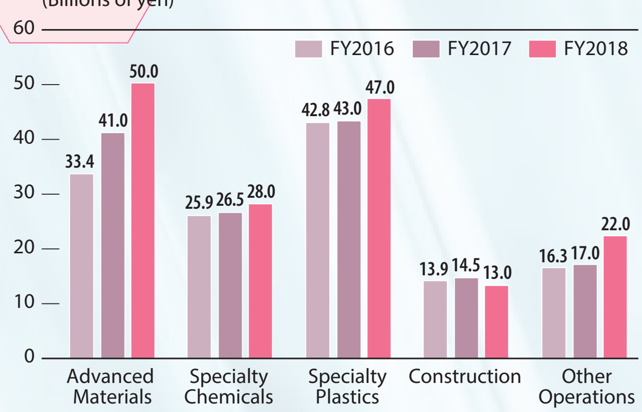
Presumptions
- Currency exchange rates: ¥120/US$1, ¥130/€1, ¥18/CNY1
- Crude oil price: US$40/bbl
- Number of shares of common stock issued in FY2018: 206 million shares, including conversion of convertible bonds

Strategic Direction:

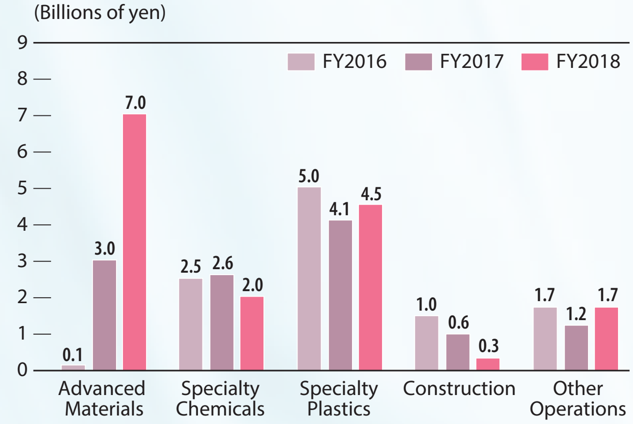
As a company built on technology, Kureha will develop differentiated products in the field of specialty chemicals and become a high value-added enterprise that continually contributes to global society.

▶ Revenue and Operating Profit Targets by Segment

Revenue
(Billions of yen)



Operating Profit
(Billions of yen)



Measures in Progress

01 Enhancing Competitiveness for Existing Businesses

PVDF

- **PVDF plant expansion under way**
  PVDF production capacity at the Iwaki Factory in Japan is being increased to 2000 tons/year to meet growing demand for binders in the lithium-ion batteries (LiBs) used in electric and plug-in hybrid vehicles. Operations are scheduled to start in fall 2018.
- **China technology center established (June 2017)**
  The center enables Kureha to rapidly support and respond to Chinese LiB manufacturers, thereby enhancing customer satisfaction.

PPS

- **Manufacturing capacity at Iwaki Factory strengthened (Fall 2016)**
  Manufacturing capacity at the Iwaki Factory was increased by 700 tons (10,700 tons/year) to alleviate bottlenecks and meet robust demand for PPS, mainly for automotive use.

Krehalon

- **European business restructured to support global sales expansion (April 2017)**
  Manufacturing and sales companies in Europe were restructured to strengthen sales capacity for heat-shrinkable multilayer films.

Household Products

- **Improved productivity for *NEW Krewrap* (Spring 2017)**
  The production volume for *NEW Krewrap* was increased by around 5%, alleviating a manufacturing bottleneck.
- **Overseas market research begins for business expansion (April 2017)**
  Established a marketing team to study overseas markets for plastic wrap in preparation for sales expansion of *NEW Krewrap* in Europe, North America, and Asia.

Carbon Materials

- **Sales prices adjusted and supply structure streamlined**
  Earnings improved significantly by furthering sales of high value-added products at adjusted prices, and by streamlining business operations in Japan and overseas.

02 Expanding the PGA Business

PGA

- **Kureha Energy Solutions LLC established (October 2016)**
  This new company provides Kureha with direct access to customers in the North American market, as well as the structure to sell downhole tools developed by Kureha.
- **Kureha-designed frac plugs launched**
  Low-temperature decomposition grade frac plugs have been developed to meet customer needs. Sales are now ongoing under a new supply structure.

03

Research & Development

Exploring New Business Themes

- **New Business Creation Project established (April 2016)**
  A group-wide project has been launched to conduct extensive market research and, based on collaboration with outside organizations, to select and explore business themes with potential for commercialization within 5-10 years.
- **Comprehensive joint research contract concluded with Yamagata University (April 2016)**
  To support downstream business development, Kureha is conducting joint research with Yamagata University on several themes aimed at enhancing technological capacities for polymer processing.
- **Construction begun on process development laboratory**
  A process development laboratory tasked with lowering manufacturing process costs and support new business creation is being constructed within the Iwaki Factory. Operations are scheduled to start in fall 2017.

04

Reform Project

Strengthening the Management Fundamentals

- **Achieved 6.5 billion yen in cost reductions over four years**
  Kureha launched group-wide cost reduction efforts in 2013 to raise cost competitiveness and enhance earnings capacity in existing businesses. In the four-year period FY2013-2016, costs were lowered by a total of 6.5 billion yen compared with FY2012.
- **Group-wide efforts implemented to enhance productivity**
  Kureha is working to further enhance operational efficiency and productivity in administrative divisions.

05

Promoting CSR-based Management

Human Resources

- **All-employee activities and work-life balance initiatives implemented**
  As part of the group-wide Shine-up Project started in May 2016, Kureha conducted fact-finding surveys based on interviews and group discussions with employees to identify workplace issues. After analyzing the results, Kureha is now promoting more efficient ways of working. We have also begun considering new measures to improve work-life balance.

CSR

- **CSR Division established (April 2016)**
  This new division is tasked with the comprehensive management and promotion of Kureha's CSR program, with the aim of accelerating the implementation of CSR-based management.
- **Priority issues (materiality) for promoting CSR-based management specified**
  Kureha has identified priority issues for the company and stakeholders, marking the first step in an ongoing action plan centered on materiality.

▶ Business Enhancement

Accelerating the PGA Business in North America

In October 2016, Kureha established Kureha Energy Solutions LLC (KES), a joint venture with Japanese firm JGC Corporation, in Texas, United States.

Kureha is the only company in the world with the capability for industrial production of polyglycolic acid (PGA). With this material, which offers high mechanical strength and hydrolytic degradability, it is possible to produce dissolvable downhole tools for shale oil and gas production that decompose after use due to underground heat and water. Eliminating the drilling and mill out processes necessary with metal tools greatly enhances productivity for oil and gas field operators and service companies.

In 2014, Kureha signed a partnership agreement with Magnum Oil Tools International, Ltd., which granted Magnum the sales rights for PGA downhole tools in North America. However, in April 2016 we revised the contract with Magnum to give Kureha direct access to the market, allowing us to meet customer needs by ourselves with timely development and product upgrades, promote differentiation, and further expand in the market. The new joint venture KES sells original products developed and manufactured by Kureha in major oil and gas producing regions of North America, mainly in Texas. JGC Corporation also utilizes its accumulated knowledge and experience as a gas field operator to provide high-quality service to customers.

The PGA business, which is instrumental to achieving the targets in the mid-term management plan, serves as an excellent example of how downstream business development can support Kureha's future growth.

Kuredux (polyglycolic acid) used to make downhole tools in shale oil and gas extraction

PGA resins

▶ Business Enhancement
PVDF Production Capacity to Expand at Iwaki Factory

Sales of electric, hybrid, and plug-in hybrid vehicles are expected to increase as countries tighten environmental regulations, in turn leading to increased production of the lithium-ion batteries (LiBs) powering these vehicles. To meet demand in the LiB market, Kureha is expanding manufacturing facilities for polyvinylidene fluoride (PVDF), which is used as the binder material in LiBs.

Kureha holds more than 50% of the global market for PVDF binder material for LiBs, and current efforts to expand production will further solidify our position as a global leader in this market. Due to the trend toward higher storage capacity and lower material costs for LiBs, and diversification in anode materials, demand for specialty grade PVDF binders is expected to increase for the foreseeable future. Kureha's expanded production capacity puts in place a structure for stable supply of high-quality materials, while at the same time allowing for product development and technological support services that anticipate the needs of LiB manufacturers.

KF Polymer (polyvinylidene fluoride) binds electrodes in lithium-ion batteries

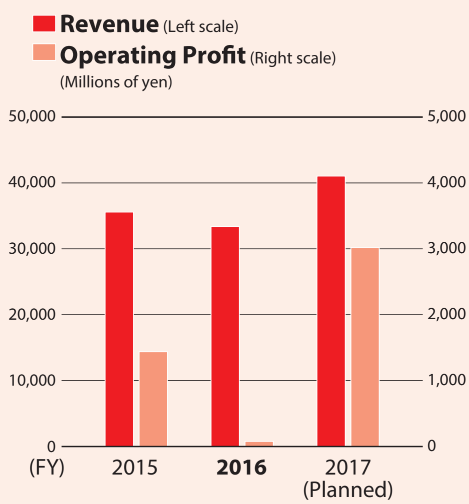
▶ Research & Development
Joint Development of Speakers Using KF Piezo

KF Piezo is a ferroelectric-polymer film based on Kureha's PVDF polymer. Owing to its properties of vibrating in response to electric signals and producing electricity with the application of force or heat, it is widely used in speakers and sensors to create and pick up sounds and vibrations. Kureha is currently pursuing a joint development project with SoundFun Corporation to use KF Piezo for the Mirai Speaker "Filmo," the firm's next-generation speaker. Unlike a conventional speaker, which uses a vibrating cone structure to convey sound, the Mirai Speaker incorporates a uniquely shaped curved film that vibrates across the entire curve, producing a frequency response that is easier for elderly and those with hearing difficulties to hear at normal volume. This makes the speaker ideal for public offices, banks, hospitals and other facilities. The sales launch is planned for mid-2018.

We see potential for KF Piezo to be used in a broad range of applications, such as medical biosensors that can detect body temperature and pulse, and highly sensitive underwater sensors that can efficiently locate fish shoals.

Mirai Speaker "Filmo"

Advanced Materials



Key products

- Polyphenylene sulfide (PPS)
- Polyvinylidene fluoride (PVDF)
- Polyglycolic acid (PGA)
- Carbon fibers
- Bead-shaped activated carbon
- Specialty carbon materials

Major Product Areas:
Advanced plastics (PPS, PVDF, PGA), carbon materials

Advanced Materials segment revenue fell 6.2% year-on-year to 33.4 billion yen while operating profit decreased to 0.1 billion yen.

Advanced plastics: Continued growth for PVDF, temporary slowdown for PGA

While PVDF resin for use in lithium-ion battery binders continued to perform well on the back of solid demand for automotive applications, this growth was offset by slow sales of PPS resin and the impact of Kureha's strategy realignment in North America in the PGA business.

Carbon materials: Production optimizations narrow operating loss

Sales decreased for both carbon fiber and special carbon materials, mainly due to Kureha's shift to a profitability strategy based on higher pricing. However, efforts to optimize and streamline production systems, alongside continued cost reductions, further narrowed the operating loss.

FY2017 Outlook

Advanced Materials segment revenue is forecast to increase by 23% to 41.0 billion yen in FY2017. Operating profit will make a solid recovery, rising to 3.0 billion yen from 0.1 billion yen. These results will primarily be driven by the advanced plastics business, in which a new business structure for PGA solutions will begin to perform in earnest following the completion of our strategy realignment in North America. Additionally, Kureha foresees continued solid demand for PVDF lithium-ion battery binder materials for automotive applications, as well as improved performance for PPS. In carbon products, pricing adjustments and cost reductions will further improve operating profit, despite lower sales volumes.

Kuredux (polyglycolic acid) used to make downhole tools in shale oil and gas extraction

KF Polymer (polyvinylidene fluoride) binds electrodes in lithium-ion batteries

Carbon-based *Kreca FR* is a thermal insulation material suitable for high-temperature furnaces

Specialty Chemicals

Major Product Areas:
Industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals segment revenue fell by 15.5% year-on-year to 25.9 billion yen from 30.6 billion yen while operating profit decreased by 46.7% to 2.5 billion yen. Segment results were particularly affected by slower performance in the pharmaceuticals business.

Pharmaceuticals / agrochemicals: Earnings fall due to slower demand

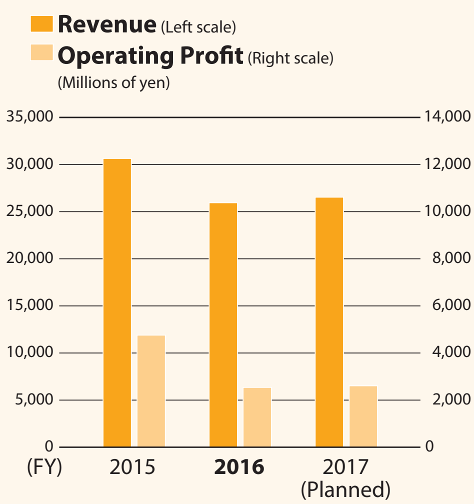
Earnings in the pharmaceuticals business were mainly impacted by mandatory drug price revisions, stiffening competition from government-promoted generic drugs, and slower sales of Kremezin, a therapeutic agent for chronic kidney disease. In agrochemicals, inventory adjustments and continuing low market prices for agricultural produce impacted on fungicide demand, with more farmers opting to not add fungicide to their crop protection.

Industrial chemicals: Decreased sales and income

Lower raw material prices for organic and inorganic chemicals necessitated lower product pricing, resulting in decreases in revenue and operating profit.

FY2017 Outlook

Specialty Chemicals segment revenue is projected to increase by 2% in FY2017 to 26.5 billion yen. Operating profit is forecast to rise 2.0% to 2.6 billion yen. Kureha expects this growth to be driven by a strong recovery in the sales of agrichemicals and horticultural fungicides following the end of inventory adjustments in the market, offsetting a continued sales decline in pharmaceuticals mainly caused by competition from generic drugs. In industrial chemicals, sales will remain at a level similar to FY2016, but product price increases will improve operating profit slightly.



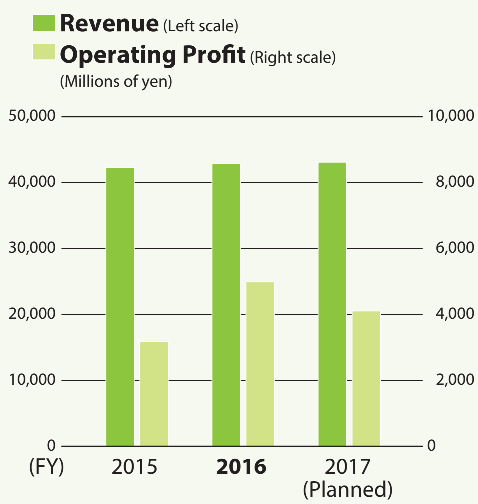
Key products

- Therapeutic agent for chronic renal failure
- Anti-cancer agent
- Agricultural and horticulture fungicide
- Caustic soda
- Hydrochloric acid
- Sodium hypochlorite
- Monochlorobenzene
- para-Dichlorobenzene
- ortho-Dichlorobenzene

Agricultural and horticulture fungicide (*Metconazole*)

Therapeutic agent for chronic renal failure (*KREMEZIN*)

Specialty Plastics



Key products

- Household wrap film
- Plastic containers
- PVDF fishing lines
- Polyvinylidene chloride (PVDC) film
- PVDC compound
- Multilayer shrinkable film
- Multilayer non-shrinkable film
- Multilayer bottles
- Machinery for auto-seal food packaging

Major Product Areas:
Household packaging products, food packaging materials

Specialty Plastics segment revenue rose slightly from 42.3 billion yen to 42.8 billion yen while operating profit increased by 56.4% to 5.0 billion yen. The results were mainly driven by strong growth in the consumer products business.

Consumer products: Continued strong performance for *NEW Krewrap* and *Seaguar*

In consumer products, both *NEW Krewrap* wrapping film and *Seaguar* fishing lines continued their robust performance, leading to increases in both revenue and profit for this business. This growth, underpinned by expanding sales of new high-margin *NEW Krewrap* products, contributed significantly to Kureha's overall results for FY2016.

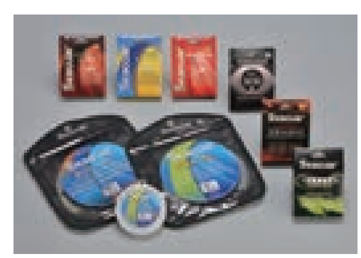
Food packaging materials: Cost reductions offset slower sales of heat-shrink film

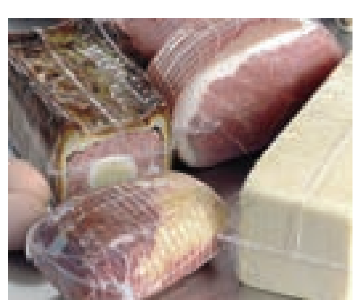
Revenue from the high-performance heat-shrinkable multilayer film declined. However, continued cost reduction efforts produced a slight increase in operating profit.

FY2017 Outlook

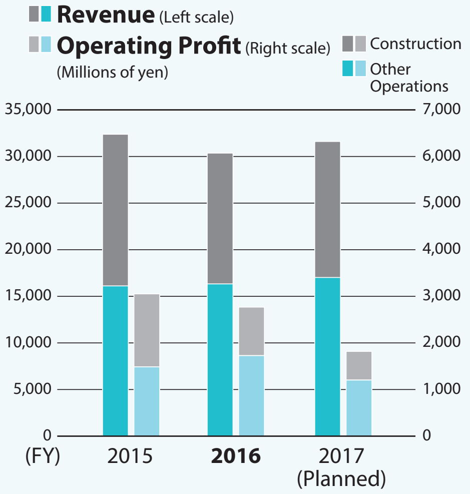
Specialty Plastics segment revenue is expected to improve slightly to 43.0 billion yen. Operating profit is forecast to fall 18% to 4.1 billion yen. This is mainly due to increased marketing costs in the consumer products business, which is expected to affect profit despite continued growth in the sales volumes of *NEW Krewrap* and *Seaguar*. In food packaging materials, we forecast increased revenue and profit driven by global sales volume growth of heat-shrink film.

Home-use wrap film, *NEW Krewrap*


Seaguar fluorocarbon fishing lines


Krehalon food packaging film

Construction and Other Operations



Key products and services

- Civil engineering and construction
- Plant engineering and maintenance
- Environmental engineering and industrial waste treatment
- Environmental and physiochemical testing and analysis
- Transport and warehousing
- Medical hospital operation

Major Product Areas:
Construction, environmental engineering, transport/ warehousing, operation of medical hospital

Construction: Slowdown in both private and public construction projects

The construction business was affected by a slowdown in private construction projects as well as declining demand for earthquake reconstruction, alongside higher labor and material costs. As a result, revenue fell by 14.0% to 13.9 billion yen while operating profit decreased by 33.0% to 1.0 billion yen.

Other Operations: Growth in micro-PCB waste treatment, continued cost reductions

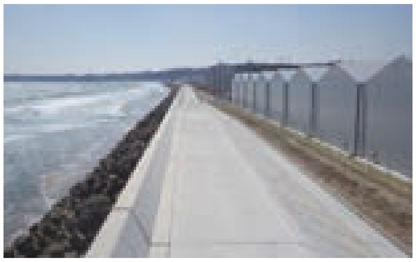
Kureha's environmental engineering business continued to perform steadily, driven by further volume growth in the micro-PCB (polychlorinated biphenyls) waste treatment business. In the logistics business, sales slowed but successful cost reduction measures boosted operating profit. In the hospital business, Kureha successfully narrowed the operating loss through increased sales and cost reductions. As a result, revenue increased slightly to 16.3 billion yen while operating profit rose from 1.5 billion yen to 1.7 billion yen.

FY2017 Outlook

While revenue form the Construction business is projected to grow 4% to 14.5 billion yen due to an increase in both public and private projects, operating profit is expected to fall to 0.6 billion yen as a result of higher labor and material costs.

Other Operations are estimated to increase its revenue by 4% to 17.0 billion yen on continued demand for micro-PCB waste treatment services in the environmental engineering business. However, due to increasing market competition, operating profit is projected to fall 30% to 1.2 billion yen.

Facility to detoxify low-concentration PCB wastes
[Kureha Ecology Management Co.]



Reconstruction work completed for the Fukushima bay area
[Kurehanishiki Construction Co.]

Research & Development

Since its founding, Kureha has worked with creativity and passion to generate proprietary technologies that enrich people's lives and contribute to the advancement of industry. With core strengths in organic synthesis, polymer technology, carbon control, evaluation techniques, and process engineering, Kureha has pursued niche markets and global business expansion to bring unique value creation to society.

To ensure sustainable growth built on strength in technology development, Kureha will continue to reinforce its position in the market through product differentiation. The main priority for our R&D efforts will be to create new businesses that generate new sources of earnings. For existing businesses, drawing on our long-established strength in materials development, Kureha will strengthen processing technologies to develop downstream businesses, and focus on developing production processes for which Kureha has a competitive advantage. Further, through the New Business Creation Project, established to support new business generation through the synthesis of latent market needs and Kureha's unique technologies, we will explore business themes based on future projections in the areas of environment, energy, and quality of life (medicine and food). For both existing and new businesses, Kureha will pursue open innovation based on collaboration with outside organizations.

Research Center & Process Innovation Research Laboratories

Polymer Processing Research Laboratories

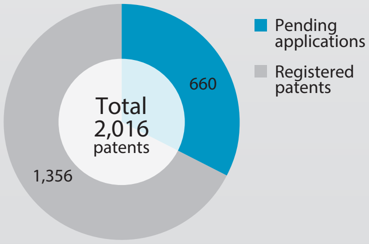
Strategy for Intellectual Property

Kureha uses three intellectual property strategies to maintain its technological advantages and advance its business operations.

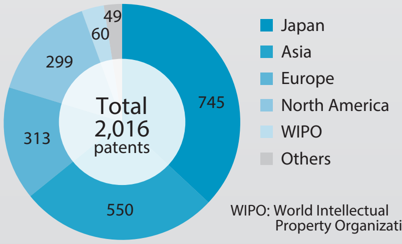
1. Assert intellectual property rights to R&D results to establish barriers to entry.
2. Utilize intellectual property rights to advance businesses.
3. Respect the intellectual property rights of others, and conduct appropriate intellectual property clearance.

The Kureha Group held 2,016 intellectual property rights as of May 2017, of which 1,356 are patent registrations. With the globalization of Kureha's business, we are also acquiring intellectual property rights in countries and territories outside Japan. Currently, 63% of the intellectual property rights held by the Kureha Group are outside Japan.

IP Held by Kureha Group

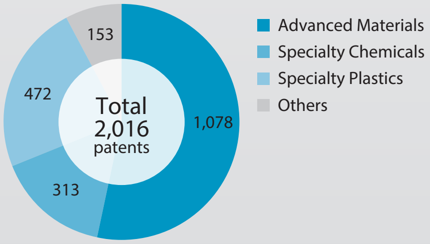


Global Distribution of IP



WIPO: World Intellectual Property Organization

IP in Business Segments



R&D Expenditure in Fiscal 2016: ¥4,734 million

Advanced Materials Division

For *Fortron KPS* (PPS) which is widely used in automobiles and electronic devices and *KF Polymer* (PVDF), Kureha is developing new improved grades, exploring ways to further raise productivity, and expanding applications. For *Kuredux* (PGA), while working to improve resin manufacturing technologies, we are actively developing applications particularly in the area of shale oil and gas extraction, where PGA's easy-to-degrade attribute has proved useful. We are also developing technologies that allow extended application of PGA and its various unique properties in other fields.

Among battery-related materials, our development effort has centered on binder materials for the large lithium-ion batteries used in hybrid and electric vehicles. We are accelerating the development of advanced binder grades and improved solutions for customers, which will enable us to secure and expand our market share.

FY2016 R&D spending in this division amounted to ¥1,860 million.

Specialty Chemicals Division

In the agrochemicals business, we are working to expand markets, both in Japan and overseas, for agricultural and horticultural fungicides. We are also improving productivity for *Metconazole* fungicide.

In pharmaceuticals, we are providing supporting research to enhance the earnings of *Kremezin*, a therapeutic agent for chronic renal failure.

FY2016 R&D spending in this division amounted to ¥1,814 million.

Specialty Plastics Division

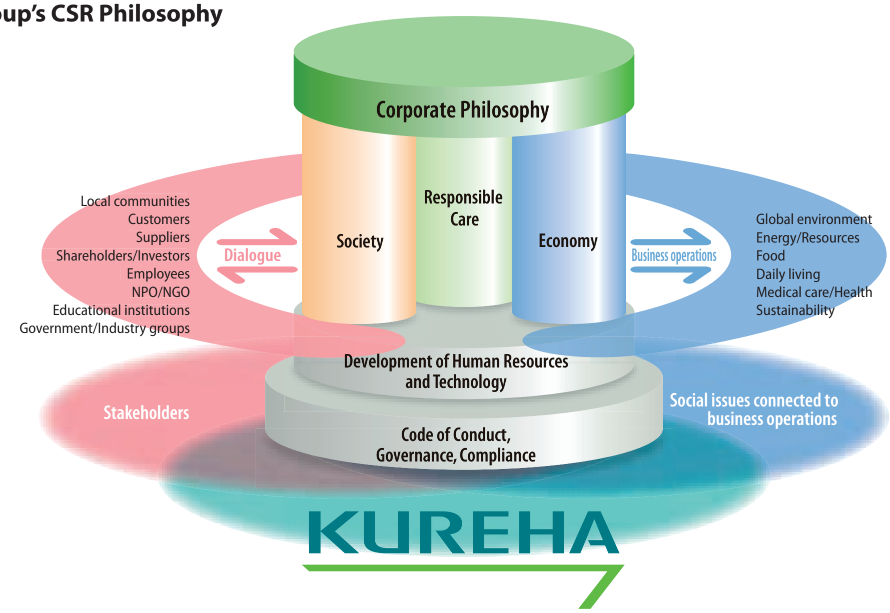
For food packaging film, Kureha is pursuing technology development to ensure stable supply and improve quality. In addition, to further expand global sales, we are actively providing technical support to customers in Japan and overseas.

FY2016 R&D spending in this division amounted to ¥1,059 million.

Corporate Social Responsibility

Kureha is continually working to strengthen its competitiveness and enhance its enterprise value over the longer term. These efforts are founded in what we call CSR-based management, in which we seek to ensure harmony with the environment, motivate employees, support the development of local communities, reduce risks, and enhance benefits for all stakeholders. Kureha maintains a Responsible Care program centered on the types of activities expected of a chemical company, including environmental conservation, disaster risk reduction, worker safety, product safety, and quality assurance. We firmly believe that generating environmental and social value alongside economic value leads to sound, sustainable growth as a company.

Kureha Group's CSR Philosophy

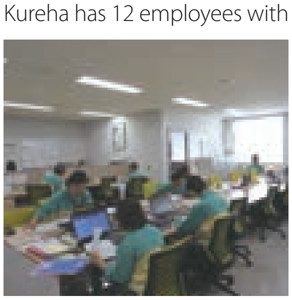


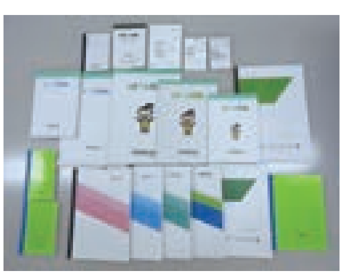
Strengthening CSR Measures

In April 2016, Kureha established the CSR Division to coordinate and further strengthen the Group's CSR activities. Based on ISO26000 criteria, we have specified priority measures and created a Plan-Do-Check-Action structure to support implementation. In addition, we utilize internal seminars and an in-house information newsletter to deepen understanding of CSR among management and employees, thus furthering the roll-out of CSR-based management across our group.

Diversity – an integrated part of Kureha's CSR

Sunshine Kureha Co., Ltd. is an example of Kureha's diversity program. Established within the Iwaki Factory in 2014, Sunshine Kureha has 12 employees with disabilities who conduct administrative duties on behalf of Kureha, including data entry, scanning documents and handling internal mail. One notable task is to make notepads and business cards for Kureha employees using recycled paper made from discarded internal documents. These materials are of high quality, and the waste reduction from this work contributes toward Kureha's environmental efforts.





Note books made from recycled paper at Sunshine Kureha

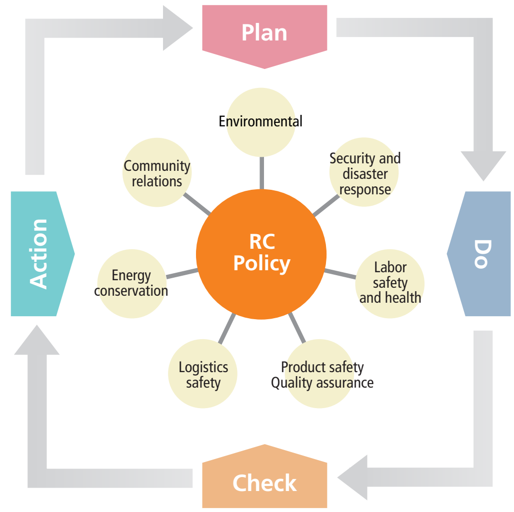
Cooperation for Local Healthcare

The Kureha General Hospital was established in 1935 by Kureha's predecessor company as a clinic for the Iwaki Factory, and has been an integral part of the community as a core hospital for the area since 1972. In 2008, an elderly care facility was established next to the hospital, where residents can receive the care they need to lead sound, fulfilling lives, with doctors and nurses available around the clock to provide specialist medical support. Home-care services are also available to enable patients who are ill or have suffered injuries to live with peace of mind in their own homes.

Kureha General Hospital

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Kureha, an inaugural member of the Japan Responsible Care Council founded in 1995, continues to pursue Responsible Care initiatives to improve health, safety and environmental performance throughout its operations. We regard our commitment to Responsible Care as an integral part of our corporate responsibility.



Responsible Care Implementation

Kureha is continually enhancing its responsible care initiatives under the direction of the Corporate Social Responsibility Committee and the Kureha Group Responsible Care Committee. We take proactive actions to protect the environment, improve labor safety and health and ensure product safety and quality, while being responsive and sensitive to community concerns. Our actions are in line with ISO14001, the international standards for environmental management, ISO9001 for product quality management as well as OHSAS18001 for labor safety and hygiene management, and are constantly improving through the Plan-Do-Check-Act cycle.

Reducing the Burden on the Environment

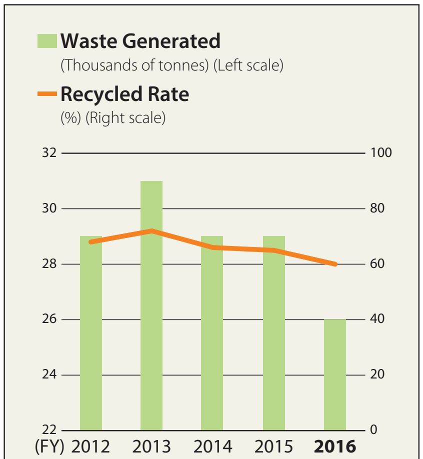
Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In our manufacturing facilities, we strive to minimize environmental impact by implementing strict measures to prevent air and water pollution, reduce chemical material and industrial wastes, and make effective use of energy.

Safety and Disaster Prevention

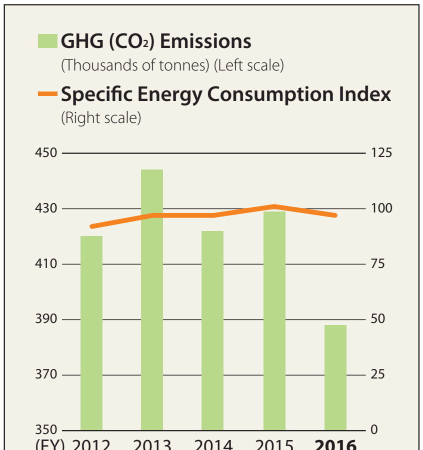
Safety and disaster prevention are among the most important responsibilities of a chemical manufacturing company. Kureha manages its facilities and operations in strict compliance with the relevant laws and regulations as well as voluntary safety standards set to best protect its employees and community. Comprehensive safety and emergency drills and training have been also conduced regularly at our manufacturing sites in order to enhance our preparedness for emergency situations, including a large-scale earthquake.

Contributing to the Community

In addition to Kureha General Hospital serving as a community medical facility in the southern part of Iwaki City, Kureha contributes to the local community in a variety of different ways. These include opening company sports facilities for public use, volunteering for clean up activities, teaching science classes at elementary schools and holding community meetings to initiate dialogue with local neighborhood associations.



*The above data were obtained from Kureha Corporation and its facilities in Japan.



*The above data were obtained from Kureha Corporation and its facilities in Japan.

Disaster prevention and safety drill at the Iwaki Factory (November 2016)

Corporate Governance

Kureha's Corporate Philosophy, Corporate Mission, and Employee Code of Conduct together constitute our company's identity. All executives and employees share these ideals, and constantly strive to achieve ambitious goals. Corporate governance is a critical element in maintaining and acting in accordance with this identity, and we have outlined our basic policies and stance in Kureha's Corporate Governance Guidelines. Kureha follows these guidelines to ensure compliance and enhance internal control functions, provide for fair and transparent management, and ensure a high standard of corporate governance.

Corporate Philosophy

- We treasure people and the natural environment.
- We constantly evolve through innovation.
- We contribute to society by developing beneficial products.

Corporate Mission

Kureha will continually strive in the pursuit of excellence.

Employee Code of Conduct

We always act as global corporate citizens, recognizing our corporate social responsibilities.

In relation to our clients:	We will act with sincerity and with customer satisfaction as our priority.
In relation to our work:	We will consistently pursue progress and innovation. We will consistently respond to change and act with a global perspective.
In relation to our colleagues:	We will maintain mutual respect and exhibit teamwork.

Decision-Making, Execution and Management Framework

1. Supervisory and executive responsibilities are clearly distinguished to strengthen corporate governance and accelerate managerial decision-making and execution.

   The Board of Directors, which is limited in size to a maximum of 10 directors, of whom at least 2 should be outside directors, consists of 3 directors and 2 outside directors as of June 2017. The Board, presided over by the President & Representative Director, meets once a month in principle, to make decisions on important management issues and supervise execution.

   The Executive Committee, chaired by the President & CEO and comprised of executive officers meets twice a month in principle. The committee considers basic authoritative policies and mid- and long-term management strategy that cover all aspects of general management. The committee members pass resolutions on issues as authorized in official company regulations and take steps to ensure speedy implementation.

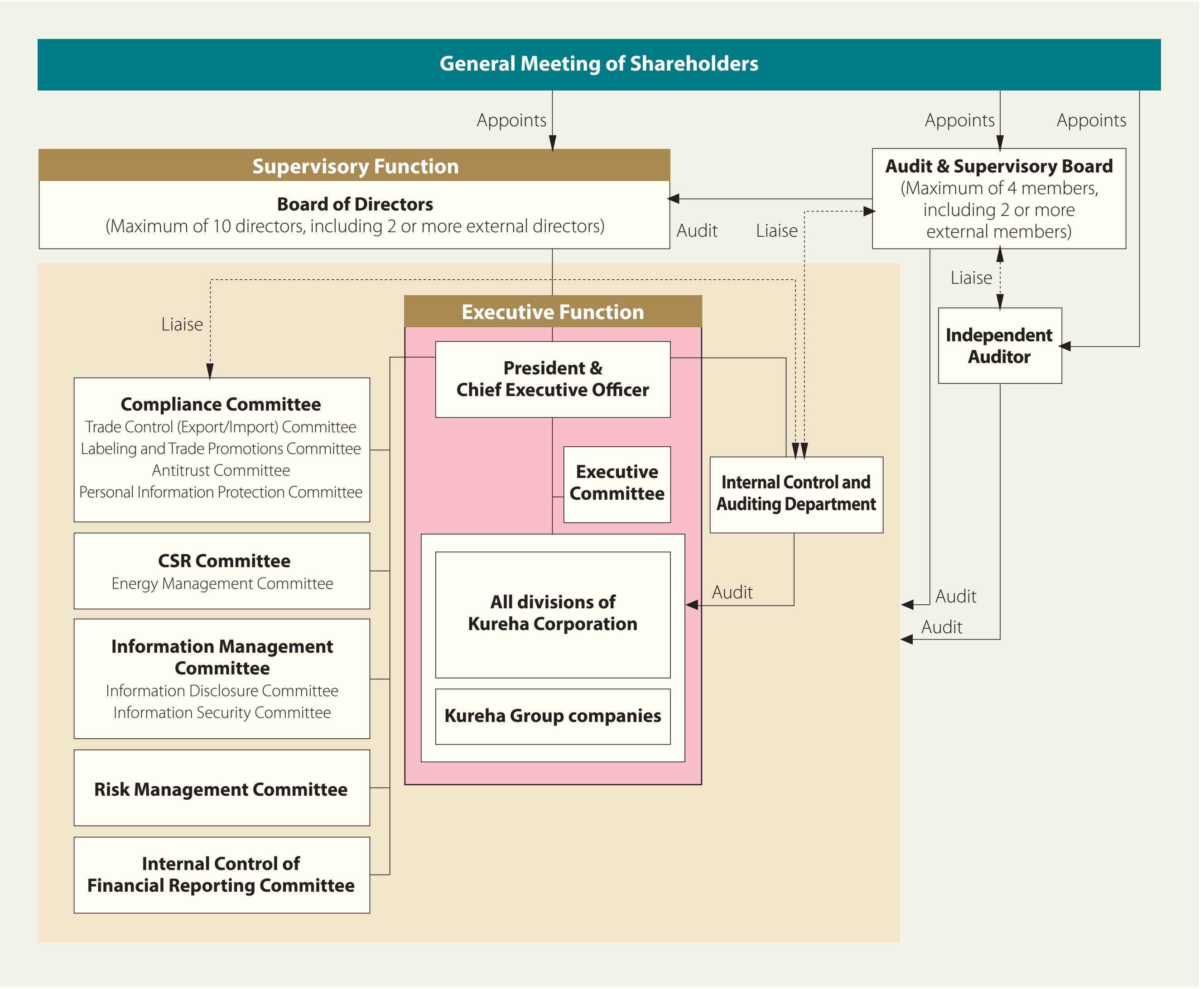
   To clarify responsibilities for fiscal year results, a one-year term is given to all directors and executive officers.

2. The consolidated Executive Committee, set up to unify the Kureha Group's internal policies and long-term management vision, is chaired by the President & CEO. It serves as a forum to exchange views on basic management policies and business strategies with representatives from each group company, with the aim of strengthening consolidated management. Meanwhile, the operations of group companies are supervised and managed in accordance with the Group Company Management Rules, in which the obligations of group companies are clearly specified, while giving autonomy, in terms of certain business and management issues required for reporting and consultation prior to making decisions within their companies.

3. A total of three corporate auditors (including two independent outside auditors) forms the Audit & Supervisory Board. This body works within a framework that allows them to monitor the deliberation processes of board resolutions and reports, as well as have a representative corporate auditor attend and monitor meetings of the Executive Committee and the Consolidated Executive Committee. In addition, auditors are able to access documentation including all documents requiring senior approval, results of internal audits, and documentation on the status of customer inquiries.

   Corporate auditors interact with accounting and internal control functions, for example to exchange opinions on audit planning and progress. They also regularly exchange opinions

Diagram of Internal Control Systems (As of June 27, 2017)



with the President & Representative Director and outside directors on management matters including corporate governance, business conditions and issues that the Company should address.

In addition, the Internal Control and Auditing Department acts independently of other departments and under direct management and supervision of the President & CEO. Based on an annual internal audit plan approved by the Board of Directors, this department assesses the suitability and effectiveness of internal management control systems including compliance and risk management. It then proposes necessary or desired changes and improvements, so as to enhance both management efficiency and public trust in Kureha.

Internal Control System

To further strengthen its internal control system, Kureha has established a set of basic policies, committees and internal rules to ensure that it observes laws and regulations and conducts its business operations in an appropriate and fair manner.

Under this system, Kureha publishes Internal Control Reports under the responsibility of the President & CEO.

In addition, Kureha has also established a set of Basic Rules for Internal Control of Financial Reports to ensure the reliability of the financial reports and to guarantee implementation of management's assessment and certified public accountant's auditing of the effectiveness of internal control of financial reports, as stipulated in the Financial Instruments and Exchange Law.

Appointment of Independent Directors and Auditors

Kureha has appointed two outside directors and two outside auditors. Outside directors utilize their extensive experience and insight as former managers to provide independent and fair supervision of the Company's management decisions. Outside auditors provide auditing from an independent perspective based on their extensive experience and expertise regarding corporate law, corporate finance, and accounting.

The outside directors and outside auditors currently serving Kureha fulfill the requirements for independent executives as prescribed by the Tokyo Stock Exchange, as well as the "Criteria for Determining the Independence of Outside Executives" established by the Company. The Company has determined that there is no conflict of interest with general shareholders.

Outside Directors

1. Osamu Tosaka

Dr. Tosaka worked at Ajinomoto Co., Inc. for over 40 years, accumulating extensive experience in business operations through overseas postings and by serving in the company's research and production divisions. He has particular experience in company management from the perspective of technology and research, having served as Representative Board Director and Corporate Executive Deputy President for Ajinomoto from 2007 to 2011. He was appointed as outside director for Kureha in June 2016.

2. Tadao Ogoshi

Mr. Ogoshi previously worked at the Fuji Bank, Ltd (currently Mizuho Bank, Ltd.) and its affiliated trust bank and securities firm for 33 years, where he was chiefly engaged in commercial banking, special financing and corporate advisory businesses. As a banker and later as a Managing Executive Officer of a hydraulic equipment manufacturer, he has accumulated experiences in business operation and management mainly in Europe. He was appointed as outside director for Kureha in June 2017.

Outside Auditors

1. Haruki Yamaguchi

Mr. Yamaguchi has served as president of domestic and overseas affiliates of Yasuda Life Insurance Company (currently Meiji Yasuda Life Insurance Company), and brings extensive insight and experience regarding global management. He has been an outside auditor for Kureha since June 2012.

2. Masaru Kitamura

Mr. Kitamura has served as a lawyer with Japan's Ministry of Foreign Affairs, and in 1992 established the Kitamura Law Office (currently Kitamura & Makiyama). He has been an outside auditor for Kureha since June 2011, and concurrently holds the positions as Corporate Auditor of Japan Pacific Century Group, Corporate Auditor of Pacific Century Hotel, and Outside Corporate Auditor of Kowabo Company, Ltd.

Executive Remuneration

Executive remuneration reflects corporate performance. It is determined with consideration to enhancing medium- to long-term enterprise value, and in accordance with the compensation structure and levels appropriate to the roles and responsibilities required of each executive.

Total remuneration paid to directors and auditors in fiscal 2016 (ended March 31, 2017) was as follows.

Board directors (for total of 7 directors)	**¥262.0 mil** (of which ¥38.2 mil was paid to 3 outside directors)
Auditors (for total of 5 auditors)	**¥70.9 mil** (of which ¥30.9 mil was paid to 2 outside auditors)

Note: • The remuneration for board directors includes stock acquisition rights at a total value equivalent to 14.9 million yen, issued as reward-type stock options to 4 directors, not including outside directors.

Compliance Program Framework

Kureha has in place a compliance program framework, based on the Kureha Group Ethical Charter and its Compliance Rules.

Kureha's compliance objective is to ensure that all executives and employees act in a manner that is consistent with legal compliance and that also meets the standards of our society. This framework is constantly being improved and reinforced so as to cultivate a compliance-focused corporate culture.

The Compliance Committee, led by the President & Chief Executive Officer (CEO), keeps employees informed of compliance issues through training programs and other activities based on the Compliance Handbook and the Compliance Standards. In addition, direct access to internal and external (legal) advisers for inquiries and reporting on compliance issues is maintained so that legal violations, confirmed or suspected, can be detected and deterred at an early stage.

Disclosure and Transparency

Impartial and continuous information disclosure ensures management transparency and builds trust with stakeholders. Kureha provides timely and appropriate disclosure in accordance with all applicable laws and regulations, as well as the Timely Disclosure Rules prescribed by the Tokyo Stock Exchange. Kureha also proactively releases information deemed to be valuable to shareholders.

Kureha's General Meeting of Shareholders is held annually in June. To ensure that shareholders have sufficient time to review the proposals, the proxy statement for the shareholders' meeting is posted on the Company's website at the end of May, and mailed in early June. Shareholders are able to exercise their voting rights by post or via the Internet.

During the shareholders' meeting, Kureha uses video to clearly explain its business content and results, and makes every effort to respond directly and fully to shareholders' questions.

Kureha also holds regular briefings for institutional investors and analysts regarding its medium-term business strategies and results, and regularly provides individual hearings for investors in Japan and overseas.

Risk Management System

In response to various types of risk accompanying business activities, Kureha has established a risk management structure consisting of a Risk Management Committee, a CSR Committee and an Information Management Committee. Each committee is tasked with recognizing related risks, and proposes concrete measures to the President & Representative Director aimed at reducing and avoiding risk and manages implementation.

In addition, to respond to unforeseen circumstances, a Business Continuity Plan is in place for the establishment of an emergency response task force, with the objective of prioritizing the safety of personnel, minimizing economic damage, and ensuring the continuation of corporate activities.

In terms of information management, Kureha works rigorously to ensure appropriate security and disclosure based on its regulations for information control, security and disclosure, with individual committees set up to oversee each of these areas.

To address environmental and safety risks, management procedures for the environment, quality, and labor safety have been established that comply with ISO 14001, ISO 9001, and OHSAS 18001 standards. In addition, Kureha is also continuing with ongoing efforts to improve environmental conservation, quality assurance, and occupational health and safety.

Compliance with the Corporate Governance Code

The Corporate Governance Code is a compilation of various regulations aimed at ensuring substantive corporate governance at listed companies. It was formulated in March 2015 in response to revisions made to the Japanese government's growth strategy, the Japan Revitalization Strategy, in 2014.

Kureha considers thorough corporate governance to be of vital importance for strengthening the management base to achieve medium- to long-term corporate growth. In November 2015, the Company formulated its own Corporate Governance Guidelines to comply with the government code.

Management Team

Board of Directors

Yutaka Kobayashi
President &
Chief Executive Officer

Yoshio Noda
Senior Vice President
General Manager of
Corporate Planning,
Finance & Accounting Division
General Manager of CSR Division

Michihiro Sato
Senior Vice President
General Manager of Manufacturing &
Technology Division
General Manager of R&D Division

Osamu Tosaka
Outside Director

Tadao Ogoshi
Outside Director

Audit & Supervisory Board

Haruki Yamaguchi

Toru Yoshida

Masaru Kitamura

Executive Officers

Naoki Fukuzawa
Executive Vice President, General
Manager of Krehalon Division

Fumihiko Yamada
Vice President, General Manager of
Administration Division

Yoshinori Shiojiri
Vice President, General Manager of
Iwaki Factory, General Manager of
Technology Center

Naomitsu Nishihata
Vice president, General Manager of
PGA Division and KF Products Division

Satoshi Yonezawa
Vice President, General Manager of
Performance Materials Division

Masahiro Namikawa
Vice President, General Manager of
Pharmaceuticals & Agrochemicals
Division

Koji Suyama
Vice President, General Manager of
Home Products Division

Consolidated Financial Summary

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2016	FY2015	FY2016
For the year:			
Revenue:	¥ 132,294	¥140,779	$1,179,196
Domestic	97,630	98,742	870,220
Overseas	34,664	42,037	308,975
Revenue by segment:			
Advanced Materials	33,369	35,565	297,432
Specialty Chemicals	25,866	30,621	230,555
Specialty Plastics	42,791	42,311	381,415
Construction	13,934	16,201	124,200
Other Operations	16,332	16,079	145,574
Operating profit	9,255	7,384	82,493
Advanced Materials	79	1,441	704
Specialty Chemicals	2,538	4,760	22,622
Specialty Plastics	4,986	3,188	44,442
Construction	1,026	1,537	9,145
Other Operations	1,726	1,497	15,384
Elimination or corporate	(1,101)	(5,040)	(9,813)
Profit attributable to owners of parent	7,001	4,881	62,403
Capital expenditure	10,304	11,422	91,844
Depreciation and amortization	10,191	10,333	90,836
Research and development expenses	4,734	4,885	42,196
Advanced materials	1,860	1,863	16,579
Specialty chemicals	1,814	1,866	16,168
Specialty plastics	1,059	1,155	9,439
Construction	—	—	—
Other operations	—	—	—
Cash flows from operating activities	12,350	14,559	110,081
Cash flows from investing activities	(1,071)	(6,049)	(9,546)
Cash flows from financing activities	(11,727)	(9,935)	(104,528)
Year-end:			
Total assets	¥ 234,907	¥239,807	$2,093,831
Total equity	124,297	118,177	1,107,915
Interest-bearing debt	71,007	81,184	632,917
	Yen		U.S. dollars
Amounts per share:			
Basic profit per share	¥ 407.38	¥ 284.05	$ 3.63
Owners' equity per share	7,232.89	686.06	64.47
Cash dividends per share	11	12	0.09
	Percent		
Ratios:			
Operating profit to revenue	7.0%	5.2%	
Profit attributable to owners of parent to revenue	5.3	3.5	
Return on equity	5.8	4.1	
Return on assets	3.8	2.7	
Owner's equity ratio	52.9	49.3	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥112.19 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2017.
2. For amounts per share, see Note 29 of the Notes to Consolidated Financial Statements.
3. Return on equity = Profit attributable to owners of parent/Shareholders' equity × 100
4. Return on assets = Profit before tax/Total assets × 100
5. Owner's equity ratio = Owner's equity/Total liabilities and equity

Management Discussion and Analysis

Business environment

During the fiscal year ended March 31, 2017(FY2016), the Japanese economy showed a moderate recovery trend throughout the second half despite continuing uncertainties due to weak consumer spending and capital expenditure. Meanwhile, the world economy recovered moderately as well, despite the uncertainties caused by the change of administration in the United States, economic trends in China and instability of the European economy following United Kingdom's decision to leave the European Union.

Analysis of business results

Revenue in the subject fiscal year decreased by 6.0% from the previous fiscal year to ¥132,294 million. Gross profit decreased by ¥3,211 million, or 8.3%, to ¥35,503 million and gross profit margin fell from 27.5% in the previous fiscal year to 26.8%. On the other hand, selling, general and administrative expenses decreased by ¥1,424 million, or 5.1%, to ¥26,632 million. Operating profit in the subject fiscal year increased by ¥1,871 million, or 25.3%, to ¥9,255 million, with the posting of ¥1,619 million in share of profit of entities accounted for using equity method, ¥1,398 million in other income and ¥2,633 million in other expenses. The ratio of operating profit to revenue improved from 5.2% to 7.0%.

Finance losses, the difference between finance income and finance costs, decreased by ¥528 million from the previous fiscal year to ¥275 million. As a result, profit before tax increased by ¥2,401 million, or 36.5%, to ¥8,981 million. Of the amount of profit for the year, that is, profit before tax less income tax expense, profit attributable to owners of parent increased by ¥2,120 million, or 43.4%, to ¥7,001 million.

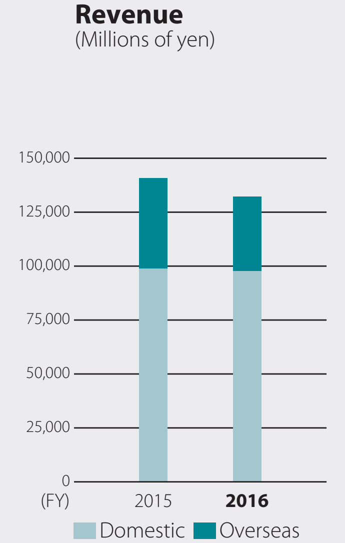
Cash flow analysis

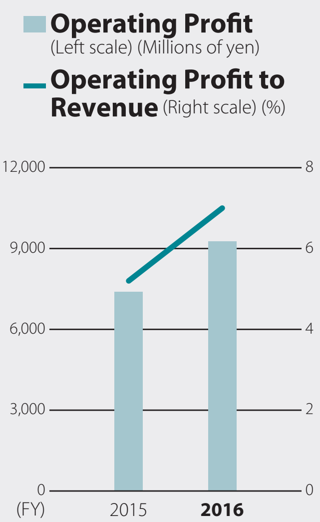
The balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2017) amounted to ¥6,222 million, a decrease of ¥472 million from the end of the previous fiscal year (March 31, 2016). An outline of individual cash flows and the main factors affecting each is as follows:

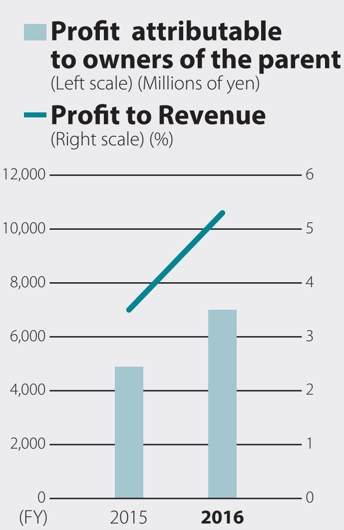
Cash flows from operating activities
Net cash provided by operating activities amounted to ¥12,350 million, a decrease of ¥2,208 million from the previous fiscal year. This was mainly due to an increase in inventory assets and other factors.

Cash flows from investing activities
Net cash used in investment activities amounted to ¥1,071 million, a decrease of ¥4,977 million from the previous fiscal year. This was mainly due to proceeds from subsidy for Fukushima Business Investment Subsidy for Revitalization of Industries despite a decline in proceeds from sales of investment securities.

Cash flows from financing activities
Net cash used in financing activities amounted to ¥11,727 million, an increase of ¥1,791 million from the previous fiscal year. This was mainly due to repayment of interest-bearing debt associated with an increase in free cash flows and other factors.







Financial policy

The Kureha Group's basic policy is to maximize cash flows from operating activities by securing earnings in line with its business plan and by enhancing asset efficiency, and to allocate cash with priority given to capital expenditure for new businesses and expansion of existing businesses, investments and loans, research and development, and dividend payments to investors. In line with this policy, Kureha procures required capital with priority given to securing long-term funding, and in consideration of the balance between long- and short-term borrowings.

Balance sheet analysis

As of March 31, 2017, total assets amounted to ¥234,907 million, a decrease of ¥4.9 billion from the end of the previous fiscal year (March 31, 2016). Current assets totaled ¥75,272 million, an increase of ¥2,378 million from the end of the previous fiscal year, mainly due to an increase in inventory assets. Despite an increase in gain on valuation of investment securities included in other financial assets, non-current assets amounted to ¥159,634 million, a decrease of ¥7,278 million from the end of the previous fiscal year. This was mainly due to the completion of large-scale capital expenditures and a direct deduction of subsidy income, which caused property, plant and equipment to decrease by ¥9,075 million to ¥115,911 million.

Total liabilities at the end of the subject fiscal year amounted to ¥108,934 million, a decrease of ¥11,432 million from the end of the previous fiscal year. This was mainly because of a decline in interest-bearing debt, by ¥10,176 million from the end of the previous fiscal year to ¥71,007 million.

Total equity at the end of the subject fiscal year amounted to ¥125,972 million, an increase of ¥6,532 million from the end of the previous fiscal year. This was mainly due to the posting of profit attributable to owners of parent of ¥7,001 million and an increase in other component of equity primarily associated with an increase in gain on valuation of investment securities, despite the payment of dividends in an amount of ¥1,890 million.

Overview of capital expenditure

Total capital expenditure of the Kureha Group during the fiscal year ended March 31, 2017 amounted to ¥10,304 million.

Capital expenditure by business division:

The Advanced Materials Division invested ¥3,904 million, mainly in manufacturing facilities for PVDF resin (Kureha) and PPS resin (Kureha).

The Specialty Chemicals Division invested ¥1,333 million, primarily in production facilities for inorganic chemicals (Kureha).

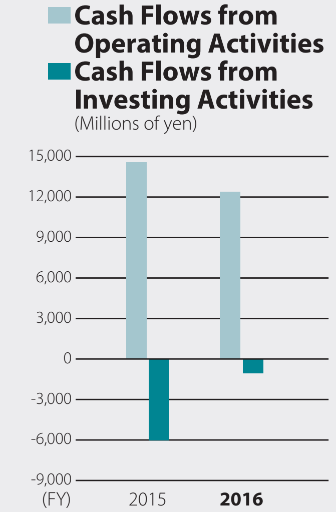
The Specialty Plastics Division invested ¥1,633 million, primarily in manufacturing facilities for PVDC resin (Kureha).

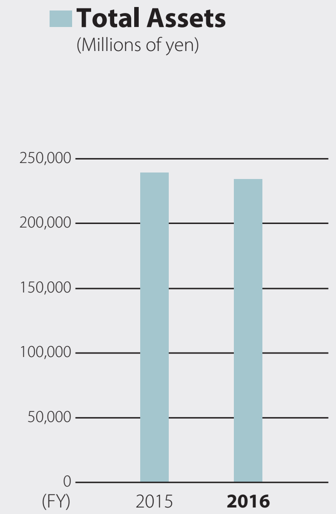
The Construction Division invested ¥171 million in facilities.

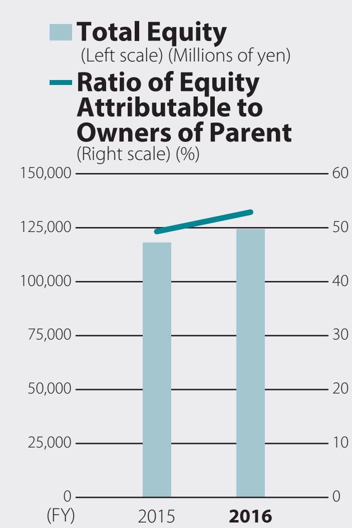
The Other Operations Division invested ¥1,082 million, mainly in industrial waste processing facilities (Kureha Ecology Management Co., Ltd.).

In addition, as a joint initiative, the Advanced Materials, Specialty Chemicals, and Specialty Plastics Divisions invested ¥2,179 million in such areas as private power plant facilities (Kureha), and common factory facilities (Kureha).

Capital required for these investments was procured from cash-at-hand, corporate bonds, and borrowings.







Business and other risks

The Kureha Group's business operations are diverse, comprising the Advanced Materials Division focused on PGA resin and processed products, PVDF resin, and PPS resin; the Specialty Chemicals Division focused on pharmaceuticals, agrochemicals and industrial chemicals; the Specialty Plastics Division focused on household products and food packaging; the Construction Division focused on construction and engineering; and the Other Operations Division including environmental businesses and logistics. By region, the Group conducts business in Japan as well as Europe, North America, and Asia.

The main factors that could affect the operating results, stock price, financial position and other aspects of the Kureha Group are as follows.

Forward-looking statements in this text are based on evaluations made at the time of the Company's securities report filing (June 27, 2017).

(1) Changes in the business environment in Japan and overseas; changes in the market price of products

The Kureha Group's business is exposed to external factors such as changes in markets or customers, and intensification of competition with rival companies. Accordingly, changes such as a decrease in demand for the Group's principle products, customers shifting production overseas, and an increase in production capacity by competing firms, could have a negative effect on the Group's operating results and financial position.

(2) Changes in fuel and raw material prices

Raw materials such as naphtha and coal used by the Kureha Group, as well as fuel, are susceptible to changes in market conditions. As a result, changes such as an increase in the price of these raw materials, or the inability to shift the additional cost to product prices in a timely and appropriate manner, could have a negative effect on the Group's operating results and financial position.

(3) Product liability

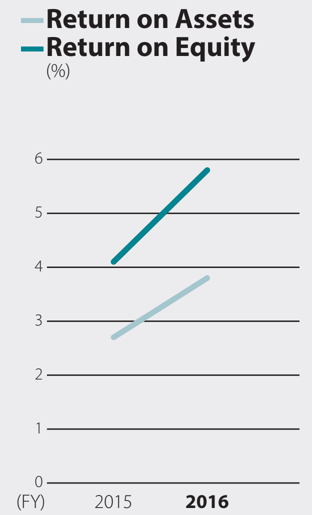
The Kureha Group's core business is chemical manufacturing. The Group is acutely aware of the risks connected with its products and the manufacturing process, and is careful to continually exercise Responsible Care (autonomous management for environmental conservation, disaster safety and other measures). However, should a significant, unforeseen quality issue arise, there could be a negative effect on the Group's operating results and financial position.

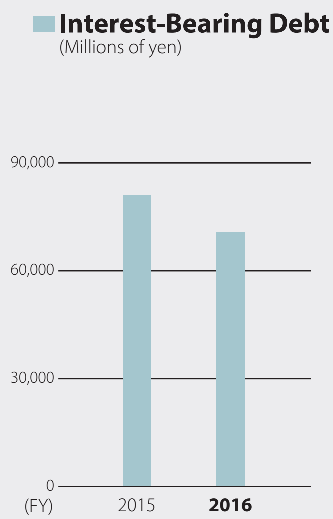
(4) The Specialty Chemicals Division's pharmaceutical business

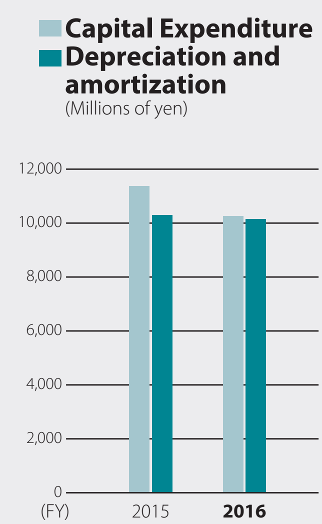
One of the Kureha Group's main businesses is the manufacture and sale of pharmaceuticals. Accordingly, revisions to drug prices under Japan's medical insurance system, as well as the rise of the usage of generic drugs, could have a negative effect on the Group's operating results.

(5) Country risks for overseas businesses

The Kureha Group conducts business in Europe, North America and Asia. Accordingly, changes such as deterioration in the political or economic situation in these regions, the enactment or abolishment of laws and regulations, international tax practice risks such as transfer price taxation, and deterioration in public safety, as well as unforeseen circumstances such as terrorism, armed conflict or natural disaster, could have a negative effect on the Group's operating results and financial position.







(6) Currency fluctuations
The items in the Kureha Group's financial statements not denominated in yen are susceptible to fluctuations in exchange rates when converted into yen. The Group concludes exchange contracts and takes other steps to minimize the effects of fluctuations in exchange rates. However, fluctuations in exchange rates beyond those predicted could have a negative effect on the Group's operating results and financial position.

(7) Investment securities
The Kureha Group holds investment securities (approximately 10% of total assets on a consolidated basis) for the purpose of long-term holdings as of the end of the subject fiscal year. Significant changes in market prices, or in the financial position of the issuing companies, could have a negative effect on the Group's operating results and financial position.

(8) Occurrence of natural disasters or accidents
Manufacturing of the Kureha Group's principal products is concentrated in the Iwaki Factory (Iwaki, Fukushima Prefecture), and as such the Company makes continual efforts focused on this facility for environmental conservation and to ensure safety. However, damage to production facilities as a result of natural disasters such as major earthquakes or typhoons, or due to fires and other accidents, could have a negative effect on the Group's operating results and financial position.

(9) Litigation
The Kureha Group has established the "Kureha Group Ethical Charter," "Compliance Rules" and "Compliance Standards," and strives to ensure that the Group strictly complies with all laws, regulations and societal norms. However, there is a risk that the Group's domestic or overseas businesses could be the target of lawsuits, administrative measures or other action. A major lawsuit or other action filed against Kureha could have a negative effect on the Group's operating results and financial position.

(10) Emergence of new technologies
The Kureha Group is committed to research and development in all its business fields, aiming to "develop differentiated products in the specialty chemicals field, and become a high value-added company that continually contributes to society." Particularly in the Advanced Materials Division, the Company considers it essential to develop and bring to market new products in a timely manner, given the remarkable pace of technological innovation. However, in cases where it is not possible to continuously develop and supply new products to meet customer needs, or in cases where other companies come up with revolutionary new technologies, there is a risk of obsolescence of some Kureha products and technologies due to rapid technological advance, or of product prices falling more steeply than anticipated due to intensified price competition triggered by new entrants in Japan and overseas. In such case, they could have a negative effect on the Group's operating results and financial position.

Consolidated Statements of Financial Position

Kureha Corporation and its Consolidated Subsidiaries
As of March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Transition date (April 1, 2015)	**FY2016**	FY2015	**FY2016**
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 7 & 23)	¥ 7,911	**¥ 6,222**	¥ 6,695	**$ 55,459**
Trade and other receivables (Notes 8 & 23)	30,201	**29,387**	30,928	**261,939**
Other financial assets (Note 23)	232	**332**	234	**2,959**
Inventories (Note 9)	32,429	**36,497**	33,077	**325,314**
Assets held for sale (Notes 10 & 23)	—	**772**	—	**6,881**
Other current assets	2,277	**2,060**	1,958	**18,361**
Total current assets	73,051	**75,272**	72,894	**670,933**
Non-current assets:				
Property, plant and equipment, net (Notes 11, 13 & 16)	130,952	**115,911**	124,987	**1,033,166**
Intangible assets, net (Notes 12 & 13)	1,825	**1,395**	1,666	**12,434**
Investments accounted for using equity method (Note 14)	10,939	**10,714**	10,393	**95,498**
Other financial assets (Notes 16 & 23)	30,417	**25,342**	24,568	**225,884**
Deferred tax assets (Note 15)	2,066	**1,350**	1,692	**12,033**
Other non-current assets (Note 19)	3,779	**4,920**	3,605	**43,854**
Total non-current assets	179,981	**159,634**	166,913	**1,422,889**
Total assets	¥253,032	**¥234,907**	¥239,807	**$2,093,831**

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Transition date (April 1, 2015)	FY2016	FY2015	FY2016
LIABILITIES AND NET ASSETS				
Current liabilities:				
Trade and other payables (Notes 16, 17 & 23)	¥ 21,174	**¥ 20,369**	¥ 19,817	**$ 181,558**
Bonds and loans payable (Notes 16 & 23)	35,207	**46,689**	33,986	**416,160**
Other financial liabilities (Notes 16 & 23)	1,233	**836**	763	**7,451**
Accrued income taxes	2,430	**873**	1,419	**7,781**
Provisions (Note 18)	5,953	**5,742**	5,835	**51,181**
Other current liabilities	8,322	**6,161**	7,755	**54,915**
Total current liabilities	74,322	**80,672**	69,578	**719,065**
Non-current liabilities:				
Bonds and loans payable (Notes 16 & 23)	52,260	**23,561**	46,323	**210,009**
Other financial liabilities (Notes 16 & 23)	1,978	**1,291**	1,534	**11,507**
Deferred tax liabilities (Note 15)	2,759	**1,492**	870	**13,298**
Provisions (Note 18)	669	**386**	490	**3,440**
Net defined benefit liability (Note 19)	557	**382**	434	**3,404**
Other non-current liabilities	1,088	**1,147**	1,135	**10,223**
Total non-current liabilities	59,314	**28,261**	50,788	**251,903**
Total liabilities	133,636	**108,934**	120,366	**970,977**
Equity:				
Shareholders' equity:				
Capital stock, no par value (Note 21)	12,460	**12,460**	12,460	**111,061**
Capital surplus (Note 21)	10,013	**9,430**	9,430	**84,053**
Less: Treasury stock, at cost (Note 21)	(4,487)	**(4,456)**	(4,450)	**(39,718)**
Retained earnings (Note 21)	90,726	**101,731**	95,723	**906,774**
Other components of equity (Note 21)	9,710	**5,132**	5,013	**45,743**
Total equity attributable to owners of parent	118,422	**124,297**	118,177	**1,107,915**
Non-controlling interests	973	**1,674**	1,263	**14,921**
Total equity	119,396	**125,972**	119,440	**1,122,845**
Total liabilities and equity	¥253,032	**¥234,907**	¥239,807	**$2,093,831**

Consolidated Statements of Profit or Loss

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2016	FY2015	**FY2016**
Revenue (Notes 6 & 25)	**¥132,294**	¥140,779	**$1,179,196**
Cost of sales (Notes 9, 11, 12 & 19)	**96,791**	102,064	**862,741**
Gross profit	**35,503**	38,714	**316,454**
Selling, general and administrative expenses (Notes 11, 12, 19 & 20)	**26,632**	28,056	**237,383**
Share of profit of entities accounted for using equity method (Notes 6 & 14)	**1,619**	1,706	**14,430**
Other income (Note 26)	**1,398**	918	**12,461**
Other expenses (Notes 11, 13 & 27)	**2,633**	5,899	**23,469**
Operating profit (Note 6)	**9,255**	7,384	**82,493**
Finance income (Note 28)	**577**	784	**5,143**
Finance costs (Note 28)	**852**	1,587	**7,594**
Profit before tax	**8,981**	6,580	**80,051**
Income tax expense (Note 15)	**1,874**	1,762	**16,703**
Profit for the year	**7,106**	4,818	
Profit attributable to:			
Owners of parent	**7,001**	4,881	**62,403**
Non-controlling interests	**105**	(63)	**935**
Total	**¥ 7,106**	¥ 4,818	**$ 63,338**
Profit per share (in Yen):			
Basic (Note 29)	**¥ 407.38**	¥ 284.05	**$3.63**
Diluted (Note 29)	**338.77**	236.23	**3.01**

Consolidated Statements of Comprehensive Income

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2016	FY2015	**FY2016**
Profit for the year	**¥7,106**	¥4,818	**$63,338**
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income (Notes 23 & 30)	**1,780**	948	**15,865**
Remeasurements of defined benefit plans (Note 30)	**190**	(806)	**1,693**
Total	**1,970**	142	**17,559**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations (Note 30)	**(698)**	(1,879)	**(6,221)**
Cash flow hedges (Note 30)	**2**	5	**17**
Share of other comprehensive income of entities accounted for using equity method (Note 30)	**(199)**	(816)	**(1,773)**
Total	**(896)**	(2,690)	**(7,986)**
Total other comprehensive income (loss)	**1,074**	(2,548)	**9,573**
Comprehensive income (loss)	**¥8,181**	¥2,269	**$72,920**
Comprehensive income (loss) attributable to:			
Owners of parent	**¥7,993**	¥2,438	**$71,245**
Non-controlling interests	**187**	(169)	**1,666**
Comprehensive income (loss)	**¥8,181**	¥2,269	**$72,920**

Consolidated Statements of Changes in Equity

Kureha Corporation and its Consolidated Subsidiaries

FY2016 (From April 1, 2016 To March 31, 2017)

Millions of yen

	Total equity attributable to owners of parent						
					Other components of equity		
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2016	¥12,460	¥9,430	¥(4,450)	¥ 95,723	¥304	¥(2,682)	¥ (2)
Profit for the period				7,001			
Other comprehensive income						(900)	2
Comprehensive income	—	—	—	7,001	—	(900)	2
Acquisition of treasury stock (Note 21)			(5)				
Disposal of treasury stock (Note 21)		0	0				
Share-based payment transaction (Note 20)					14		
Dividends (Note 22)				(1,890)			
Changes in equity							
Increase of subsidiaries							
Reclassification from other components of equity to retained earnings				888			
Others				8			
Total transactions with owners	—	0	(5)	(993)	14	—	—
BALANCE-MARCH 31, 2017	¥12,460	¥9,430	¥(4,456)	¥101,731	¥319	¥(3,582)	¥—

	Total equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
BALANCE-APRIL 1, 2016	¥7,393	¥ —	¥5,013	¥118,177	¥1,263	¥119,440
Profit for the period			—	7,001	105	7,106
Other comprehensive income	1,711	179	992	992	82	1,074
Comprehensive income	1,711	179	992	7,993	187	8,181
Acquisition of treasury stock (Note 21)			—	(5)		(5)
Disposal of treasury stock (Note 21)			—	0		0
Share-based payment transaction (Note 20)			14	14		14
Dividends (Note 22)			—	(1,890)	(35)	(1,926)
Changes in equity			—	—		—
Increase of subsidiaries			—	—	260	260
Reclassification from other components of equity to retained earnings	(708)	(179)	(888)	—		—
Others			—	8		8
Total transactions with owners	(708)	(179)	(873)	(1,872)	224	(1,648)
BALANCE-MARCH 31, 2017	¥8,395	¥ —	¥5,132	¥124,297	¥1,674	¥125,972

FY2016 (From April 1, 2016 To March 31, 2017)

Thousands of U.S. dollars

	Total equity attributable to owners of parent						
					Other components of equity		
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2016	$111,061	$84,053	$(39,664)	$853,222	$2,709	$(23,905)	$(17)
Profit for the period				62,403			
Other comprehensive income						(8,022)	17
Comprehensive income	—	—	—	62,403	—	(8,022)	17
Acquisition of treasury stock (Note 21)			(44)				
Disposal of treasury stock (Note 21)		0	0				
Share-based payment transaction (Note 20)					124		
Dividends (Note 22)				(16,846)			
Changes in equity							
Increase of subsidiaries							
Reclassification from other components of equity to retained earnings				7,915			
Others				71			
Total transactions with owners	—	0	(44)	(8,851)	124	—	—
BALANCE-MARCH 31, 2017	$111,061	$84,053	$(39,718)	$906,774	$2,843	$(31,927)	$ —

	Total equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
BALANCE-APRIL 1, 2016	$65,897	$ —	$44,683	$1,053,364	$11,257	$1,064,622
Profit for the period			—	62,403	935	63,338
Other comprehensive income	15,250	1,595	8,842	8,842	730	9,573
Comprehensive income	15,250	1,595	8,842	71,245	1,666	72,920
Acquisition of treasury stock (Note 21)			—	(44)		(44)
Disposal of treasury stock (Note 21)			—	0		0
Share-based payment transaction (Note 20)			124	124		124
Dividends (Note 22)			—	(16,846)	(311)	(17,167)
Changes in equity			—	—		—
Increase of subsidiaries			—	—	2,317	2,317
Reclassification from other components of equity to retained earnings	(6,310)	(1,595)	(7,915)	—		—
Others			—	71		71
Total transactions with owners	(6,310)	(1,595)	(7,781)	(16,685)	1,996	(14,689)
BALANCE-MARCH 31, 2017	$74,828	$ —	$45,743	$1,107,915	$14,921	$1,122,845

Consolidated Statements of Cash Flows

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	**FY2016**
Cash flows from operating activities:			
Profit before tax	**¥ 8,981**	¥ 6,580	**$ 80,051**
Depreciation and amortization	**10,191**	10,333	**90,836**
Business restructuring costs	**1,194**	4,024	**10,642**
Loss on business withdrawal	**378**	—	**3,369**
Finance income	**(550)**	(784)	**(4,902)**
Finance costs	**557**	720	**4,964**
Share of (profit) loss of entities accounted for using equity method	**(1,619)**	(1,706)	**(14,430)**
Loss on disposal and sale of property, plant and equipment, and intangible assets	**486**	1,118	**4,331**
(Increase) decrease in trade and other receivables	**1,597**	(1,029)	**14,234**
(Increase) decrease in inventories	**(3,630)**	(957)	**(32,355)**
Increase (decrease) in trade and other payables	**340**	(164)	**3,030**
Increase (decrease) in provision	**(188)**	(287)	**(1,675)**
Increase (decrease) in net defined benefit asset and liability	**(1,172)**	(1,206)	**(10,446)**
Other, net	**(2,235)**	662	**(19,921)**
Subtotal	**14,328**	17,303	**127,711**
Interest and dividends received	**1,395**	2,220	**12,434**
Interest paid	**(481)**	(712)	**(4,287)**
Income taxes paid	**(2,890)**	(4,252)	**(25,759)**
Cash flows from operating activities	**12,350**	14,559	**110,081**
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment, and intangible assets	**32**	407	**285**
Payments for purchases of property, plant and equipment, and intangible assets	**(9,379)**	(12,515)	**(83,599)**
Proceeds from sales of investment securities	**1,320**	7,238	**11,765**
Purchase of investment securities	**(38)**	(117)	**(338)**
Purchase of shares of subsidiaries	**—**	(64)	**—**
Proceeds from government grants	**7,780**	—	**69,346**
Other, net	**(786)**	(997)	**(7,005)**
Cash flows from investing activities	**(1,071)**	(6,049)	**(9,546)**
Cash flows from financing activities:			
Dividends paid	**(1,890)**	(2,061)	**(16,846)**
Dividends paid to non-controlling interests	**(35)**	(30)	**(311)**
Net increase (decrease) in commercial paper and short-term loans payable	**(117)**	2,457	**(1,042)**
Proceeds from non-current loans payable	**4,090**	8,202	**36,456**
Repayments of non-current loans payable	**(13,715)**	(7,167)	**(122,247)**
Repayments of bonds	**—**	(10,000)	**—**
Proceeds from contributions of non-controlling interests	**260**	—	**2,317**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(1,026)	**—**
Other, net	**(317)**	(309)	**(2,825)**
Cash flows from financing activities	**(11,727)**	(9,935)	**(104,528)**
Effect of exchange rate changes on cash and cash equivalents	**(24)**	210	**(213)**
Net decrease in cash and cash equivalents	**(472)**	(1,215)	**(4,207)**
Cash and cash equivalents at beginning of year	**6,695**	7,911	**59,675**
Cash and cash equivalents at end of year	**¥ 6,222**	¥ 6,695	**$ 55,459**

1. Reporting entity

Kureha Corporation (the "Company") is a company registered in Japan and listed on the Tokyo Stock Exchange. The locations of the Company's registered headquarters and main offices are available on the Company's website at http://www.kureha.co.jp/en/. The consolidated financial statements of the Company for FY2016 (from April 1, 2016 to March 31, 2017) comprise the Company and its subsidiaries (collectively the "Group"), and the Group's interests in its affiliates. The Group operates its businesses primarily in the manufacturing and sale of advanced materials, specialty chemicals, and specialty plastics, and engages in business activities including construction and repair of facilities, logistics and environmental protection, and other services.

2. Basis of preparation of the consolidated financial statements

(1) Compliance with IFRS and matters concerning its first-time adoption

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The Group has adopted the provision of Article 93 of *Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* because the Group satisfies the requirements for a "Designated IFRS Specified Company" as set forth in Article 1-2 of said Ordinance.

The Group has adopted IFRS from FY2016 (from April 1, 2016 to March 31, 2017) and the full-year consolidated financial statements for the fiscal year beginning on April 1, 2016 are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS ("transition date") is April 1, 2015. The Group had previously adopted J-GAAP and the closing date of the accounting period stated on the most recent consolidated financial statements under J-GAAP is March 31, 2016.

An explanation regarding the exemptions provided by IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") and adopted by the Group and the reconciliation required for disclosure under IFRS is provided in the section titled "35. First-time adoption of IFRS."

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis except for some of the financial assets, financial liabilities, employee benefits and other items, which have been measured at fair value, as stated in "3. Significant accounting policies."

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. In principle, all financial information presented in Japanese yen has been rounded down to the nearest million.

In addition, the U.S. dollar amounts, which have been translated from Japanese yen into U.S. dollars on the basis of ¥112.19, the rate of exchange prevailing on March 31, 2017, are provided in the accompanying consolidated financial statements and notes herein for convenience. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

(4) Approval of the consolidated financial statements

The consolidated financial statements have been approved at the Board of Directors meeting held on June 27, 2017.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in the consolidated financial statements (including the consolidated statements of financial position as of the transition date).

The Group has early adopted IFRS 9 *Financial Instruments* (issued in November 2009, as amended in July 2014).

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity which is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of a subsidiary are included in the scope of consolidation from the date the Group obtains control of the subsidiary until the date it loses such control of the subsidiary.

When the accounting policies adopted by a subsidiary differ from those adopted by the Group, the financial statements of a subsidiary are adjusted as necessary.

When the closing date of the financial statements of a subsidiary differs from that of the Group's consolidated financial statements, the Group uses the financial statements based on a provisional settlement of accounts.

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Comprehensive income of the subsidiaries is allocated to owners of the parent and non-controlling interests, even when the non-controlling interests will result in a negative balance.

2) Affiliates
An affiliate is an entity over which the Group has significant influence in the financial and operating policy decisions, but that is not controlled or jointly controlled by the Group. If the Group holds between 20 percent and 50 percent of the voting rights of another entity, it is presumed that the Group has significant influence over the other entity. An investment in an affiliate is accounted for using the equity method.

When the closing date of the affiliate's financial statements differs from that of the Group's consolidated financial statements, the Group uses the financial statements based on a provisional settlement of accounts.

3) Joint ventures
A joint venture is an entity with a contractual agreement whereby two or more parties including the Group undertake an economic activity that is subject to joint control, which is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The joint ventures held by the Group are accounted for using the equity method.

(2) Business combinations
Business combinations are accounted for using the acquisition method. The consideration transferred by the Company as an acquirer is measured as the aggregate of the acquisition-date fair value of the assets given, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. If (a) the aggregate of the consideration transferred by the Company, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree in a business combination achieved in stages (step acquisitions) exceeds (b) the fair value of identifiable assets and liabilities, the excess is recognized as goodwill in the consolidated statements of financial position. If, in the contrary, the amount of (a) above falls below the amount of (b), the difference is recognized immediately as profit or loss in the consolidated statements of profit or loss.

Acquisition-related costs, which are the costs the Group incurs to effect a business combination, are expensed as incurred.

As additional acquisitions of non-controlling interests in the Group's subsidiaries are accounted for as equity transactions, no goodwill is recognized as a result of such transactions.

The Group has adopted exemptions under IFRS 1 to elect not to apply IFRS 3 *Business Combinations* retrospectively in regards to business combinations that occurred prior to the transition date (April 1, 2015).

(3) Foreign currency translation
1) Foreign currency transactions
The items included in the financial statements of each entity of the Group are measured in its functional currency. Foreign currency transactions are converted into the functional currency of each entity using the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses arising from designated investments in equity instruments to be measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

2) Financial statements of foreign operations
Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising from the acquisition of foreign operations) are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated into Japanese yen using the average exchange rates during the period. Exchange differences arising from the translation of financial statements of the foreign operations are recognized in other comprehensive income. In the event of a loss of control or significant influence (or joint control) due to the disposal of foreign operations, the relevant cumulative amount of translation differences associated with the foreign operations is reclassified into profit or loss as part of gain or loss on disposal.

Based on the application of the exemptions under IFRS 1, the Group has deemed the cumulative exchange differences of foreign operations that existed at the transition date to be zero and reclassified all the amount into retained earnings.

(4) Cash and cash equivalents
Cash and cash equivalents are comprised of cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes costs of purchase, costs of conversion and all the other costs incurred in bringing the inventories to their present location and condition, and the cost is determined using the periodic average method if items of inventories are interchangeable or the specific identification method if they are not interchangeable. Net realizable value is the estimated selling price in the ordinary course of business less the

estimated costs of completion and the estimated costs necessary to make the sale. Any difference arising from the measurement is recognized in profit or loss.

(6) Assets held for sale

Non-current assets or disposal groups that recover their carrying amount principally through a sale transaction rather than through continued use are classified as held for sale if the asset is available for immediate sale in its present condition, the management is committed to a plan to sell the asset, and the asset is expected to be sold within a year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(7) Property, plant and equipment

The Group uses the cost model to measure items of property, plant and equipment. They are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes directly attributable costs of acquisition, costs of dismantling, removing or restoring the item, and borrowing costs eligible for capitalization.

Except for non-depreciable assets such as land, an item of property, plant and equipment is depreciated using the straight-line method over the estimated useful life. The estimated useful lives of the major classes of assets are presented as follows:

Buildings and structures:	10 to 50 years
Machinery and equipment:	7 to 20 years
Vehicles, tools, furniture and fixtures:	4 to 10 years

The estimated useful life, depreciation method and residual value of an asset are reviewed at the end of each reporting period. Any changes are accounted for prospectively as a change in accounting estimate.

(8) Intangible assets

1) Goodwill

The measurement of goodwill upon initial recognition is described in "3. Significant accounting policies, (2) Business combinations." Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is not amortized, but instead tested for impairment annually or whenever there are indications that goodwill may be impaired. An impairment loss for goodwill is recognized in the consolidated statement of income and is not subsequently reversed.

2) Other intangible assets

The Group uses the cost model to measure a separately acquired intangible asset other than goodwill. With respect to an internally generated intangible asset, expenditure on such an asset is recognized as expenses in the period in which they are incurred except for development expenditures that qualify for capitalization.

Intangible assets with definite useful lives are stated at cost less any accumulated depreciation and any accumulated impairment losses, depreciated using the straight-line method over the estimated useful life, and tested for impairment whenever there are indications that the assets may be impaired. The estimated useful lives of the major classes of assets are presented as follows:

Trademarks:	10 years
Software:	5 years

The estimated useful life, amortization method and residual value of an asset are reviewed at the end of each reporting period. Any changes are accounted for prospectively as a change in accounting estimate.

Intangible assets with indefinite useful lives and those not yet available for use are not amortized, but instead tested for impairment individually or at a cash-generating unit level annually or whenever there are indications that they may be impaired.

(9) Lease

The Group determines whether the agreement contains a lease based on the substance of the arrangement at the commencement date of the lease transaction.

If a lease transfers to the Group, substantially all risks and rewards incidental to ownership of an asset, such a lease is classified as a finance lease, or otherwise it is classified as an operating lease.

A leased asset under a finance lease transaction is initially recognized at the lower of the fair value of the leased asset determined at inception of the lease and the present value of the minimum lease payments, and subsequently depreciated based on the applicable accounting policies using the straight-line method over shorter of the estimated useful life and the lease term.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred.

(10) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that its non-financial assets other than inventories and deferred tax assets may be impaired. If any such indication exists, it estimates the recoverable amount of the asset. Goodwill and an intangible asset with indefinite useful life or an intangible asset not yet available for use are tested for impairment annually regardless of whether there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less costs of disposal. In determining the value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

Assets that are not individually tested for impairment are integrated with the smallest cash-generating unit that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. The Group's corporate assets do not generate independent cash inflows. If there is an indication that the corporate assets may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate assets belong.

Goodwill acquired in a business combination is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination to ensure that goodwill is tested for impairment reflecting the smallest unit to which the goodwill relates.

Impairment losses are recognized as profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may have decreased or may no longer exist. An impairment loss is reversed if there is a change in the estimates used to determine the asset's recoverable amount.

(11) Financial Instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes a financial asset on the account day in its consolidated statements of financial position when the Group becomes party to the contractual provisions of the financial asset.

At initial recognition, the financial assets are classified as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. Otherwise financial assets are classified as financial assets measured at fair value.

- The financial assets are 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.

Of financial assets measured at fair value, certain equity instruments such as stocks that are held with the purpose of facilitating business relations with investees are initially designated as financial assets measured at fair value through other comprehensive income. Other financial assets are designated as financial assets measured at fair value through profit or loss.

All financial assets are measured at fair value plus transaction costs directly attributable to acquisition of the financial assets unless the financial assets are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

Measurement of financial assets after initial recognition is performed as follows according to the classification:

(a) Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through other comprehensive income

These financial assets are measured at fair value after initial recognition, and subsequent changes in fair value are included in other comprehensive income. If the Group disposes of an investment, or if the fair value of the investment declines significantly, the cumulative gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings.

Dividends from the financial assets measured at fair value through other comprehensive income are recognized as finance income in profit or loss.

(c) Financial assets measured at fair value through profit or loss
Financial assets designated to be measured at fair value through profit or loss, or financial assets other than (a) and (b) above are measured at fair value at initial recognition, and subsequent changes in their fair value are recognized in profit or loss.

(iii) Derecognition of financial assets
The Group derecognizes financial assets when the rights to receive benefits expire or when the Group transfers financial assets or substantially all the risks and rewards of ownership of the financial assets.

(iv) Impairment of financial assets
With respect to financial assets measured at amortized cost, the Group recognizes allowance for doubtful accounts based on the expected credit loss model for such financial assets. At each reporting date, the Group assesses whether the credit risks on the financial assets have increased significantly since initial recognition. If the credit risk on a financial asset has increased significantly since the initial recognition, the allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses. If the risk on a financial asset has not increased significantly since the initial recognition, the allowance for doubtful accounts for the financial asset is measured at an amount equal to the 12-month expected credit losses. However, the allowance for doubtful accounts on trade and other receivables is always measured at an amount equal to the lifetime expected credit losses.

The Group estimates expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amounts of these measurements are recognized in profit or loss.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement
The Group initially recognizes a financial liability in its consolidated statements of financial position when the Group becomes party to the contractual provisions of the financial liability.
At the initial recognition, the Group classifies financial liabilities as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.
All financial liabilities are measured in the full amount after deducting transaction costs directly attributable to the financial liabilities from the fair value unless the financial liabilities are classified as financial liabilities measured at fair value through profit or loss.

(ii) Subsequent measurement
Financial liabilities measured at fair value though profit or loss are measured at fair value, and subsequent changes in the fair value are recognized in profit or loss.
After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains and losses upon derecognition are recognized in profit or loss in its consolidated statements of profit or loss for the period.

(iii) Derecognition of financial liabilities
The Group derecognizes financial liabilities when they are discharged, cancelled or expired.

3) Issuance of compound financial instruments
The Group issues bonds with stock acquisition rights. At initial recognition, proceeds from issuance are split between the component of consideration received for bonds and the component of consideration received for stock acquisition rights, and the bond component is classified and presented as liability while the stock acquisition right component as equity. On initial recognition, stock acquisition rights are measured as difference between the proceeds and initially measured fair value of the liability component. All of the transaction costs associated with issuing bonds with stock acquisition rights are allocated pro rata to each component on the basis of initial ratio of carrying amount of a liability component and an equity component. After initial recognition, a liability component of compound financial instrument is measured at amortized cost using the effective interest method. An equity component of compound financial instrument is not remeasured after initial recognition.

4) Derivatives and hedge accounting
The Group uses derivatives such as forward exchange contracts and interest rate swaps to hedge foreign currency risk and interest rate risk.

Derivatives are initially measured at fair value at the date when the derivative contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivatives are immediately recognized in profit or loss except for those that qualify for hedge accounting.

The Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes the hedging instrument, the hedged item, the nature of the risk being hedged and the methods of assessing whether the hedging relationship meets the hedge effectiveness requirements. In addition, the Group assesses whether the hedging relationship meets the hedge effectiveness requirements, both at the inception and on an ongoing basis.

Hedging relationship that meet the criteria for hedge accounting are accounted as follows.

Changes in fair value of a derivative designated as fair value hedges are recognized in profit or loss. The carrying amount of hedged items is measured at fair value and the changes in the fair value of hedged items attributable to the hedged risk are recognized as profit or loss with adjustments to the carrying amount of the hedged items.

With regard to cash flow hedge, the effective portions of the gain or loss on the hedging instrument are recognized in other comprehensive income as the line item titled "Cash flow hedges." Subsequently, such amounts associated with forward exchange contracts are reclassified as reclassification adjustment from equity to profit or loss in the same period in which the hedged item affects profit or loss. With regard to interest rate swaps, the changes in gains and losses on the hedging instrument are recognized as other comprehensive income.

Hedge accounting is discontinued prospectively when, and only when, the hedging relationship ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

(12) Employee benefits

1) Post-retirement benefits

The Group has defined benefit plan and defined contribution plan as post-employment benefit plan.

The net defined benefit liability (asset) associated with the defined benefit plans is calculated by deducting the fair value of the plan assets from the present value of defined benefit obligations. The present value of defined benefit obligations and related current service costs and prior service costs are measured annually by independent actuaries based on the projected unit credit method. The discount rate is calculated by reference to market yields at the end of the fiscal year on highly rated corporate bonds denominated in the same currency as those used for future benefit payment, corresponding to the discount period determined based on the period until annual future payment dates.

Remeasurements of all of the net benefit liability (asset) arising from the defined benefit plans are recognized at once in other comprehensive income in the period in which they are incurred and immediately reclassified from other components of equity to retained earnings.

Prior service costs are immediately recognized as profit or loss for the period in which they are incurred.

Contributions to defined contribution plans are recognized as an expense when they are paid.

2) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized at once when the related services are rendered. When there is a legal or constructive obligation to make payments of bonuses and paid leave expenses, and the obligation can be estimated reliably, the estimated amount to be paid under the relevant plans is accounted for as a liability.

(13) Share-based payments

The Group has a stock option plan accounted for as an equity-settled share-based payment plan. Stock options are estimated using its fair value at the grant date and recognized in profit or loss as expenses over the vesting periods with corresponding increases to equity and taking into account the estimated number of options to be vested. The fair value of options granted is measured using the Black-Scholes model based on the terms and conditions of the options.

(14) Provisions

The Group recognized a provision when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation. In calculating the present value, the pre-tax discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the obligation is applied. Unwinding of the discount associated with the passage of time is recognized as finance costs.

(15) Levies

For levies that are an outflow of resources embodying economic benefits required by a government to entities in accordance with laws and regulations, the estimated payment is recognized as a liability when the obligation event that triggers the payment of levies prescribed by laws and regulations occurs.

(16) Revenue

1) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuing managerial involvement nor effective control over the goods sold; it is probable that future economic benefits related to the transaction will flow to the Group; and these benefits and corresponding costs can be measured reliably. Revenue is usually recognized at the time of delivery of goods to customers. Revenue is measured at the fair value of the consideration received or receivable less any discounts, rebates and consumption taxes.

Taxes collected on behalf of the third parties and transaction amounts where the Group acted as agent are deducted from revenue, and inflow of economic benefits excluding those amounts is recognized as revenue.

2) Royalty

Royalty revenue is recognized on an accrual basis in accordance with the substance of the contractual arrangement.

3) Rendering of services

Revenue from the rendering of services is recognized in accordance with such transaction's degree of progress as of the end of the reporting period in which the service is rendered.

4) Construction contracts

Revenues from construction contracts are calculated based on the stage of completion of the contract (multiplying the most recent total selling price by the proportion of the most recent contract costs incurred to the most recent estimated total contract costs) if the outcome of the construction contract can be estimated reliably. Otherwise, contract revenues are recognized only to the extent of the contract costs incurred very likely to be recovered and contract costs are expensed when incurred.

(17) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the entities will comply with the conditions attaching to them and the grants will be received.

Government grants related to expense items are recognized as revenue on a systematic basis over the period in which the Group recognizes the related expenses for which the grants are intended to compensate. Government grants related to assets are directly deducted in arriving at the carrying value of the assets. Government grants are recognized in profit or loss over the useful lives of the depreciable assets as a reduction in depreciation.

(18) Finance income and finance costs

Finance income consists mainly of interest income and dividend income. Interest income is recognized when accrued by using the effective interest method. Dividend income is recognized when the Group's right to receive the dividends is established.

Finance costs consist mainly of interest expenses. Interest expenses are recognized when incurred by using the effective interest method.

(19) Income taxes

Income tax expenses consist of current tax expense and deferred tax expense. Income taxes are recognized in profit or loss, except when they arise from business combinations, and from items that are recognized directly in equity or in other comprehensive income.

Current tax expense is measured by the expected taxes payable to or receivable from tax authorities. The tax rates and tax laws that are used to calculate the tax amount are those enacted or substantively enacted by the end of the fiscal year in jurisdictions in which the Group operates business and earns taxable income.

Deferred tax expense is calculated based on temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the tax bases of such assets and liabilities. Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused tax credits and the carryforwards of unused tax losses to the extent that it is probable that future taxable income will be available against which such deferred tax assets can be recovered. Deferred tax liabilities are recognized, in principle, for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from initial recognition of goodwill,
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting profit nor taxable income (tax loss),
- Deductible temporary differences on investments in subsidiaries and affiliates, when it is probable that such temporary differences will not reverse in the foreseeable future, or when it is unlikely that taxable income will be earned against which the temporary difference can be utilized,

- Taxable temporary differences on investments in subsidiaries and affiliates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(20) Treasury stock
Treasury stock is recognized at cost and deducted from equity. No gains or losses are recognized on the repurchase, sale or retirement of shares of the Company's treasury stock. Any difference between the carrying amount and consideration received on the sale of shares of the treasury stock is recognized directly as capital surplus.

(21) Profit per share
Basic profit per share are calculated by dividing profit attributable to owners of parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury stocks held. Diluted profit per share is calculated by adjusting for the effects of all dilutive potential ordinary shares.

4. Significant accounting estimates and associated judgments

In preparing the Group's consolidated financial statements in compliance with IFRSs, the management is required to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reportable amount of assets, liabilities and revenue and expenses. Actual results may differ from such estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of a change in accounting estimates is recognized in the accounting period in which such estimates are changed and also in the future accounting periods.

Estimates and assumptions that may have material impact on the preparation of the Group's consolidated financial statements are as follows:

- Impairment of property, plant and equipment; goodwill and intangible assets (Item (10) of 3. Significant accounting policies and Note 13. Impairment of non-financial assets),
- Valuation of inventories (Item (5) of 3. Significant accounting policies and Note 9. Inventories),
- Recoverability of deferred tax assets (Item (19) of 3. Significant accounting policies and Note 15. Income taxes),
- Valuation of defined benefit obligations (Item (12) of 3. Significant accounting policies and Note 19. Employee benefits),
- Recognition of provisions (Item (14) of 3. Significant accounting policies and Note 18. Provisions) and
- Assumption on valuation of financial instruments (Item (11) of 3. Significant accounting policies and Note 23. Financial instruments).

Judgments made by the management in the course of applying the accounting policies are as follows:

- Determination of scope of consolidation (Item (1) of 3. Significant accounting policies) and
- Classification of financial instruments (Item (11) of 3. Significant accounting policies and Note 23. Financial instruments).

5. Standards and interpretations issued but not yet adopted

Of the new standards or interpretations that were established or amended by the date of approval of the consolidated financial statements, the following are the titles and other related information of the major new IFRSs. The Group has not yet adopted these standards in FY2016, and is currently evaluating the effects of their application.

Standard	Title	Effective date	Fiscal year in which the Group will apply the standard	Summary of new or amended standard
IFRS 15	*Revenue from Contracts with Customers*	January 1, 2018	Fiscal year ending March 31, 2019	An entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS 16	*Leases*	January 1, 2019	Fiscal year ending March 31, 2020	A lessee is required to recognize assets and liabilities for most leases.

6. Segment information

(1) Overview of reportable segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group has separate divisions by product, and each division formulates a comprehensive strategy for business activities in domestic and overseas markets.

Accordingly, the Group consists of segments by product and service on the basis of the business divisions, and has the five reportable segments of "Advanced Materials," "Specialty Chemicals," "Specialty Plastics," "Construction," and "Other Operations."

Major products and services for each segment are as follows:

Segment	Products and services
Advanced Materials	polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), carbon fiber, bead-shaped activated carbon, anode materials for lithium ion batteries, polyglycolic acid (PGA) and its processed product
Specialty Chemicals	therapeutic agent for chronic renal failure, anti-cancer agent, agricultural and horticultural fungicides, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty Plastics	household plastic wrap, garbage bags for kitchen sink, plastic food containers, cooking paper, PVDF fishing lines, polyvinylidene chloride (PVDC) compounds and film, multilayer heat-shrinkable film, multilayer bottle, auto-pack machinery (for food packaging)
Construction	civil engineering and construction contracting business, construction and management service
Other Operations	environmental engineering, industrial waste management, transport and warehousing, physiochemical and biochemical testing, analysis and measurement services, medical services

(2) Information on reportable segments

The accounting policies for the reportable segments are the same as those of the Group stated in "3. Significant accounting policies." Intersegment revenue is principally based on the market price.

The Group's segment information is as follows:

	Millions of yen							
	Transition date (April 1, 2015)							
	Reportable segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustment (Note)	Consolidated
Segment assets	¥87,679	¥25,248	¥46,349	¥9,145	¥17,777	¥186,200	¥66,832	¥253,032

Note: Reconciliation of segment assets includes corporate assets not allocated to reportable segments, which mainly consist of cash and deposits, investment securities and shared facilities of the Company.

	Millions of yen							
	FY2015 (From April 1, 2015 To March 31, 2016)							
	Reportable segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustment (Note)	Consolidated
Revenue								
Revenue to external customers	¥35,565	¥30,621	¥42,311	¥16,201	¥16,079	¥140,779	¥ —	¥140,779
Intersegment revenue	750	387	233	6,270	5,777	13,418	(13,418)	—
Total	36,315	31,009	42,544	22,472	21,856	154,198	(13,418)	140,779
Operating profit	1,441	4,760	3,188	1,537	1,497	12,424	(5,040)	7,384
Finance income								784
Finance costs								(1,587)
Profit before income tax								6,580
Other items								
Segment assets	79,604	25,375	45,146	9,100	18,495	177,722	62,084	239,807
Depreciation and amortization	3,805	934	2,390	111	1,169	8,412	1,921	10,333
Impairment loss	—	—	—	—	—	—	4,024	4,024
Share of profit of entities accounted for using equity method	1,539	—	167	—	—	1,706	—	1,706
Increases in property, plant and equipment, and intangible assets	¥ 3,783	¥ 1,387	¥ 1,778	¥ 51	¥ 1,270	¥ 8,272	¥ 3,150	¥ 11,422

Note: Reconciliation of operating profit consists mainly of 59 million yen of loss resulting from elimination of intersegment transactions, 918 million yen of other income and 5,899 million yen of other expenses not allocated to reportable segments.
Reconciliation of segment assets includes corporate assets not allocated to reportable segments which mainly consist of cash and deposits, investment securities and shared facilities of the Company.
Reconciliation of impairment losses includes impairment loss for fixed assets of 4,024 million yen associated with the Advanced Materials segment.

	Millions of yen							
	FY2016 (From April 1, 2016 To March 31, 2017)							
	Reportable segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustment (Note)	Consolidated
Revenue								
Revenue to external customers	**¥33,369**	**¥25,866**	**¥42,791**	**¥13,934**	**¥16,332**	**¥132,294**	**¥ —**	**¥132,294**
Intersegment revenue	**627**	**278**	**184**	**5,401**	**5,638**	**12,130**	**(12,130)**	**—**
Total	**33,997**	**26,144**	**42,976**	**19,336**	**21,970**	**144,425**	**(12,130)**	**132,294**
Operating profit	**79**	**2,538**	**4,986**	**1,026**	**1,726**	**10,357**	**(1,101)**	**9,255**
Finance income								**577**
Finance costs								**(852)**
Profit before tax								**8,981**
Other items								
Segment assets	**81,330**	**23,850**	**37,894**	**7,439**	**19,631**	**170,145**	**64,761**	**234,907**
Depreciation and amortization	**3,385**	**1,064**	**2,342**	**102**	**1,228**	**8,122**	**2,068**	**10,191**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**—**	**1,572**	**1,572**
Share of profit of entities accounted for using equity method	**1,357**	**—**	**261**	**—**	**—**	**1,619**	**—**	**1,619**
Increases in property, plant and equipment, and intangible assets	**¥ 3,904**	**¥ 1,333**	**¥ 1,633**	**¥ 171**	**¥ 1,082**	**¥ 8,125**	**¥ 2,179**	**¥ 10,304**

Note: Reconciliation of operating profit consists mainly of 133 million yen of profit resulting from elimination of intersegment transactions, 1,398 million yen of other income and 2,633 million yen of other expenses not allocated to any reportable segment.
Reconciliation of segment assets includes corporate assets not allocated to reportable segments, which mainly consist of cash and deposits, investment securities and shared facilities of the Company.
Reconciliation of impairment losses includes impairment losses for fixed assets of 1,194 million yen associated with the Advanced Materials segment and 378 million yen for fixed assets of the Specialty Chemicals segment.

	Thousands of U.S. dollars							
	FY2016 (From April 1, 2016 To March 31, 2017)							
	Reportable segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustment (Note)	Consolidated
Revenue								
Revenue to external customers	$297,432	$230,555	$381,415	$124,200	$145,574	$1,179,196	$ —	$1,179,196
Intersegment revenue	5,588	2,477	1,640	48,141	50,254	108,120	(108,120)	—
Total	303,030	233,033	383,064	172,350	195,828	1,287,325	(108,120)	1,179,196
Operating profit	704	22,622	44,442	9,145	15,384	92,316	(9,813)	82,493
Finance income								5,143
Finance costs								(7,594)
Profit before tax								80,051
Other items								
Segment assets	724,930	212,585	337,766	66,307	174,979	1,516,579	577,243	2,093,831
Depreciation and amortization	30,172	9,483	20,875	909	10,945	72,395	18,433	90,836
Impairment loss	—	—	—	—	—	—	14,011	14,011
Share of profit of entities accounted for using equity method	12,095	—	2,326	—	—	14,430	—	14,430
Increases in property, plant and equipment, and intangible assets	$ 34,798	$ 11,881	$ 14,555	$ 1,524	$ 9,644	$ 72,421	$ 19,422	$ 91,844

Note: Reconciliation of operating profit consists mainly of 1,185 thousand dollars of profit resulting from elimination of intersegment transactions, 12,461 thousand dollars of other income and 23,469 thousand dollars of other expenses not allocated to reportable segments.
Reconciliation of segment assets includes corporate assets not allocated to reportable segments, which mainly consist of cash and deposits, investment securities and shared facilities of the Company.
Reconciliation of impairment losses includes impairment losses for fixed assets of 10,642 thousand dollars associated with the Advanced Materials segment and 3,369 thousand dollars for fixed assets of the Specialty Chemicals segment.

(3) Information on products and services

This information is omitted because the same information is disclosed in "(1) Overview of reportable segments" and "(2) Information on reportable segments."

(4) Information by geographical area

Revenue to external customers

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
Japan	¥ 97,630	¥ 98,742	$ 870,220
Europe	10,301	16,142	91,817
Asia	13,986	14,587	124,663
Other	10,377	11,306	92,494
Total	¥132,294	¥140,779	$1,179,196

Note: Revenues are classified based on the location of customers.

Non-current assets (property, plant and equipment and intangible assets)

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Japan	¥ 96,385	¥ 89,205	¥ 95,504	$ 795,124
U.S.	19,922	16,241	17,335	144,763
Other	16,470	11,860	13,813	105,713
Total	¥132,777	¥117,306	¥126,654	$1,045,601

Note: Non-current assets are classified based on the location of the assets.

(5) Information on major customers
This information is omitted because no customer accounted for 10% or more of revenue to external customers in the consolidated statements of profit or loss.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits. The balances of "cash and cash equivalents" in the statements of financial position as of the transition date and the end of FY2015 and FY2016 equal the balances of "cash and cash equivalents" presented in the corresponding consolidated statements of cash flows.

8. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Trade notes and accounts receivable	¥28,950	**¥28,374**	¥30,183	**$252,910**
Other	1,443	**1,186**	955	**10,571**
Allowance for doubtful accounts	(193)	**(173)**	(211)	**(1,542)**
Total	¥30,201	**¥29,387**	¥30,928	**$261,939**

9. Inventories

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Merchandise and finished goods	¥26,474	**¥30,474**	¥27,281	**$271,628**
Work in process	1,144	**1,001**	1,080	**8,922**
Raw materials and supplies	4,809	**5,021**	4,715	**44,754**
Total	¥32,429	**¥36,497**	¥33,077	**$325,314**

Note: The amounts of inventory write-down recognized as expense for FY2015 and FY2016 are 13 million yen and 766 million yen (6,827 thousand dollars), respectively. These amounts are included in "Cost of sales" in the consolidated statements of profit or loss.

10. Assets held for sale

The breakdown of assets held for sale is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Assets held for sale				
Other financial assets	¥—	**¥772**	¥—	**$6,881**
Total	¥—	**¥772**	¥—	**$6,881**

Note: As the Company made a decision to sell its investment in an entity located in China, the assets associated with the investment were reclassified to assets held for sale in FY2016. The fair value of those assets are based on a selling price provided by the sales agreement and is classified as Level 3 of the fair value hierarchy.

11. Property, plant and equipment

(1) Changes in carrying amount, cost, and accumulated depreciation and accumulated impairment losses

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of the transition date (April 1, 2015)	¥41,335	¥49,569	¥18,134	¥18,427	¥3,485	¥130,952
Acquisitions	6,719	13,307	63	(11,116)	2,165	11,139
Disposals	(283)	(233)	(88)	(75)	(14)	(695)
Depreciation	(2,876)	(5,730)	—	—	(1,324)	(9,932)
Impairment loss	(799)	(3,107)	—	—	(115)	(4,022)
Exchange rate differences	(463)	(1,660)	(3)	(239)	(51)	(2,418)
Other changes	(42)	11	(6)	—	0	(36)
Balance as of the end of FY2015 (March 31, 2016)	¥43,589	¥52,156	¥18,099	¥ 6,996	¥4,144	¥124,987
Acquisitions	**3,429**	**6,122**	**50**	**(243)**	**792**	**10,151**
Disposals	**(19)**	**(55)**	**(0)**	**—**	**(11)**	**(87)**
Depreciation	**(2,919)**	**(5,629)**	**—**	**—**	**(1,226)**	**(9,775)**
Impairment loss	**(805)**	**(489)**	**(269)**	**—**	**(8)**	**(1,572)**
Direct deduction due to government grants	**(2,940)**	**(3,746)**	**—**	**—**	**(223)**	**(6,910)**
Exchange rate differences	**(206)**	**(603)**	**(10)**	**(1)**	**(36)**	**(858)**
Other changes	**(58)**	**49**	**(5)**	**0**	**(8)**	**(22)**
Balance as of the end of FY2016 (March 31, 2017)	**¥40,070**	**¥47,802**	**¥17,864**	**¥ 6,752**	**¥3,421**	**¥115,911**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of the end of FY2015 (March 31, 2016)	$388,528	$464,889	$161,324	$62,358	$36,937	$1,114,065
Acquisitions	**30,564**	**54,568**	**445**	**(2,165)**	**7,059**	**90,480**
Disposals	**(169)**	**(490)**	**(0)**	**—**	**(98)**	**(775)**
Depreciation	**(26,018)**	**(50,173)**	**—**	**—**	**(10,927)**	**(87,128)**
Impairment loss	**(7,175)**	**(4,358)**	**(2,397)**	**—**	**(71)**	**(14,011)**
Direct deduction due to government grants	**(26,205)**	**(33,389)**	**—**	**—**	**(1,987)**	**(61,591)**
Exchange rate differences	**(1,836)**	**(5,374)**	**(89)**	**(8)**	**(320)**	**(7,647)**
Other changes	**(516)**	**436**	**(44)**	**0**	**(71)**	**(196)**
Balance as of the end of FY2016 (March 31, 2017)	**$357,161**	**$426,080**	**$159,229**	**$60,183**	**$30,492**	**$1,033,166**

Notes: 1. Depreciation is recorded in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.
2. Impairment loss is recorded in “Other expenses” in the consolidated statements of profit or loss. See the section entitled 13. Impairment of non-financial assets” for further details on impairment.
3. The line item “Acquisitions” above includes transfers from construction in progress to items of property, plant and equipment.

Cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of the transition date (April 1, 2015)	¥ 98,082	¥158,207	¥18,471	¥18,427	¥15,685	¥308,874
Balance as of the end of FY2015 (March 31, 2016)	¥103,061	¥166,250	¥18,425	¥ 6,996	¥16,648	¥311,382
Balance as of the end of FY2016 (March 31, 2017)	¥102,705	¥165,649	¥18,459	¥ 6,752	¥16,411	¥309,979

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of the end of FY2016 (March 31, 2017)	$915,455	$1,476,504	$164,533	$60,183	$146,278	$2,762,982

Accumulated depreciation and accumulated impairment losses

	Millions of yen				
	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance as of the transition date (April 1, 2015)	¥56,746	¥108,638	¥337	¥12,200	¥177,922
Balance as of the end of FY2015 (March 31, 2016)	¥59,471	¥114,093	¥325	¥12,503	¥186,395
Balance as of the end of FY2016 (March 31, 2017)	¥62,635	¥117,847	¥594	¥12,989	¥194,067

	Thousands of U.S. dollars				
	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance as of the end of FY2016 (March 31, 2017)	$558,293	$1,050,423	$5,294	$115,776	$1,729,806

(2) Government grants that were directly deducted from the cost of fixed assets (by applying reduction entry to fixed assets) are as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Amount subject to reduction entry	¥305	**¥7,215**	¥305	**$64,310**

Note: The amount subject to reduction entry for FY2016 represents direct deduction of subsidy from the carrying amounts of building, machinery and equipment, etc. related to Fukushima Business Investment Subsidy for Revitalization of Industries.

(3) Deemed cost

The Group has elected an exemption under the provisions of IFRS 1 and uses the fair value at the transition date as deemed cost for certain lands. The fair value at the transition date of the lands subject to deemed cost and their carrying amount under J-GAAP are 10,456 million yen (93,199 thousand dollars) and 6,248 million yen (55,691 thousand dollars), respectively.

12. Intangible assets

(1) Changes in carrying amount, cost, and accumulated amortization and accumulated impairment losses

Carrying amount

	Millions of yen		
	Software	Other	Total
Balance as of the transition date (April 1, 2015)	¥870	¥954	¥1,825
Acquisitions	282	0	282
Disposals	(2)	(0)	(3)
Amortization	(294)	(106)	(401)
Impairment loss	(1)	—	(1)
Exchange rate differences	(2)	(33)	(35)
Other changes	0	0	0
Balance as of the end of FY2015 (March 31, 2016)	¥851	¥814	¥1,666
Acquisitions	**152**	**1**	**153**
Disposals	**(2)**	**(1)**	**(3)**
Amortization	**(308)**	**(107)**	**(415)**
Exchange rate differences	**(1)**	**(8)**	**(9)**
Other changes	**(0)**	**4**	**4**
Balance as of the end of FY2016 (March 31, 2017)	**¥692**	**¥703**	**¥1,395**

	Thousands of U.S. dollars		
	Software	Other	Total
Balance as of the end of FY2015 (March 31, 2016)	$7,585	$7,255	$14,849
Acquisitions	**1,354**	**8**	**1,363**
Disposals	**(17)**	**(8)**	**(26)**
Amortization	**(2,745)**	**(953)**	**(3,699)**
Exchange rate differences	**(8)**	**(71)**	**(80)**
Other changes	**(0)**	**35**	**35**
Balance as of the end of FY2016 (March 31, 2017)	**$6,168**	**$6,266**	**$12,434**

Notes: 1. Amortization of intangible assets is recorded in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.
2. The line item "Acquisitions" above mainly represents the amounts of intangible assets purchased from external parties.

Cost

	Millions of yen		
	Software	Other	Total
Balance as of the transition date (April 1, 2015)	¥1,669	¥1,163	¥2,832
Balance as of the end of FY2015 (March 31, 2016)	¥1,812	¥1,099	¥2,911
Balance as of the end of FY2016 (March 31, 2017)	¥1,883	¥1,037	¥2,920

	Thousands of U.S. dollars		
	Software	Other	Total
Balance as of the end of FY2016 (March 31, 2017)	$16,784	$9,243	$26,027

Accumulated amortization and accumulated impairment losses

	Millions of yen		
	Software	Other	Total
Balance as of the transition date (April 1, 2015)	¥ 798	¥208	¥1,006
Balance as of the end of FY2015 (March 31, 2016)	¥ 960	¥284	¥1,244
Balance as of the end of FY2016 (March 31, 2017)	¥1,191	¥333	¥1,525

	Thousands of U.S. dollars		
	Software	Other	Total
Balance as of the end of FY2016 (March 31, 2017)	$10,615	$2,968	$13,593

(2) Research and development expenses

The total amounts of expenditures for research and development recognized as expense for FY2015 and FY2016 are 4,885 million yen and 4,734 million yen (42,196 thousand dollars), respectively.

13. Impairment of non-financial assets

(1) Impairment loss

The Group recognizes impairment losses when either the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount.

The Group recognized impairment losses for property, plant and equipment and intangible assets for FY2015 and FY2016 in an amount of 4,024 million yen and 1,572 million yen (14,011 thousand dollars), respectively.

(2) Main events and circumstances that led to recognition of impairment losses

FY2015 (From April 1, 2015 To March 31, 2016)

				Millions of yen
Segment	Purpose of use	Location	Type of assets	Amount
Advanced Materials	Manufacturing facility	Iwaki, Fukushima	Buildings	¥ 363
			Structures	283
			Machinery and equipment	1,873
			Other	116
	Idle assets	Iwaki, Fukushima	Machinery and equipment	122
			Other	32
		Kasumigaura, Ibaraki	Machinery and equipment	686
			Other	121
		Shanghai, PRC	Machinery and equipment	425
		Total		4,024

In principle, the Group has grouped the operating assets by business units and by company, and idle assets and assets for lease by individual properties.

Recoverable value of an asset is the higher of its value in use and its fair value less costs of disposal. Value in use is taken as zero because future cash flows are not expected to be derived from the assets. Fair value less costs of disposal is also taken as zero because sale of the assets cannot be expected.

1) Advanced Materials segment

For manufacturing facility, under carbon products business in the Advanced Materials segment which was affected by the weak demand and increasingly fierce competition, the Group conducted a thorough review and assessment of business, including its future operating environment and projected earnings. Consequently, for the above mentioned manufacturing facility, the Group wrote down the carrying amount of fixed assets associated with carbon products business to their recoverable value and recognized the reduction of 2,635 million yen ($23,384 million) under other expenses. The Group applies value in use for recoverable values.

For idle assets, since these assets in the carbon products business are not expected to be used in the future, the Group wrote down the carrying amount of the fixed assets to their recoverable value and recognized the reduction of 1,388 million yen under other expenses. The Group applies value in use for recoverable value.

FY2016 (From April 1, 2016 To March 31, 2017)

Segment	Purpose of use	Location	Type of assets	Millions of yen Amount	Thousands of U.S. dollars Amount
Advanced Materials	Manufacturing facility	Kasumigaura, Ibaraki	Buildings	¥ 336	$ 2,994
			Structures	137	1,221
			Land	269	2,397
		Shanghai, PRC	Machinery and equipment	451	4,019
Specialty Chemicals	Manufacturing facility	Iwaki, Fukushima	Buildings	303	2,700
			Others	74	659
		Total		1,572	14,011

In principle, the Group has grouped the operating assets by business units and by company, and idle assets and assets for lease by individual properties.

Recoverable value is the higher of value in use and fair value less costs of disposal. Value in use is the present value of future cash flows calculated by using pre-tax weighted average cost of capital (between 3% and 13%) of a cash-generating unit. If future cash flows are not expected to be derived from a cash-generating unit, the value in use is taken as zero. Fair value less costs of disposal is evaluated either by the estimated disposal amount or the amount reasonably calculated based on assessed values of fixed assets for property tax, and it is taken as zero when sale cannot be expected.

1) Advanced Materials segment

For manufacturing facility in Kasumigaura City, Ibaraki Prefecture, after reviewing the future operating environment and projected earnings following the change in the expected use of the facilities associated with restructuring of resin processing systems in the advanced plastics business, the Group wrote down the carrying amount of fixed assets associated with the advanced plastics business to their recoverable value and recognized the reduction of 743 million yen (6,622 thousand dollars) under other expenses. In addition, the Group applies value in use for recoverable value, which is calculated as 567 million yen (5,053 thousand dollars).

For manufacturing facility in Shanghai City, PRC, under carbon products business in the Advanced Materials segment which was affected by the weak demand and increasingly fierce competition, the Group conducted a thorough review and assessment of business, including its future operating environment and projected earnings. Consequently, for the above mentioned manufacturing facility, the Group wrote down the carrying amount of fixed assets associated with carbon products business to their recoverable value and recognized the reduction of 451 million yen (4,019 thousand dollars) as other expenses. In addition, the Group applies value in use for recoverable value, which is calculated as 996 million yen (8,877 thousand dollars).

2) Specialty Chemicals segment

For manufacturing facility in Iwaki City, Fukushima Prefecture, after reviewing the future operating environment and projected earnings following the change in the expected use of the facilities associated with discontinuance of some production in the pharmaceuticals business, the Group wrote down the carrying amount of fixed assets associated with the pharmaceuticals business to their recoverable value and recognized the reduction of 378 million yen under other expenses. In addition, the Group applies value in use for recoverable value, which is calculated as zero.

14. Investments accounted for using the equity method

(1) The aggregate carrying amounts of the Group's interests in individually immaterial affiliates and joint ventures are as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Joint ventures	¥7,728	**¥8,124**	¥7,508	**$72,412**
Affiliates	3,211	**2,590**	2,885	**23,085**

(2) The aggregate amounts of profit for the year, other comprehensive income and comprehensive income of individually immaterial affiliates and joint venture that are adjusted to reflect the portion of ownership interests are as follows:

Joint ventures

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2015 (From April 1, 2015 to March 31, 2016)	**FY2016 (From April 1, 2016 to March 31, 2017)**
Profit for the year	**¥1,357**	¥1,539	**$12,095**
Other comprehensive income	**(10)**	(499)	**(89)**
Comprehensive income	**1,347**	1,040	**12,006**

Affiliates

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2015 (From April 1, 2015 to March 31, 2016)	**FY2016 (From April 1, 2016 to March 31, 2017)**
Profit for the year	**¥ 261**	¥ 167	**$ 2,326**
Other comprehensive income	**(189)**	(317)	**(1,684)**
Comprehensive income	**72**	(150)	**641**

15. Income taxes

(1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause and the details of changes are as follows:

	Millions of yen			
	Transition date (April 1, 2015)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	FY2015 (As of March 31, 2016)
Deferred tax assets				
Tax loss carryforwards	¥ 6,536	¥(262)	¥ —	¥ 6,273
Provisions	2,054	(190)	—	1,863
Unrealized gain on fixed assets	1,824	(113)	—	1,711
Impairment loss	53	983	—	1,037
Amount in excess of allowed depreciation limit	616	(54)	—	562
Inventory valuation loss	453	53	—	506
Other	2,970	(719)	3	2,254
Subtotal	14,509	(302)	3	14,210
Deferred tax liabilities				
Accelerated depreciation and amortization of foreign operations	(6,720)	352	—	(6,368)
Financial assets measured at fair value through other comprehensive income	(4,460)	—	1,202	(3,258)
Deemed cost	(2,316)	116	—	(2,200)
Net defined benefit assets	(1,000)	(254)	369	(885)
Other	(704)	28	—	(676)
Subtotal	(15,202)	242	1,571	(13,389)
Net amount	¥ (693)	¥ (60)	¥1,575	¥ 821

Note: Difference between the amount recognized in profit or loss and total deferred tax expenses is mainly due to exchange rate fluctuations.

	Millions of yen			
	FY2016 (As of April 1, 2016)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	**FY2016 (As of March 31, 2017)**
Deferred tax assets				
Tax loss carryforwards	¥ 6,273	¥(492)	¥ —	**¥ 5,781**
Provisions	1,863	(70)	—	**1,793**
Unrealized gain on fixed assets	1,711	26	—	**1,737**
Impairment loss	1,037	115	—	**1,153**
Amount in excess of allowed depreciation limit	562	45	—	**607**
Loss on valuation of inventories	506	297	—	**804**
Other	2,254	504	(20)	**2,739**
Subtotal	14,210	427	(20)	**14,617**
Deferred tax liabilities				
Accelerated depreciation and amortization of foreign operations	(6,368)	(233)	—	**(6,601)**
Financial assets measured at fair value through other comprehensive income	(3,258)	—	(928)	**(4,187)**
Deemed cost	(2,200)	—	—	**(2,200)**
Net defined benefit assets	(885)	(300)	(65)	**(1,252)**
Other	(676)	156	—	**(519)**
Subtotal	(13,389)	(377)	(994)	**(14,760)**
Net amount	¥ 821	¥ 50	¥(1,014)	**¥ (142)**

Note: A difference between the amount recognized in profit or loss and total deferred tax expenses is due to exchange rate fluctuations.

	Thousands of U.S. dollars			
	FY2016 (As of April 1, 2016)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	**FY2016 (As of March 31, 2017)**
Deferred tax assets				
Tax loss carryforwards	$ 55,914	$(4,385)	$ —	**$ 51,528**
Provisions	16,605	(623)	—	**15,981**
Unrealized gain on fixed assets	15,250	231	—	**15,482**
Impairment loss	9,243	1,025	—	**10,277**
Amount in excess of allowed depreciation limit	5,009	401	—	**5,410**
Loss on valuation of inventories	4,510	2,647	—	**7,166**
Other	20,090	4,492	(178)	**24,413**
Subtotal	126,660	3,806	(178)	**130,287**
Deferred tax liabilities				
Accelerated depreciation and amortization of foreign operations	(56,760)	(2,076)	—	**(58,837)**
Financial assets measured at fair value through other comprehensive income	(29,040)	—	(8,271)	**(37,320)**
Deemed cost	(19,609)	—	—	**(19,609)**
Net defined benefit assets	(7,888)	(2,674)	(579)	**(11,159)**
Other	(6,025)	1,390	—	**(4,626)**
Subtotal	(119,342)	(3,360)	(8,859)	**(131,562)**
Net amount	$ 7,317	$ 445	$(9,038)	**$ (1,265)**

(2) Deductible temporary differences, etc. for which deferred tax assets are not recognized
Deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognized are as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Deductible temporary differences	¥ 6,867	**¥6,875**	¥ 8,407	**$61,279**
Tax loss carryforwards	3,449	**3,008**	3,987	**26,811**
Total	¥10,316	**¥9,884**	¥12,394	**$88,100**

Note: The breakdown by expiry date of tax loss carryforwards for which deferred tax assets were not recognized is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Due in one year or less	¥ —	**¥ 706**	¥ —	**$ 6,292**
Due after one year through five years	1,931	**2,301**	3,987	**20,509**
Due after five years	1,518	**—**	—	**—**
Total	¥3,449	**¥3,008**	¥3,987	**$26,811**

(3) Temporary differences arising from investments in subsidiaries for which deferred tax liabilities were not recognized
Not applicable.

(4) Income tax expense
The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2015 (From April 1, 2015 to March 31, 2016)	**FY2016 (From April 1, 2016 to March 31, 2017)**
Current tax expense	**¥1,921**	¥1,739	**$17,122**
Deferred tax expense	**(47)**	23	**(418)**
Total	**¥1,874**	¥1,762	**$16,703**

(5) Reconciliation of statutory effective tax rate and actual tax rate
The reconciliation of the statutory effective tax rate and actual tax rate is as follows. The actual tax rate represents the ratio of income tax expense to profit before tax.

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2015 (From April 1, 2015 to March 31, 2016)
Statutory effective tax rate	**30.69%**	32.83%
Permanently non-deductible items such as entertainment expenses	**1.14%**	1.61%
Permanently non-taxable items such as dividend income	**(0.37)%**	(0.66)%
Tax credit on research expense	**(6.71)%**	(14.91)%
Effect of unrecognized tax loss carryforwards or temporary differences	**(8.22)%**	3.49%
Adjustment of ending balance of deferred tax assets due to changes in tax rates	**0.13%**	0.60%
Other	**4.21%**	3.82%
Actual tax rate	**20.87%**	26.78%

Note: The Group is subject mainly to income tax, inhabitant tax and enterprise tax, based on which the statutory effective tax rate above is calculated. The Group's foreign operations are subject to income and other taxes at their respective locations.

(6) Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to a change in income tax rates
The "Act, etc. for Partial Amendment of the Act for Partial Amendment of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring, etc. Stable Financial Resources for Social Security" and the "Act for Partial Amendment of the Act, etc. for Partial Amendment of the Local Tax Act, the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring, etc. Stable Financial Resources for Social Security" were passed by the Diet on November 18, 2016. As a result, the statutory effective tax rate used to calculate the Group's deferred tax assets and deferred tax liabilities for FY2016 has been changed from the prior fiscal year's rate.

The impact of this change on the tax rate is immaterial.

16. Assets pledged as collateral and secured obligations

Assets pledged as collateral and obligations with pledged assets are as follows:

(1) Assets pledged as collateral

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Property, plant and equipment	¥43,119	¥42,183	¥43,192	$375,996
Other financial assets	4,998	947	6,449	8,441
Total	¥48,117	¥43,130	¥49,641	$384,437

(2) Obligations with pledged assets

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Trade and other payables	¥ 502	¥ 785	¥ 493	$ 6,997
Loans payable	1,101	582	819	5,187
Other financial liabilities	331	295	312	2,629
Total	1,936	1,663	1,625	14,823
Current liabilities	906	927	710	8,262
Non-current liabilities	¥1,029	¥ 736	¥ 915	$ 6,560

17. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Trade notes and accounts payable	¥13,976	¥15,014	¥14,114	$133,826
Other	7,198	5,355	5,703	47,731
Total	¥21,174	¥20,369	¥19,817	$181,558

18. Provisions

The breakdown of provisions and the details of changes are as follows:

	Millions of yen		
	Provision for employee benefits (Note)	Other	Total
Balance as of the transition date (April 1, 2015)	¥ 5,731	¥ 890	¥ 6,622
Increases during the period	4,175	251	4,426
Decreases during the period (provisions used)	(4,253)	(453)	(4,706)
Decreases during the period (provisions reversed)	—	(7)	(7)
Exchange rate differences	(9)	—	(9)
Balance as of the end of FY2015 (March 31, 2016)	5,643	682	6,325
Increases during the period	4,019	297	4,316
Decreases during the period (provisions used)	(4,088)	(414)	(4,503)
Decreases during the period (provisions reversed)	—	(1)	(1)
Exchange rate differences	(9)	—	(9)
Balance as of the end of FY2016 (March 31, 2017)	¥ 5,564	¥ 563	¥ 6,128

	Thousands of U.S. dollars		
	Provision for employee benefits (Note)	Other	Total
Balance as of the end of FY2015 (March 31, 2016)	$ 50,298	$ 6,078	$ 56,377
Increases during the period	35,823	2,647	38,470
Decreases during the period (provisions used)	(36,438)	(3,690)	(40,137)
Decreases during the period (provisions reversed)	—	(8)	(8)
Exchange rate differences	(80)	—	(80)
Balance as of the end of FY2016 (March 31, 2017)	$ 49,594	$ 5,018	$ 54,621

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Current liabilities	¥5,953	¥5,742	¥5,835	$51,181
Non-current liabilities	669	386	490	3,440
Total	¥6,622	¥6,128	¥6,325	$54,621

Note: Provision for employee benefits represent an estimated amount of expenditures for costs associated mainly with unused paid leaves and bonuses. The expected timing of any resulting outflows of economic benefits is mostly within one year from the end of each fiscal year.

19. Employee benefits

The Company and certain consolidated subsidiaries have adopted the funded and unfunded defined benefit plans and defined contribution plans to provide for retirement benefits to the employees.

(1) Defined benefit plan

The defined benefit plans adopted by the Group mainly consists of defined benefit corporate pension plans and lump-sum retirement benefit plans.

The Group's defined benefit corporate pension plan is a contract-type corporate pension plan managed under a cash balance plan. Under the plan, each participant is given a hypothetical individual account to record their funded amount which will be the source of pension payment. Interest credit based on the market interest rate trends and contribution credit based primarily on a level of compensation are the two main items accumulated in the hypothetical individual account. Certain consolidated subsidiaries make lump-sum or pension payments based on the amount of salary and the lengths of service.

Under the contract-type corporate pension plan, plan assets management is entrusted to asset management institutions in accordance with the defined benefit corporate pension regulations agreed between labor and management. In addition, the Group abides by the rules provided under the Defined-Benefit Corporate Pension Law that requires recalculation of the amount of contribution at least every five years to maintain the plan's funded status into the future.

Under the lump-sum retirement benefit plan, lump-sum payment is made based on the amount of salary and the lengths of service.

(2) Amounts related to defined benefit plans reported in the consolidated financial statements

1) Amounts recognized in the consolidated statements of financial position

The amounts recognized in the consolidated statements of financial position are as follows:

	Millions of yen		
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)
Present value of defined benefit obligations under funded plans (with plan assets)	¥ 21,195	**¥ 21,999**	¥ 22,339
Fair value of plan assets	(23,407)	**(25,696)**	(24,611)
Funded status	(2,211)	**(3,697)**	(2,272)
Present value of defined benefit obligations under unfunded plans (without plan assets)	290	**251**	274
Net amount of liability and asset recognized in the consolidated statements of financial position	(1,921)	**(3,446)**	(1,997)
Net defined benefit liability	557	**382**	434
Net defined benefit asset	¥ 2,478	**¥ 3,829**	¥ 2,431

Note: Net defined benefit asset is recorded under "Other non-current assets" in the consolidated statement of financial position.

	Thousands of U.S. dollars
	FY2016 (As of March 31, 2017)
Present value of defined benefit obligations under funded plans (with plan assets)	**$ 196,086**
Fair value of plan assets	**(229,040)**
Funded status	**(32,953)**
Present value of defined benefit obligations under unfunded plans (without plan assets)	**2,237**
Net defined benefit liability (asset) recognized in the consolidated statements of financial position	**(30,715)**
Net defined benefit liability	**3,404**
Net defined benefit asset	**$ 34,129**

Note: Net defined benefit asset is recorded under "Other non-current assets" in the consolidated statement of financial position.

2) Amounts recognized in the consolidated statements of profit or loss

The amounts of defined benefit cost recognized in the consolidated statements of profit or loss are as follows:

	Millions of yen	
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)
Service cost	**¥1,182**	¥1,132
Net interest	**(4)**	(34)
Total defined benefit cost	**¥1,178**	¥1,098

Note: Defined benefit cost is recorded under "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

	Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)
Service cost	**$10,535**
Net interest	**(35)**
Total defined benefit cost	**$10,500**

Note: Defined benefit cost is recorded under "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

3) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

	Millions of yen	
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)
Present value of defined benefit obligations (beginning of the year)	**¥22,613**	¥21,485
Service cost	**1,182**	1,132
Interest cost	**118**	243
Benefits paid	**(1,552)**	(1,517)
Remeasurements	**(86)**	1,279
(i) Actuarial differences arising from changes in demographical assumptions	**—**	(6)
(ii) Actuarial differences arising from changes in financial assumptions	**(200)**	1,279
(iii) Other adjustments to actual results	**114**	5
Exchange rate differences	**(25)**	(9)
Present value of defined benefit obligations (end of the year) (Note)	**¥22,250**	¥22,613

Note: The weighted average duration of defined benefit obligations for FY2015 and FY2016 were 10.0 years and 10.3 years, respectively.

	Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)
Present value of defined benefit obligations (beginning of the year)	**$201,559**
Service cost	**10,535**
Interest cost	**1,051**
Benefits paid	**(13,833)**
Remeasurements	**(766)**
(i) Actuarial differences arising from changes in demographical assumptions	**—**
(ii) Actuarial differences arising from changes in financial assumptions	**(1,782)**
(iii) Other adjustments to actual results	**1,016**
Exchange rate differences	**(222)**
Present value of defined benefit obligations (end of the year) (Note)	**$198,324**

Note: The weighted average duration of defined benefit obligations for FY2015 and FY2016 were 10.0 years and 10.3 years, respectively.

4) Fair value of plan assets

The Group's investment policy is designed to ensure the total return in a long term to fund for the stable payments of pension benefits and lump-sum payments into the future.

Accordingly, taking into account the maturity and financial position of the Group by giving consideration to expected rate of return from fundamental investment assets, standard deviation of the rate of return, and the correlation coefficient of these rates, the Group formulates a strategic asset mix ratio from a mid-to-long term standpoint, which is considered as an optimal portfolio on a long-term basis. The Group reviews the investment policy as necessary and provides comprehensive management over its assets and liabilities.

The Group manages risks appropriately through diversified asset management by investing in multiple asset classes and funds that have different risk and return characteristics, thereby balancing the risk exposure.

Changes in fair value of plan assets are as follows:

	Millions of yen	
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)
Fair value of plan assets (beginning of the year)	**¥24,611**	¥23,407
Interest income	**122**	277
Return on plan assets	**189**	96
Contributions by the employer (Note)	**2,254**	2,261
Benefits paid	**(1,461)**	(1,426)
Exchange rate differences	**(19)**	(5)
Fair value of plan assets (end of the year)	**¥25,696**	¥24,611

Note: Expected contribution for the year ending March 31, 2018 is 1,917 million yen.

	Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)
Fair value of plan assets (beginning of the year)	**$219,368**
Interest income	**1,087**
Return on plan assets	**1,684**
Contributions by the employer (Note)	**20,090**
Benefits paid	**(13,022)**
Exchange rate differences	**(169)**
Fair value of plan assets (end of the year)	**$229,040**

Note: Expected contribution for the year ending March 31, 2018 is 17,087 thousand dollars.

5) The breakdown of the fair value of plan assets

The breakdown of the fair value of plan assets are as follows:

	Millions of yen					
	Transition date (April 1, 2015)		**FY2016 (As of March 31, 2017)**		FY2015 (As of March 31, 2016)	
	Quoted market price in an active market		**Quoted market price in an active market**		Quoted market price in an active market	
	Available	Not available	**Available**	**Not available**	Available	Not available
Bonds	¥14,352	¥ —	**¥15,908**	**¥ —**	¥15,526	¥ —
Stocks	5,644	—	**4,932**	**—**	5,146	—
General accounts of life insurance companies	—	3,102	**—**	**4,344**	—	3,527
Other	—	307	**—**	**511**	—	410
Total	¥19,997	¥3,410	**¥20,840**	**¥4,855**	¥20,672	¥3,938

	Thousands of U.S. dollars	
	FY2016 (As of March 31, 2017)	
	Quoted market price in an active market	
	Available	**Not available**
Bonds	**$141,795**	**$ —**
Stocks	**43,961**	**—**
General accounts of life insurance companies	**—**	**38,720**
Other	**—**	**4,554**
Total	**$185,756**	**$43,274**

6) Major assumptions used for actuarial calculations
Major assumptions used for actuarial calculations are as follows:

	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)
Discount rate (weighted average)	1.1%	**0.6%**	0.5%

7) Sensitivity analysis
Effects on defined benefit obligations due to changes in actuarial assumptions are as follows:
Sensitivity analysis is performed by applying the same method used to calculate defined benefit obligations recognized in the consolidated statements of financial position, based on the change in assumption that can be reasonably estimated at the end of the reporting period. Under the analysis, all other variables are assumed to remain constant.

	Millions of yen		
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)
0.5% increase in discount rate	¥(954)	**¥(1,114)**	¥(1,031)
0.5% decrease in discount rate	954	**1,114**	1,031

	Thousands of U.S. dollars
	FY2016 (As of March 31, 2017)
0.5% increase in discount rate	**$(9,929)**
0.5% decrease in discount rate	**9,929**

(3) Defined contribution plan
Amounts of contribution to the defined contribution plan recognized as expenses for FY2015 and FY2016 were 2,014 million yen and 2,025 million yen (18,049 thousand dollars), respectively. The amounts are recorded under "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

(4) Employee benefit expenses
Total employee benefit expenses excluding the above items for FY2015 and FY2016 were 30,544 million yen and 29,200 million yen (260,272 thousand dollars), respectively. The amounts are recorded under "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

20. Share-based payments

The Company conducted a ten-to-one share consolidation on October 1, 2016. The number of shares, fair value, share prices, and expected dividends were adjusted accordingly.

(1) Details of share-based payment plan

The Company has a stock option plan that grants rights to its directors (excluding outside directors) to purchase the Company's shares. The plan is accounted for as an equity-settled share-based payment plan.

The Company's stock option plan outstanding as at the transition date and in FY2015 and FY2016 are as follows:

Date of resolution	June 27, 2007	June 26, 2008	June 25, 2009	June 25, 2010	June 24, 2011	June 26, 2012
Number of shares granted (shares)	4,750	4,940	5,550	5,530	5,660	7,650
Grant date	July 18, 2007	July 23, 2008	July 22, 2009	July 21, 2010	July 20, 2011	July 18, 2012
Fair value at grant date (yen)	5,510	5,660	4,870	4,060	3,600	2,780
Fair value at grant date (U.S. dollar)	49.11	50.45	43.40	36.18	32.08	24.77
Vesting condition	Continued service from June 27, 2007 to June 26, 2008 (Note)	Continued service from June 26, 2008 to June 25, 2009 (Note)	Continued service from June 25, 2009 to June 24, 2010 (Note)	Continued service from June 25, 2010 to June 24, 2011 (Note)	Continued service from June 24, 2011 to June 23, 2012 (Note)	Continued service from June 26, 2012 to June 25, 2013 (Note)
Expiry date	July 17, 2037	July 22, 2038	July 21, 2039	July 20, 2040	July 19, 2041	July 17, 2042
Shares outstanding as of the transition date	430	440	1,700	1,860	2,120	4,000
Shares outstanding as of the end of FY2015	—	—	1,060	1,160	1,320	2,140
Shares outstanding as of the end of FY2016	—	—	1,060	1,160	1,320	2,140

Date of resolution	June 25, 2013	June 25, 2014	June 24, 2015	June 24, 2016	Total
Number of shares granted	5,670	3,390	3,410	4,050	50,600
Grant date	July 17, 2013	July 16, 2014	July 22, 2015	July 20, 2016	—
Fair value at grant date (Yen)	2,890	5,060	4,260	3,680	—
Fair value at grant date (U.S. dollar)	25.75	45.10	37.97	32.80	—
Vesting condition	Continued service from June 25, 2013 to June 24, 2014 (Note)	Continued service from June 25, 2014 to June 24, 2015 (Note)	Continued service from June 24, 2015 to June 23, 2016 (Note)	Continued service from June 24, 2016 to June 23, 2017 (Note)	—
Expiry date	July 16,2043	July 15, 2044	July 21, 2045	July 19, 2046	—
Shares outstanding as of the transition date	5,670	3,390	—	—	19,610
Shares outstanding as of the end of FY2015	3,060	1,870	3,410	—	14,020
Shares outstanding as of the end of FY2016	3,060	1,870	3,410	4,050	18,070

Note: If a director retires during the vesting period, exercisable stock acquisition rights will decrease in accordance with the director's service period.

(2) Number of outstanding stock options and weighted average exercise price

	FY2016 (From April 1, 2016 To March 31, 2017)		FY2015 (From April 1, 2015 To March 31, 2016)		FY2016 (From April 1, 2016 To March 31, 2017)
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)	Weighted average exercise price (U.S. dollar)
Outstanding at the beginning of the year	**14,020**	**1**	19,610	1	**0.00**
Granted	**4,050**	**1**	3,410	1	**0.00**
Exercised	**—**	**—**	(9,000)	1	**—**
Outstanding at the end of the year	**18,070**	**1**	14,020	1	**0.00**
Exercisable at the end of the year	**—**	**—**	—	—	**—**

Notes: 1. For stock options exercised during the period, the weighted average share price as of the exercise date was 4,930 yen for FY2015.
2. Weighted average fair value of stock options outstanding at the end of FY2015 and FY2016 were 3,809 yen and 3,780 yen (33.69 dollars), respectively. Weighted average contractual life remaining for FY2015 and FY2016 were 26.7 years and 26.4 years, respectively.

(3) Expenses in relation to stock options are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	FY2016 (From April 1, 2016 To March 31, 2017)
Selling, general and administrative expenses	**¥14**	¥15	**$124**

(4) Fair value of stock options granted were calculated as follows:

	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)
Expected volatility (Note 1)	**29.0%**	29.1%
Expected remaining life (Note 2)	**3.0 years**	4.0 years
Expected dividend (Note 3)	**110 yen/share (0.98 dollar/share)**	120 yen/share
Risk-free rate (Note 4)	**(0.33)%**	0.05%

Notes: 1. Expected volatility for FY2015 and FY2016 are calculated using the actual share price over a period of four years (from July 2011 to July 2015) and three years (from July 2013 to July 2016), respectively.
2. Expected retirement date used in the computation is estimated based on the average service period.
3. Expected dividend for FY2015 and FY2016 are calculated based on the actual annual dividend amounts for the year ended March 2015 and March 2016, respectively.
4. Risk-free rates are calculated by linear interpolation between spot rates of separated principal component of JGBs with a maturity corresponding to the expected remaining life.

21. Paid-in capital and other equity items

(1) Numbers of authorized shares and issued (and fully paid) shares

Changes in the numbers of authorized shares and issued shares are as follows:

	Shares	
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)
Number of authorized shares		
Common stock	**60,000,000**	600,000,000
Number of issued shares		
Balance as of the beginning of the year	**181,683,909**	181,683,909
Increases during the year	**—**	—
Decreases during the year (Note 2)	**163,515,519**	—
Balance as of the end of the year	**18,168,390**	181,683,909

Notes: 1. All of the shares issued by the Company are shares of common stock with no par value and no limits to any rights of the shareholders.
2. Decreases during the current fiscal year were due to the share consolidation.

(2) Treasury stock

Changes in treasury stock are as follows:

	Shares	
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)
Balance as of the beginning of the year	**9,819,315**	9,900,843
Increases during the year (Note 1)	**4,000**	8,472
Decreases during the year (Note 2)	**8,840,035**	90,000
Balance as of the end of the year	**983,280**	9,819,315

Notes: 1. Increases during the year were due to the purchase of shares less than one trading unit and the purchase of fractional shares less than one share that resulted from the share consolidation. The Company conducted a ten-to-one share consolidation on October 1, 2016, and the major components of the 4,000 shares of the Company's stock acquired during FY2016 are as follows: 2,938 shares resulting from the purchase of shares less than one trading unit before the share consolidation, 890 shares resulting from the purchase of shares less than one trading unit after the share consolidation, and 172 shares resulting from the purchase of fractional shares less than one share due to the share consolidation.
2. Decreases during FY2015 were due to the exercise of stock option. Decreases during FY2016 were due to the share consolidation and sale of shares less than one trading unit.

(3) Capital surplus and retained earnings

(a) Capital surplus

Under the Companies Act, 50% or more of the total amount paid in or contributed upon share issue must be recorded as share capital while the remaining amount must be recorded as legal capital surplus, which is a component of capital surplus. The amount of legal capital surplus may be transferred to share capital by a resolution of a general meeting of shareholders.

(b) Retained earnings

Under the Companies Act, 10% of the amount of surplus that decreased due to distribution of surplus must be accumulates as legal capital surplus or legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings equals 25% of the capital stock. The amount reserved in legal retained earnings may be appropriated to compensate accumulated deficit. It may also be reversed by a resolution of a shareholders' meeting.

(4) Other components of equity

(a) Stock acquisition rights

This amount represents the increase in equity arising from the reception or acquisition of goods or services pertaining to equity-settled share-based payment plan.

(b) Exchange differences on translating foreign operations

This amount represents exchange differences arising from translating the financial statements of foreign operations to Japanese yen, which is the presentation currency of the Group.

(c) Cash flow hedges
The amount represents the fair value measurement of forward exchange contracts and interest rate swaps for future forecast transactions.

(d) Financial assets measured at fair value through other comprehensive income
The amount represents the difference between the cost and the year-end fair value of equity instruments measured at fair value through other comprehensive income.

22. Dividends

(1) Amounts of dividends paid

Amounts of dividend paid are as follows:
FY2015 (From April 1, 2015 To March 31, 2016)

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 21, 2015	Common stock	**¥1,116**	**¥6.50**	March 31, 2015	June 2, 2015
Board of Directors' meeting held on October 20, 2015	Common stock	**945**	**5.50**	September 30, 2015	December 2, 2015

FY2016 (From April 1, 2016 To March 31, 2017)

Resolution	Class of shares	Total amount of dividends		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollar)		
Board of Directors' meeting held on April 19, 2016	Common stock	**¥945**	**$8,423**	**¥5.50**	**$0.04**	March 31, 2016	June 2, 2016
Board of Directors' meeting held on October 18, 2016	Common stock	**945**	**8,423**	**5.50**	**0.04**	September 30, 2016	December 2, 2016

Note: The Company conducted a ten-to-one share consolidation on October 1, 2016. Dividend per share shown above represents the amount before the share consolidation.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:
FY2015 (From April 1, 2015 To March 31, 2016)

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 19, 2016	Common stock	Retained earnings	**¥945**	**¥5.50**	March 31, 2016	June 2, 2016

FY2016 (From April 1, 2016 To March 31, 2017)

Resolution	Class of shares	Source of dividends	Total amount of dividends		Dividend per share		Record date	Effective date
			(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollar)		
Board of Directors' meeting held on April 18, 2017	Common stock	Retained earnings	**¥945**	**$8,423**	**¥55.00**	**$0.49**	March 31, 2017	June 2, 2017

23. Financial instruments

(1) Capital management

In order to maintain proper capital adequacy ratio and to maximize shareholder's value, the Group determines an appropriate amount of dividends, acquires its own shares, grants stock acquisition rights and raises funds through debt capital and equity capital.

The followings are the key indicators employed by the Group in managing the Group's capital. The Group is not subject to any significant externally imposed capital requirements (except for general requirements such as those required by the Companies Act and other laws and regulations).

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Interest-bearing debt	¥ 88,329	**¥ 71,007**	¥ 81,184	**$ 632,917**
Less: Cash and cash equivalents	(7,911)	**(6,222)**	(6,695)	**(55,459)**
Net interest-bearing debt	80,417	**64,785**	74,489	**577,457**
Equity capital	118,422	**124,297**	118,177	**1,107,915**
Equity-to-asset ratio (Equity ratio)	46.8%	**52.9%**	49.3%	**52.9%**

Note: Equity capital presented above represents total equity attributable to owners of the parent.
Equity-to-asset ratio (Equity ratio) = Equity capital / Total liabilities and equity

(2) Basic policies on financial instruments

The Group uses financial instruments, mainly bank loans and bonds for the purpose of raising its necessary fund based on its capital expenditure plan. Cash surpluses, if any, are invested only in short-term deposits, etc. Working capital for short-term ongoing operations is procured from short-term bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

(3) Description of financial instruments and associated risk

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged principally by using forward foreign currency contracts. Other financial assets such as investments securities are equity instruments of customers and suppliers of the Group, and are exposed to the risk of market price fluctuations. The Group also provides long-term loans to the employees.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies, partly accompanied by the import of materials, are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged principally by using forward foreign currency contracts.

Loans payable, bonds payable and lease obligations related to finance lease are mainly used to procure necessary funds for capital expenditure most of which carry fixed interest rates.

Derivatives mainly include forward foreign currency contracts which are used to manage exposure to risks from fluctuations in foreign currency exchange rates of trade receivables and payables denominated in foreign currencies.

(4) Risk management structure related to financial instruments and quantitative information on risk

a. Credit risk

1) Management of risk pertaining to counterparty default

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include setting up an individual credit limit and monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. A credit limit is changed, if necessary, based on a periodic monitoring of customers' financial positions. The Group mitigates the risk of receivable collection due to deteriorating financial position by utilizing such facilities as credit insurance or factoring. In using derivatives, the Group chooses highly creditworthy financial institutions to avoid counterparty risk.

The same method of risk control is applicable to consolidated subsidiaries.

2) Quantitative information on credit risk

i) Maximum exposure to credit risk

Maximum exposure to the credit risk is the sum of the carrying amounts of financial assets, net of impairment losses presented in the consolidated statements of financial position, and the balance of guarantee obligations.

ii) Credit risk exposure of the Group pertaining to trade and other receivables

The credit risk exposure of the Group pertaining to trade and other receivables are as follows:

Transition date (April 1, 2015)

(Millions of yen)

		Financial assets for which the allowance for doubtful accounts is measured at an amount equal to lifetime expected credit loss			
Days in arrears	Financial assets for which the allowance for doubtful accounts is measured at an amount equal to 12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Current	¥2,792	¥—	¥28,243	¥ 41	¥31,077
Within 30 days	0	—	436	—	436
Between 31 to 60 days	0	—	51	—	51
Between 61 to 90 days	—	—	58	—	58
Over 90 days	18	—	161	123	302
Total	¥2,811	¥—	¥28,950	¥164	¥31,927

FY2015 (As of March 31, 2016)

(Millions of yen)

		Financial assets for which the allowance for doubtful accounts is measured at an amount equal to lifetime expected credit loss			
Days in arrears	Financial assets for which the allowance for doubtful accounts is measured at an amount equal to 12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Current	¥2,286	¥—	¥29,484	¥ 35	¥31,807
Within 30 days	—	—	486	—	486
Between 31 to 60 days	0	—	26	—	26
Between 61 to 90 days	—	—	13	—	13
Over 90 days	16	—	173	91	281
Total	¥2,303	¥—	¥30,183	¥127	¥32,614

FY2016 (As of March 31, 2017)

(Millions of yen)

		Financial assets for which the allowance for doubtful accounts is measured at an amount equal to lifetime expected credit loss			
Days in arrears	Financial assets for which the allowance for doubtful accounts is measured at an amount equal to 12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Current	**¥2,708**	**¥—**	**¥27,789**	**¥ 35**	**¥30,533**
Within 30 days	**1**	**—**	**319**	**—**	**321**
Between 31 to 60 days	**0**	**—**	**50**	**—**	**50**
Between 61 to 90 days	**0**	**—**	**26**	**—**	**26**
Over 90 days	**11**	**—**	**188**	**76**	**275**
Total	**¥2,721**	**¥—**	**¥28,374**	**¥111**	**¥31,208**

FY2016 (As of March 31, 2017)

(Thousands of U.S. dollars)					
		Financial assets for which the allowance for doubtful accounts is measured at an amount equal to lifetime expected credit loss			
Days in arrears	Financial assets for which the allowance for doubtful accounts is measured at an amount equal to 12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Current	**$24,137**	**$—**	**$247,695**	**$311**	**$272,154**
Within 30 days	**8**	**—**	**2,843**	**—**	**2,861**
Between 31 to 60 days	**0**	**—**	**445**	**—**	**445**
Between 61 to 90 days	**0**	**—**	**231**	**—**	**231**
Over 90 days	**98**	**—**	**1,675**	**677**	**2,451**
Total	**$24,253**	**$—**	**$252,910**	**$989**	**$278,170**

iii) Analysis of changes in allowance for doubtful accounts
The Group reviews the recoverability of trade receivables depending on the credit conditions of counterparties and records allowance for doubtful accounts accordingly. Changes in allowance for doubtful accounts are as follows:

FY2015 (From April 1, 2015 To March 31, 2016)

(Millions of yen)					
		Lifetime expected credit loss			
	12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Beginning balance	¥—	¥—	¥ 193	¥ 136	¥ 330
Increases during the year (allowances made)	—	—	218	7	226
Decreases during the year (allowances used)	—	—	—	(17)	(17)
Decreases during the year (allowances reversed)	—	—	(195)	(22)	(217)
Exchange differences	—	—	(4)	(0)	(4)
Ending balance	¥—	¥—	¥ 211	¥ 104	¥ 316

FY2016 (From April 1, 2016 To March 31, 2017)

	(Millions of yen)				
		Lifetime expected credit loss			
	12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Beginning balance	**¥—**	**¥—**	**¥ 211**	**¥104**	**¥ 316**
Increases during the year (allowances made)	**—**	**—**	**172**	**3**	**175**
Decreases during the year (allowances used)	**—**	**—**	**—**	**(0)**	**(0)**
Decreases during the year (allowances reversed)	**—**	**—**	**(201)**	**(13)**	**(214)**
Exchange differences	**—**	**—**	**(9)**	**0**	**(9)**
Ending balance	**¥—**	**¥—**	**¥ 173**	**¥ 94**	**¥ 267**

FY2016 (From April 1, 2016 To March 31, 2017)

	(Thousands of U.S. dollars)				
		Lifetime expected credit loss			
	12-month expected credit loss	Financial assets for which credit risk increased significantly after initial recognition	Financial asset for which the allowance for doubtful accounts is always measured at an amount equal to a lifetime expected credit loss	Credit-impaired financial assets	Total
Beginning balance	**$—**	**$—**	**$ 1,880**	**$ 926**	**$ 2,816**
Increases during the year (allowances made)	**—**	**—**	**1,533**	**26**	**1,559**
Decreases during the year (allowances used)	**—**	**—**	**—**	**(0)**	**(0)**
Decreases during the year (allowances reversed)	**—**	**—**	**(1,791)**	**(115)**	**(1,907)**
Exchange differences	**—**	**—**	**(80)**	**0**	**(80)**
Ending balance	**$—**	**$—**	**$ 1,542**	**$ 837**	**$ 2,379**

b. Liquidity risk

1) Management of liquidity risk related to fund procurement

The Group manages its liquidity risk by formulating a monthly cash flow plan and the Company manages it by using commercial paper and commitment line.

2) Quantitative information on liquidity risk

The breakdown of financial liabilities including derivative financial instruments by due date is as follows:

Transition date (April 1, 2015)

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Trade and other payables	¥ 21,174	¥ 21,174	¥21,174	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and loans payable	87,468	87,738	35,207	6,597	26,038	8,753	9,771	1,369
Other financial liabilities	3,212	3,212	1,233	234	192	125	74	1,352
Derivative liabilities	10	10	10	—	—	—	—	—
Total	¥111,865	¥112,136	¥57,626	¥6,831	¥26,231	¥8,878	¥9,845	¥2,722

FY2015 (As of March 31, 2016)

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Trade and other payables	¥ 19,817	¥ 19,817	¥19,817	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and loans payable	80,309	80,495	33,986	26,123	8,914	9,944	1,119	407
Other financial liabilities	2,298	2,298	763	343	254	144	71	720
Derivative liabilities	1	1	1	—	—	—	—	—
Total	¥102,427	¥102,613	¥54,569	¥26,467	¥9,169	¥10,088	¥1,191	¥1,127

FY2016 (As of March 31, 2017)

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Trade and other payables	**¥20,369**	**¥20,369**	**¥20,369**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds and loans payable	**70,250**	**70,351**	**46,758**	**9,831**	**10,886**	**1,952**	**694**	**227**
Other financial liabilities	**2,127**	**2,127**	**836**	**287**	**181**	**102**	**45**	**673**
Derivative liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥92,748**	**¥92,849**	**¥67,965**	**¥10,119**	**¥11,068**	**¥2,054**	**¥740**	**¥901**

FY2016 (As of March 31, 2017)

	(Thousands of U.S. dollars)							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Trade and other payables	**$181,558**	**$181,558**	**$181,558**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds and loans payable	**626,169**	**627,070**	**416,775**	**87,628**	**97,031**	**17,399**	**6,185**	**2,023**
Other financial liabilities	**18,958**	**18,958**	**7,451**	**2,558**	**1,613**	**909**	**401**	**5,998**
Derivative liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$826,704**	**$827,604**	**$605,802**	**$90,195**	**$98,654**	**$18,308**	**$6,595**	**$8,031**

c. Market risk

1) Market risk management

The Company and certain consolidated subsidiaries manage market risk resulting from fluctuations in foreign currency exchange rates of foreign currency trade receivables and payables, which are to be identified through management per month and per currency. Such foreign exchange risk is hedged principally by forward foreign currency contracts. Investment securities are managed by monitoring market values and financial position of issuers on a regular basis. Basic principles of derivative transactions are based on the internal guidelines which prescribe the authority and the limit for each transaction. The same principles are applicable to the consolidated subsidiaries.

2) Quantitative information on market risk

i) Sensitivity analysis of foreign currency risk

With regard to the foreign-currency-denominated loans payable and receivable held by the Group as of the end of FY2015 and FY2016, the following sensitivity analysis shows an impact on profit before tax in the consolidated statements of profit or loss of the Group, when the yen depreciates by 1% against the U.S. dollar and Chinese yuan (sensitivity to foreign currency). The analysis is based on the assumption that all other variable factors are held constant.

Item	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
U.S. dollar	**¥24**	¥32	**$213**
Chinese yuan	**2**	29	**17**

ii) Sensitivity analysis of interest rate risk

With regard to the financial instruments held by the Group as of the end of FY2015 and FY2016, the following sensitivity analysis shows an impact on profit before income taxes in the consolidated statements of profit or loss of the Group, when the interest rate increases by 1% (sensitivity to interest rate). The analysis is based on the assumption that all other variable factors are held constant.

Item	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
Effect on profit before tax	**¥(149)**	¥(170)	**$(1,328)**

iii) Sensitivity analysis of share price fluctuation risk

With regard to the listed shares held by the Group as of the end of FY2015 and FY2016, the following sensitivity analysis shows an impact on other comprehensive income (before taking into account tax benefit) in the consolidated statements of comprehensive income of the Group, when the share price declines by 10% (sensitivity to share price). The analysis is based on the assumption that all other variable factors are held constant.

Item	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
Effect on other comprehensive income	**¥(2,260)**	¥(1,986)	**$(20,144)**

(5) Fair value of financial instruments

1) Carrying amounts and fair values of financial assets and financial liabilities

Carrying amounts and fair values of financial assets and financial liabilities by class held by the Group are as follow:

	Millions of yen						Thousands of U.S. dollars	
	Transition date (April 1, 2015)		**FY2016 (As of March 31, 2017)**		FY2015 (As of March 31, 2016)		**FY2016 (As of March 31, 2017)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Financial assets								
Financial assets measured at amortized cost								
Other financial assets	¥ 1,395	¥ 1,397	**¥ 1,552**	**¥ 1,553**	¥ 1,370	¥ 1,372	**$ 13,833**	**$ 13,842**
Financial assets measured at fair value through other comprehensive income								
Other financial assets	29,254	29,254	**24,121**	**24,121**	23,431	23,431	**215,001**	**215,001**
Assets held for sale	—	—	**772**	**772**	—	—	**6,881**	**6,881**
Derivative assets	—	—	**36**	**36**	43	43	**320**	**320**
Total	30,650	30,651	**26,482**	**26,483**	24,845	24,847	**236,045**	**236,054**
Financial liabilities								
Financial liabilities measured at amortized cost								
Bonds and loans payable	87,468	91,594	**70,250**	**73,114**	80,309	81,413	**626,169**	**651,698**
Other financial liabilities	3,212	3,212	**2,127**	**2,127**	2,298	2,298	**18,958**	**18,958**
Financial liabilities measured at fair value through profit or loss								
Derivative liabilities	10	10	**—**	**—**	1	1	**—**	**—**
Total	¥90,691	¥94,817	**¥72,378**	**¥75,241**	¥82,609	¥83,712	**$645,137**	**$670,656**

2) Method of fair value measurement

Fair values of key financial assets and financial liabilities are determined as follows.

i) Cash and cash equivalents, trade and other receivables and trade and other payables

Classified as financial assets measured at amortized cost. The carrying amounts of these accounts approximate fair value because of their short maturities. Therefore, information on fair values is omitted.

ii) Other financial assets and assets held for sale

The fair values of marketable shares are presented based on the price on the stock exchange. The fair values of unlisted shares are determined using reasonable valuation techniques.

The fair values of long-term loans receivable are measured at the present value of the future cash flows discounted by a rate of return, an appropriate rate such as government bond rate added to a credit spread, with respect to each credit risk segment of credit control.

The carrying amount of others approximates fair value because of its short maturities.

iii) Bonds and borrowings

The fair values of bonds are measured based on the market price or the price presented by counterparty financial institutions.

The fair values of borrowings are measured by discounting the principal and interest by an assumed new borrowing rate.

iv) Other financial liabilities

The fair values of lease obligations are measured by discounting them at the prevailing interest rate to be applied for similar lease transactions.

The carrying amount of others approximates fair value because of its short maturities.

v) Derivative transactions

The fair values of forward exchange contracts are measured based on forward exchange rates.

3) Classification of the fair values of financial instruments measured at fair value by hierarchy level
The fair value measurements are categorized into the following three levels in a fair value hierarchy.
Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.
In the case of several inputs used to measure the fair value, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between the levels of fair value hierarchy are recognized assuming that such transfers occurred at the end of each reporting period.
i) Financial assets and liabilities recognized at fair value

Transition date (April 1, 2015)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Other financial assets	¥25,637	¥—	¥3,617	¥29,254
Total	25,637	—	3,617	29,254
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	10	—	10
Total	¥ —	¥10	¥ —	¥ 10

Note: There were no transfers between different levels of the fair value hierarchy.

FY2015 (As of March 31, 2016)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Other financial assets	¥19,860	¥—	¥3,571	¥23,431
Derivative assets	—	43	—	43
Total	19,860	43	3,571	23,474
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1	—	1
Total	¥ —	¥ 1	¥ —	¥ 1

Note: There were no transfers between different levels of the fair value hierarchy.

FY2016 (As of March 31, 2017)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Other financial assets	**¥22,605**	**¥—**	**¥1,516**	**¥24,121**
Assets held for sale	**—**	**—**	**772**	**772**
Derivative assets	**—**	**36**	**—**	**36**
Total	**¥22,605**	**¥36**	**¥2,288**	**¥24,930**

Note: There were no transfers between different levels of the fair value hierarchy.

FY2016 (As of March 31, 2017)

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Other financial assets	**$201,488**	**$ —**	**$13,512**	**$215,001**
Assets held for sale	**—**	**—**	**6,881**	**6,881**
Derivative assets	**—**	**320**	**—**	**320**
Total	**$201,488**	**$320**	**$20,393**	**$222,212**

Note: There were no transfers between different levels of the fair value hierarchy.

ii) Information on fair value measurement categorized in Level 2 and Level 3
Financial assets and financial liabilities categorized in Level 2 arise from derivative transactions. The fair value of these assets and liabilities are measured based on the observable inputs such as the forward exchange rate or the interest rate.
Financial assets categorized in Level 3 are mainly unlisted equity instruments. The fair values of unlisted equity instruments are measured by applying valuation techniques such as market multiple method and net asset value method, in addition to using unobservable inputs including valuation multiples.
The fair values of financial assets categorized in Level 3 on a recurring or non-recurring basis are measured in accordance with the provisions of the Group's accounting policies. In measuring the fair value, the Group uses valuation techniques and inputs that reflect the nature, characteristics and risks of the relevant financial instruments most appropriately. The results of the measurement are reviewed by senior managers.
If each unobservable input used to measure financial instruments categorized in Level 3 is changed to a reasonable alternative assumption, no material changes in the amount of fair values would be assumed.

iii) Changes in financial instruments categorized in Level 3

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	**Financial assets measured at fair value through other comprehensive income**
Beginning balance	**¥ 3,571**	¥3,617	**$ 31,829**
Gains or losses for the period	**(1,167)**	(109)	**(10,401)**
Purchase	**20**	64	**178**
Sale	**(135)**	(0)	**(1,203)**
Ending balance	**¥ 2,288**	¥3,571	**$ 20,393**

Note: The line item "Gains or losses for the period" above is presented in "Financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

iv) Information on financial assets measured at fair value through other comprehensive income
The Group classifies long-term investments held mainly for the purpose of maintaining amicable relationships with its business partners as financial assets measured at fair value through other comprehensive income.

(a) Major items and fair values
The fair values of financial assets measured at fair value through other comprehensive income by item are as follows:

Transition date (April 1, 2015)

	Millions of yen
Item	Fair value
Daiichi Sankyo Company, Limited	¥11,443
Inner Mongolia 3F Wanhao Fluorochemical Co., Ltd.	2,168
NOF Corporation	1,625
Tosoh Corporation	1,581
Taiyo Nippon Sanso Corporation	1,519

FY2015 (As of March 31, 2016)

	Millions of yen
Item	Fair value
Daiichi Sankyo Company, Limited	¥8,758
Inner Mongolia 3F Wanhao Fluorochemical Co., Ltd.	1,947
NOF Corporation	1,453
Tosoh Corporation	1,234
Taiyo Nippon Sanso Corporation	990

FY2016 (As of March 31, 2017)

	Millions of yen
Item	Fair value
Daiichi Sankyo Company, Limited	**¥7,521**
Tosoh Corporation	**2,554**
NOF Corporation	**2,153**
Taiyo Nippon Sanso Corporation	**1,206**
Kuraray Co., Ltd.	**1,110**

FY2016 (As of March 31, 2017)

	Thousands of U.S. dollars
Item	Fair value
Daiichi Sankyo Company, Limited	**$67,038**
Tosoh Corporation	**22,764**
NOF Corporation	**19,190**
Taiyo Nippon Sanso Corporation	**10,749**
Kuraray Co., Ltd.	**9,893**

(b) Dividend income

The breakdown of dividend income on financial assets measured at fair value through other comprehensive income is as follows:

Item	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
Investments held at the end of the year	**¥494**	¥536	**$4,403**
Investments derecognized during the year	**33**	230	**294**
Total	**¥527**	¥767	**$4,697**

(c) Derecognized financial assets measured at fair value through other comprehensive income

The fair values on the date of derecognition and cumulative gains and losses (before taxes) of the financial assets measured at fair value through other comprehensive income that were derecognized during the year are as follows:

Item	Millions of yen		Thousands of U.S. dollars
	FY2016 (From April 1, 2016 To March 31, 2017)	FY2015 (From April 1, 2015 To March 31, 2016)	**FY2016 (From April 1, 2016 To March 31, 2017)**
Fair value	**¥1,320**	¥7,189	**$11,765**
Cumulative gains or losses	**973**	4,560	**8,672**

Notes: 1. For the purpose mainly of reviewing the relationship with the customers, the Group disposes the financial assets measured at fair value through other comprehensive income and derecognizes such financial assets.

2. The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial assets measured at fair values through other comprehensive income in either of the following cases: when an asset is derecognized; or when there is a significant decline in the fair value. The amount of cumulative gains or losses (after taxes) in other comprehensive income reclassified to retained earnings for FY2015 and FY2016 were 3,024 million yen and 708 million yen (6,310 thousand dollars), respectively.

v) Breakdown of fair values of financial instruments measured at amortized cost by hierarchy level

The breakdown of financial assets and liabilities measured at amortized cost by fair value hierarchy is as follows. The financial assets whose carrying amounts approximate their fair values are not included in the table below.

Transition date (April 1, 2015)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	¥—	¥ 1,397	¥—	¥ 1,397
Total	—	1,397	—	1,397
Financial liabilities				
Bonds payable	—	45,766	—	45,766
Loans payable	—	45,827	—	45,827
Total	¥—	¥91,594	¥—	¥91,594

FY2015 (As of March 31, 2016)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	¥—	¥ 1,372	¥—	¥ 1,372
Total	—	1,372	—	1,372
Financial liabilities				
Bonds payable	—	32,767	—	32,767
Loans payable	—	44,645	—	44,645
Commercial papers	—	4,000	—	4,000
Total	¥—	¥81,413	¥—	¥81,413

FY2016 (As of March 31, 2017)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	¥—	¥ 1,553	¥—	¥ 1,553
Total	—	1,553	—	1,553
Financial liabilities				
Bonds payable	—	34,706	—	34,706
Loans payable	—	36,407	—	36,407
Commercial papers	—	2,000	—	2,000
Total	¥—	¥73,114	¥—	¥73,114

FY2016 (As of March 31, 2017)

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	$—	$ 13,842	$—	$ 13,842
Total	—	13,842	—	13,842
Financial liabilities				
Bonds payable	—	309,350	—	309,350
Loans payable	—	324,511	—	324,511
Commercial papers	—	17,826	—	17,826
Total	$—	$651,698	$—	$651,698

(6) Derivatives

1) Derivative transactions to which hedge accounting is applied

Transition date (April 1, 2015)

The disclosure is omitted because they were immaterial.

FY2015 (As of March 31, 2016)

The disclosure is omitted because they were immaterial.

FY2016 (As of March 31, 2017)

Not applicable.

2) Derivative transactions to which hedge accounting is not applied

Transition date (April 1, 2015)

		Millions of yen			
	Type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains or losses
Off-market transactions	Forward exchange contracts				
	(Selling)				
	Euro	¥ 906	¥—	¥ 25	¥ 25
	U.S. dollar	1,127	—	(24)	(24)
	(Buying)				
	British pound	92	—	(2)	(2)
	Chinese yuan	77	—	0	0
	U.S. dollar	458	—	(0)	(0)
	Total	¥2,662	¥—	¥ (0)	¥ (0)

Notes: 1. The fair values of derivative transactions are calculated using forward exchange rates.

2. Unrealized gains or losses on foreign exchange contracts are presented as the fair values of the contracts.

FY2015 (As of March 31, 2016)

	Type	Millions of yen			
		Contract amount	Contract amount due after one year	Fair value	Unrealized gains or losses
Off-market transactions	Forward exchange contracts				
	(Selling)				
	Euro	¥1,378	¥ —	¥(20)	¥(20)
	U.S. dollar	1,184	—	29	29
	(Buying)				
	Euro	50	—	(0)	(0)
	Chinese yuan	173	—	0	0
	Japanese yen	569	158	43	43
	U.S. dollar	1,287	—	(8)	(8)
	Total	¥4,643	¥158	¥ 43	¥ 43

Notes: 1. The fair values of derivative transactions are calculated using forward exchange rates.
2. Unrealized gains or losses on foreign exchange contracts are presented as the fair values of the contracts.

FY2016 (As of March 31, 2017)

	Type	Millions of yen			
		Contract amount	Contract amount due after one year	Fair value	Unrealized gains or losses
Off-market transactions	Forward exchange contracts				
	(Selling)				
	Euro	**¥ 301**	**¥ —**	**¥ 2**	**¥ 2**
	Chinese yuan	**139**	**24**	**0**	**0**
	U.S. dollar	**1,457**	**54**	**4**	**4**
	(Buying)				
	Euro	**132**	**—**	**(1)**	**(1)**
	Chinese yuan	**49**	**—**	**(0)**	**(0)**
	Japanese yen	**1,884**	**935**	**45**	**45**
	U.S. dollar	**2,958**	**7**	**(14)**	**(14)**
	Total	**¥6,923**	**¥1,021**	**¥ 36**	**¥ 36**

Notes: 1. The fair values of derivative transactions are calculated using forward exchange rates.
2. Unrealized gains or losses on foreign exchange contracts are presented as the fair values of the contracts.

FY2016 (As of March 31, 2017)

	Type	Thousands of U.S. Dollars			
		Contract amount	Contract amount due after one year	Fair value	Unrealized gains or losses
Off-market transactions	Forward exchange contracts				
	(Selling)				
	Euro	**$ 2,682**	**$ —**	**$ 17**	**$ 17**
	Chinese yuan	**1,238**	**213**	**0**	**0**
	U.S. dollar	**12,986**	**481**	**35**	**35**
	(Buying)				
	Euro	**1,176**	**—**	**(8)**	**(8)**
	Chinese yuan	**436**	**—**	**(0)**	**(0)**
	Japanese yen	**16,792**	**8,334**	**401**	**401**
	U.S. dollar	**26,365**	**62**	**(124)**	**(124)**
	Total	**$61,707**	**$9,100**	**$ 320**	**$ 320**

Notes: 1. The fair values of derivative transactions are calculated using forward exchange rates.
2. Unrealized gains or losses on foreign exchange contracts are presented as the fair values of the contracts.

(7) Compound financial instruments

Bonds with stock acquisition rights issued by the Company are as follows:

Type of stock to be issued	Common stock
Issue price of stock acquisition rights	Zero (no consideration)
Initial conversion price	4,330 yen (38.59 dollars) (Note)
Aggregate amount of bonds issued	15,000 million yen (133,701 thousand dollars)
Aggregate amount of stock issued by exercising stock acquisition rights	—
Ratio of stock acquisition rights granted	100%
Maturity date	March 14, 2018
Exercise period	From March 28, 2013 to February 28, 2018 (Local time at the place where the stock acquisition rights are exercised) Provided that early redemption is permitted under certain circumstances.
Carrying amount of bonds with stock acquisition rights	14,933 million yen (133,104 thousand dollars)
Fair value of stock acquisition rights	254 million yen (2,264 thousand dollars)

When the bond holders request to exercise stock acquisition rights, full value that should be paid in exercising stock acquisition rights is deemed to have been paid in, instead of the redemption of the full amount of the bond with stock acquisition rights. Moreover, such request is deemed to have been made in the event that the stock acquisition rights were exercised.

Note: Since the Company conducted a ten-to-one share consolidation on October 1, 2016, the initial conversion price was adjusted accordingly.

24. Construction contracts

The amounts due from and to clients for construction contracts at the end of FY2015 and FY2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (As of March 31, 2017)	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Amount due from clients based on contracts	**¥ 992**	¥ 1,586	**$ 8,842**
Amount due to clients based on contracts	**—**	—	**—**
Cumulative costs incurred and gross profit earned (less gross loss incurred)	**4,089**	4,254	**36,447**
Amount of progress billings	**(3,097)**	(2,668)	**(27,604)**
Amount due from and to clients	**¥ 992**	¥ 1,586	**$ 8,842**

The balances of advances received from clients before associated services were rendered as of the end of FY2015 and FY2016 were 65 million yen and 103 million yen (918 thousand dollars), respectively. There were no balances withheld by clients at the end of FY2015 and FY2016. Revenue from construction contracts recognized for FY2015 and FY2016 were 17,026 million yen and 15,165 million yen (135,172 thousand dollars), respectively.

25. Revenue

The Group's revenue is generated primarily from sale of goods. See "6. Segment information" for further details.

26. Other income

The breakdown of "Other income" is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Gain on government grants (Note)	**¥1,014**	¥169	**$ 9,038**
Compensation income	**22**	218	**196**
Other	**361**	530	**3,217**
Total	**¥1,398**	¥918	**$12,461**

Note: Gain on government grants for the current fiscal year mainly consists of 7,780 million yen (69,346 thousand dollars) of proceeds from subsidy for Fukushima Business Investment Subsidy for Revitalization of Industries, net of 6,910 million yen (61,591 thousand dollars) as a direct deduction from the cost of property, plant and equipment acquired using said subsidy.

27. Other expenses

The breakdown of "Other expenses" is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Business restructuring costs (Note 1)	**¥1,194**	¥4,524	**$10,642**
Loss on business withdrawal (Note 2)	**713**	—	**6,355**
Loss on retirement and sale of property, plant and equipment, and intangible assets	**501**	1,130	**4,465**
Other	**224**	244	**1,996**
Total	**¥2,633**	¥5,899	**$23,469**

Notes: 1. Business restructuring costs include an impairment loss on property, plant and equipment of 4,024 million yen for FY2015 and 1,194 million yen (10,642 thousand dollars) for FY2016.

2. Loss on business withdrawal includes an impairment loss on property, plant and equipment of 378 million yen (3,369 thousand dollars) for FY2016.

28. Finance income and finance costs

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Interest income	**¥ 22**	¥ 16	**$ 196**
Dividend income	**527**	767	**4,697**
Other	**27**	—	**240**
Total	**¥577**	¥784	**$5,143**

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Interest expenses	**¥557**	¥ 720	**$4,964**
Foreign exchange losses	**279**	852	**2,486**
Other	**15**	14	**133**
Total	**¥852**	¥1,587	**$7,594**

29. Profit per share

(1) Basis for determining basic profit per share

Basic profit per share and the basis for its calculation are as follows:

	Millions of yen, unless otherwise stated		Thousands of U.S. dollars, unless otherwise stated
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Profit attributable to ordinary equity holders of parent:			
Profit attributable to owner of parent	**¥7,001**	¥4,881	**$62,403**
Profit not attributable to ordinary equity holders of parent	**—**	—	**—**
Profit used for determining basic profit per share	**7,001**	4,881	**62,403**
Weighted average number of common stock during the period (shares)	**17,185,950**	17,185,363	
Basic profit per share (yen/dollars)	**407.38**	284.05	**3.63**

Note: Since the Group conducted a ten-to-one share consolidation on October 1, 2016, basic profit per share was calculated on the assumption that the share consolidation was conducted at the beginning of the FY2015.

(2) Basis for determining diluted profit per share

Diluted profit per share and the basis for its calculation are as follows:

	Millions of yen, unless otherwise stated		Thousands of U.S. dollars, unless otherwise stated
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Profit attributable to ordinary equity holders including dilutive effects:			
Profit used for determining basic profit per share	**¥7,001**	¥4,881	**$62,403**
Adjustments on profit	**—**	—	**—**
Profit used for determining diluted profit per share	**7,001**	4,881	**62,403**
Weighted average number of common stock during the period (shares):	**17,185,950**	17,185,363	
Dilutive effects	**3,480,568**	3,478,960	
Weighted average number of common stock including dilutive effects (shares)	**20,666,518**	20,664,323	
Diluted profit per share (yen/dollars)	**338.77**	236.23	**3.01**

Note: Since the Company conducted a ten-to-one share consolidation on October 1, 2016, basic profit per share was calculated on the assumption that the share consolidation was conducted at the beginning of FY2015.

30. Other comprehensive income

Reclassification adjustment and tax effect for other comprehensive income are as follows:

FY2015 (From April 1, 2015 To March 31, 2016)

	Millions of yen				
	Amount arising during the year	Reclassification adjustment	Amount before tax effect	Tax effect	Amount after tax effect
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	¥ 1,267	¥—	¥ 1,267	¥(318)	¥ 948
Remeasurements of defined benefit plans	(1,182)	—	(1,182)	375	(806)
Total	85	—	85	57	142
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(1,879)	—	(1,879)	—	(1,879)
Cash flow hedges	(0)	8	8	(3)	5
Share of other comprehensive income of entities accounted for using equity method	(816)	—	(816)	—	(816)
Total	(2,696)	8	(2,687)	(3)	(2,690)
Total	¥(2,611)	¥ 8	¥(2,602)	¥ 53	¥(2,548)

FY2016 (From April 1, 2016 To March 31, 2017)

	Millions of yen				
	Amount arising during the year	Reclassification adjustment	Amount before tax effect	Tax effect	Amount after tax effect
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	**¥3,006**	**¥—**	**¥3,006**	**¥(1,226)**	**¥1,780**
Remeasurements of defined benefit plans	**275**	**—**	**275**	**(85)**	**190**
Total	**3,282**	**—**	**3,282**	**(1,311)**	**1,970**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	**(698)**	**—**	**(698)**	**—**	**(698)**
Cash flow hedges	**1**	**1**	**2**	**(0)**	**2**
Share of other comprehensive income of entities accounted for using equity method	**(199)**	**—**	**(199)**	**—**	**(199)**
Total	**(896)**	**1**	**(895)**	**(0)**	**(896)**
Total	**¥2,385**	**¥ 1**	**¥2,386**	**¥(1,312)**	**¥1,074**

FY2016 (From April 1, 2016 To March 31, 2017)

	Thousands of U.S. dollars				
	Amount arising during the year	Reclassification adjustment	Amount before tax effect	Tax effect	Amount after tax effect
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	**$26,793**	**$—**	**$26,793**	**$(10,927)**	**$15,865**
Remeasurements of defined benefit plans	**2,451**	**—**	**2,451**	**(757)**	**1,693**
Total	**29,253**	**—**	**29,253**	**(11,685)**	**17,559**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	**(6,221)**	**—**	**(6,221)**	**—**	**(6,221)**
Cash flow hedges	**8**	**8**	**17**	**(0)**	**17**
Share of other comprehensive income of entities accounted for using equity method	**(1,773)**	**—**	**(1,773)**	**—**	**(1,773)**
Total	**(7,986)**	**8**	**(7,977)**	**(0)**	**(7,986)**
Total	**$21,258**	**$ 8**	**$21,267**	**$(11,694)**	**$ 9,573**

31. Related party transactions

(1) Related party transactions

There were no related party transactions to be reported (excluding those eliminated in the consolidated financial statements).

(2) Executive compensation

The compensation for the Group's management executives was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016 (From March 31, 2016 To March 31, 2017)	FY2015 (From March 31, 2015 To March 31, 2016)	**FY2016 (From March 31, 2016 To March 31, 2017)**
Basic compensation	**¥288**	¥293	**$2,567**
Bonus	**30**	39	**267**
Share-based compensation	**14**	14	**124**
Total	**¥332**	¥347	**$2,959**

32. Major subsidiaries

Major subsidiaries of the Group are disclosed in page 98 of our Business Report.

33. Loan commitments

The Company and certain consolidated subsidiaries have entered into overdraft agreements and loan commitment agreements with multiple financial institutions in order to efficiently procure working capital. The balances of undrawn credit facilities pursuant to these agreements are as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2015)	**FY2016 (As of March 31, 2017)**	FY2015 (As of March 31, 2016)	**FY2016 (As of March 31, 2017)**
Aggregate amount of maximum overdraft limit and loan commitment	¥10,973	**¥7,275**	¥7,896	**$64,845**
Less: Drawn down balance	26	**55**	—	**490**
Balance of undrawn credit facilities	¥10,947	**¥7,220**	¥7,896	**$64,355**

34. Subsequent events

Not applicable.

35. First-time adoption of IFRS

The Group has adopted IFRS from FY2016 beginning on April 1, 2016, and the full-year consolidated financial statements for the fiscal year beginning on April 1, 2016 are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2015. The Group had previously adopted J-GAAP and the closing date of the accounting period stated on the most recent consolidated financial statements under J-GAAP is March 31, 2016.

In principle, IFRS 1 requires the retrospective application of IFRS for entities adopting IFRS for the first time. However, certain exemptions are available. The exemptions that the Group has applied are as follows:

- The Group has elected not to retrospectively apply IFRS 2 *Share-based Payment* to past share-based compensation that was vested before the transition date.
- The Group has elected not to retrospectively apply IFRS 3 *Business Combinations* to past business combination that occurred before the transition date.
- The cumulative foreign currency translation differences for foreign operations are deemed to be zero as of the transaction date.
- The Group uses fair value at the transition date as deemed cost for certain land under IFRS.

The table below presents reconciliations requiring disclosure in the first-time adoption of IFRS.

Equity reconciliation as of the transition date (April 1, 2015)

Line item under J-GAAP	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
	Millions of yen					
ASSETS						**ASSETS**
Current assets:						**Current assets:**
Cash and time deposits	¥ 7,772		¥ 138	¥ 7,911	(1)	Cash and cash equivalents
Trade notes and accounts receivable	28,984	¥ 1,235	(18)	30,201	(1),(3)	Trade and other receivables
		404	(171)	232	(1)	Other financial assets
Merchandise and finished goods	26,303	6,471	(346)	32,429	(1),(3)	Inventories
Work in process	1,144	(1,144)				
Raw materials and supplies	5,327	(5,327)				
Deferred tax assets	2,506	(2,506)				
Others	4,102	(1,832)	6	2,277	(1),(3)	Other current assets
Less: Allowance for doubtful accounts	(192)	192				
Total current assets	75,949	(2,506)	(391)	73,051		Total current assets
Non-current assets:						**Non-current assets:**
Property, plant and equipment, net:						
Buildings and structures, net	39,198	(39,198)				
Machinery, equipment and vehicles, net	49,514	(49,514)				
Land	13,264	(13,264)				
Construction in progress	18,123	(18,123)				
Others, net	3,085	(3,085)				
		123,185	7,766	130,952	(1),(3),(4)	Property, plant and equipment, net
Intangible assets:	2,448	(624)	1	1,825	(1)	**Intangible assets**
Investments and other assets:						
Investment securities	26,960	(26,960)				
Investments in capital	13,178	(13,178)				
Long-term loans receivable	1,975	(1,975)				
		10,897	42	10,939	(2)	Investments accounted for using equity method
		32,370	(1,952)	30,417	(1),(7)	Other financial assets
Net defined benefit asset	2,415	(2,415)				
Deferred tax assets	1,787	2,506	(2,227)	2,066	(1),(3),(5),(6),(7),(8),(9)	Deferred tax assets
Others	1,927	1,755	96	3,779	(1)	Other non-current assets
Less: Allowance for doubtful accounts	(129)	129				
Total non-current assets	173,748	2,506	3,726	179,981		**Total non-current assets**
Total assets	¥249,697	¥ —	¥3,335	¥253,032		**Total assets**

Line item under J-GAAP	Amount under J-GAAP	Reclassifi-cation	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
	Millions of yen					
LIABILITIES AND NET ASSETS						**LIABILITIES AND EQUITY**
Current liabilities:						**Current liabilities:**
Trade notes and accounts payable	¥ 13,766	¥ 7,247	¥ 159	¥ 21,174	(1)	Trade and other payables
Short-term loans payable	18,094	16,772	341	35,207	(1)	Bonds and loans payable
Current portion of bonds	10,000	(10,000)				
Current portion of long-term loans payable	6,772	(6,772)				
		1,233		1,233		Other financial liabilities
Other payables	7,247	(7,247)				
Accrued income taxes	2,430		0	2,430	(1)	Accrued income taxes
Accrued expenses	5,734	(5,734)				
Provision for bonuses	2,712	221	3,018	5,953	(1),(6)	Provisions
Provision for directors' bonuses	196	(196)				
Reserve for environmental measures	21	(21)				
Others	3,285	4,494	542	8,322	(1),(5)	Others
Total current liabilities	70,262	(3)	4,063	74,322		Total current liabilities
Long-term liabilities:						**Non-current liabilities:**
Bonds payable	17,000	34,770	490	52,260	(1),(7)	Bonds and loans payable
Bonds with stock acquisition rights	15,000	(15,000)				
Long-term loans payable	19,770	(19,770)				
		671	1,307	1,978	(1),(10)	Other financial liabilities
Deferred tax liabilities	4,125	3	(1,369)	2,759	(4),(7), (8),(9)	Deferred tax liabilities
Retirement allowance for directors and corporate auditors	229	374	64	669	(1)	Provisions
Reserve for environmental measures	374	(374)				
Net defined benefit liability	550		7	557	(1)	Net defined benefit liability
Asset retirement obligations	804	(804)				
Others	955	133		1,088		Others
Total long-term liabilities	58,810	3	500	59,314		Total non-current liabilities
Total liabilities	129,072	—	4,563	133,636		Total liabilities
Net assets:						**Equity:**
Shareholders' equity:						
Capital, no par value	12,460			12,460		Capital stock, no-par value
Capital surplus	10,013			10,013		Capital surplus
Retained earnings	84,163		6,562	90,726	(12)	Retained earnings
Less: Treasury stock, at cost	(4,487)			(4,487)		Less: Treasury stock, at cost
Accumulated other comprehensive income (loss):						
Unrealized gain on available-for-sale securities	9,352	6,718	(6,361)	9,710	(7),(8), (10),(11)	Other components of equity
Deferred loss on hedges	(5)	5				
Translation adjustments	7,272	(7,272)				
Remeasurements of defined benefit plans	(615)	615				
Stock acquisition rights	68	(68)				
		—	201	118,422		Total equity attributable to owners of parent
Non-controlling interests	2,403	—	(1,429)	973	(4),(7), (8),(9), (10)	**Non-controlling interests**
Total net assets	120,624	—	(1,228)	119,396		**Total equity**
Total liabilities and net assets	¥249,697	¥ —	¥ 3,335	¥253,032		**Total liabilities and equity**

Equity reconciliations as of March 31, 2016 (prior year-end)

Line item under J-GAAP	Amount under J-GAAP	Reclassifi-cation	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
	Millions of yen					
ASSETS						**ASSETS**
Current assets:						**Current assets:**
Cash and time deposits	¥ 6,621		¥ 74	¥ 6,695	(1)	Cash and cash equivalents
Trade notes and accounts receivable	30,222	¥ 634	71	30,928	(1),(3)	Trade and other receivables
		395	(161)	234	(1)	Other financial assets
Merchandise and finished goods	27,157	6,026	(106)	33,077	(1),(3)	Inventories
Work in process	1,080	(1,080)				
Raw materials and supplies	4,946	(4,946)				
Deferred tax assets	2,347	(2,347)				
Others	3,192	(1,240)	6	1,958	(1),(3)	Other current assets
Less: Allowance for doubtful accounts	(210)	210				
Total current assets	75,357	(2,347)	(115)	72,894		Total current assets
Non-current assets:						**Non-current assets:**
Property, plant and equipment, net:						
Buildings and structures, net	41,592	(41,592)				
Machinery, equipment and vehicles, net	52,009	(52,009)				
Land	13,523	(13,523)				
Construction in progress	6,924	(6,924)				
Others, net	3,758	(3,758)				
		117,808	7,179	124,987	(1),(3), (4)	Property, plant and equipment, net
Intangible assets:	2,213	(548)	1	1,666	(1)	**Intangible assets**
Investments and other assets:						
Investment securities	20,984	(20,984)				
Investments in capital	12,746	(12,746)				
Long-term loans receivable	1,808	(1,808)				
		10,311	81	10,393	(2)	Investments accounted for using equity method
		26,352	(1,784)	24,568	(1),(7)	Other financial assets
Net defined benefit asset	2,345	(2,345)				
Deferred tax assets	1,651	2,347	(2,307)	1,692	(1),(3), (5),(6), (7),(8), (9)	Deferred tax assets
Others	1,817	1,669	118	3,605	(1)	Other non-current assets
Less: Allowance for doubtful accounts	(99)	99				
Total non-current assets	161,275	2,347	3,289	166,913		**Total non-current assets**
Total assets	¥236,633	¥ —	¥ 3,174	¥239,807		**Total assets**

Line item under J-GAAP	Amount under J-GAAP	Reclassifi-cation	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
	Millions of yen					
LIABILITIES AND NET ASSETS						**LIABILITIES AND EQUITY**
Current liabilities:						**Current liabilities:**
Trade notes and accounts payable	¥ 13,870	¥ 5,748	¥ 199	¥ 19,817	(1)	Trade and other payables
Short-term loans payable	16,162	17,554	268	33,986	(1)	Bonds and loans payable
Current portion of long-term loans payable	13,554	(13,554)				
		1,175	(411)	763	(1)	Other financial liabilities
Other payables	6,562	(6,562)				
Accrued income taxes	1,417	1	0	1,419	(1)	Accrued income taxes
Accrued expenses	4,978	(4,978)				
Provision for bonuses	2,441	192	3,202	5,835	(1),(6)	Provisions
Provision for directors' bonuses	192	(192)				
Others	6,737	604	413	7,755	(1),(5)	Others
Total current liabilities	65,917	(11)	3,672	69,578		Total current liabilities
Long-term liabilities:						**Non-current liabilities:**
Bonds payable	17,000	28,968	355	46,323	(1),(7)	Bonds and loans payable
Bonds with stock acquisition rights	15,000	(15,000)				
Long-term loans payable	13,968	(13,968)				
		1,233	301	1,534	(1)	Other financial liabilities
Deferred tax liabilities	2,183	11	(1,324)	870	(4),(7),(8),(9)	Deferred tax liabilities
Retirement allowance for directors and corporate auditors	236	253		490		Provisions
Reserve for environmental measures	253	(253)				
Net defined benefit liability	430		4	434	(1)	Net defined benefit liability
Asset retirement obligations	816	(816)				
Others	1,552	(417)		1,135		Others
Total long-term liabilities	51,440	11	(664)	50,788		Total non-current liabilities
Total liabilities	117,358	—	3,008	120,366		Total liabilities
Net assets:						**Equity:**
Shareholders' equity:						
Capital, no par value	12,460			12,460		Capital stock, no par value
Capital surplus	9,982		(551)	9,430	(10)	Capital surplus
Retained earnings	89,416		6,306	95,723	(12)	Retained earnings
Less: Treasury stock, at cost	(4,450)			(4,450)		Less: Treasury stock, at cost
Accumulated other comprehensive income (loss):						
Unrealized gain on available-for-sale securities	7,104	3,445	(5,536)	5,013	(2),(7),(8),(10),(11)	Other components of equity
Deferred loss on hedges	(0)	0				
Translation adjustments	4,768	(4,768)				
Remeasurements of defined benefit plans	(1,371)	1,371				
Stock acquisition rights	49	(49)				
		—	218	118,177		Total equity attributable to owners of parent
Non-controlling interests	1,315	—	(52)	1,263	(4),(7),(8),(9),(10)	**Non-controlling interests**
Total net assets	119,274	—	165	119,440		**Total equity**
Total liabilities and net assets	¥236,633	¥ —	¥ 3,174	¥239,807		**Total liabilities and equity**

Notes on reconciliation of equity

(1) Reclassification

Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows:

- The current portion of deferred tax assets and deferred tax liabilities is reclassified as non-current items.
- "Investments accounted for using equity method" are presented separately.
- Financial assets and financial liabilities are presented separately.
- "Accumulated other comprehensive income" and "Stock acquisition rights" are presented in "Other components of equity."

(2) Differences in recognition and measurement

1) Review of scope of consolidation

While J-GAAP does not require a not-for-profit entity to be included in the scope of consolidation, IFRS requires it to be consolidated as long as it is controlled by the Group; therefore not-for-profit entities are included in the scope of consolidation as consolidated subsidiaries.

2) Reconciliation of the closing date of an entity accounted for using the equity method

When the closing date of an entity accounted for using the equity method differs from that of the parent, an additional financial statement as of the closing date of the parent will be prepared by such entity to be accounted for using the equity method.

3) Reconciliation of trade receivables and inventories

While trade receivables for certain sale of goods had been recognized at the time of shipment under J-GAAP, in accordance with IFRS, trade receivables are recognized at the time of arrival when risks and rewards associated with the goods are transferred to customers.

While spare parts for equipment and goods for sales promotion had been recognized as supplies as part of inventories under J-GAAP, spare parts for equipment are recognized as property, plant and equipment and goods for sales promotion are recognized as selling, general and administrative expenses under IFRS.

4) Reconciliation of property, plant and equipment

The Group has elected an exemption under the provisions of IFRS 1 and uses the fair value at the transition date as deemed cost for certain lands.

While under J-GAAP, real estate acquisition tax had been expensed as incurred, it is included in cost of property, plant and equipment as an expense directly attributable to acquisition under IFRS.

Regarding the reduction entry to account for subsidies other than government grants, J-GAAP allows an entity to reduce the subsidized amount directly from the cost of property, plant and equipment. However, as IFRS does not allow such a treatment, the Group has cancelled the reduction entry.

5) Reconciliation of levies

Levies such as property tax that had been expensed at the time of payment under J-GAAP, are recognized at once as liabilities and expenses when the obligating event occurs in accordance with IFRS.

6) Reconciliation of liabilities associated with paid leaves

Unused paid leaves that are not recognized as a liability under J-GAAP has been recognized as a liability in accordance with IAS 19 *Employee Benefits.*

7) Reconciliation of financial instruments

Unlisted stocks that had been carried at cost under J-GAAP are measured at fair value under IFRS.

Corporate bonds that had been carried at the amount of a debt obligation, or face amount, under J-GAAP are measured using the amortized cost method under IFRS.

Convertible bonds with stock acquisition rights that had been recorded as liabilities in its entirety under J-GAAP, are split between bonds as liabilities and stock acquisition rights as equity under IFRS.

8) Reconciliation of retirement benefit plan

Whereas actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss by amortizing them over a certain period under J-GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While J-GAAP uses the discount rate and expected return on plan assets, IFRS uses only the discount rate that is applied to net defined benefit liability (asset).

9) Reconciliation of deferred tax assets and deferred tax liabilities

In calculating tax effect with respect to elimination of unrealized gains and losses, while J-GAAP had applied the seller's tax rate, IFRS applies the buyer's tax rate. The Group has reviewed the recoverability of deferred tax assets following the adoption of IFRS.

The Group has changed the offset amount of financial assets and liabilities following the adoption of IFRS.

10) Reconciliation of non-controlling interests

While under J-GAAP, the excess amount arising when the subsidiaries' losses allocated to non-controlling interests exceeds the amount required to be borne by the non-controlling interests were borne by the parent, under IFRS, such losses are allocated to non-controlling interests without any adjustments.

Non-voting preferred stock issued by subsidiaries and its dividends are recognized as non-controlling interests under J-GAAP, while they are recognized as liabilities under IFRS.

11) Reconciliation of other components of equity

The Group has elected an exemption under the provisions of IFRS 1, and reclassified the balance of exchange differences on translating foreign operations into retained earnings as of the transition date.

12) Reconciliation of retained earnings

(Millions of yen)

	Transition date (April 1, 2015)	**FY2015 (As of March 31, 2016)**
Review of scope of consolidation	(461)	**(121)**
Reconciliation of the closing dates of entities accounted for using the equity method	(19)	**194**
Reconciliation of trade receivables and inventories	(300)	**(326)**
Reconciliation of property, plant and equipment	2,297	**2,421**
Reconciliation of levies	(391)	**(424)**
Reconciliation of liabilities associated with paid leaves	(1,901)	**(2,023)**
Reconciliation of financial instruments	10	**(88)**
Reconciliation of retirement benefit plan	(605)	**(1,379)**
Reconciliation of deferred tax assets and deferred tax liabilities	312	**270**
Reconciliation of non-controlling interests	283	**452**
Reconciliation of other components of equity	7,277	**7,277**
Other	62	**54**
Total	6,562	**6,306**

Reconciliation of profit or loss and comprehensive income for the fiscal year of FY2015 (From April 1, 2015 To March 31, 2016)

(Millions of yen)

Items under J-GAAP	Amount under J-GAAP	Reclassification	Differences in Recognition and Measurement	Amount under IFRS	Notes	Items under IFRS
Net sales	¥142,549	¥ (475)	¥(1,294)	¥140,779	(1),(3)	Revenue
Cost of sales	102,269		(204)	102,064	(1),(3), (4),(6)	Cost of sales
Gross profit	40,280	(475)	(1,090)	38,714		Gross profit
Selling, general and administrative expenses	27,680		376	28,056	(1),(4),(6)	Selling, general and administrative expenses
		153	1,553	1,706	(2)	Share of profit of entities accounted for using equity method
		700	218	918	(1)	Other income
		6,306	(407)	5,899	(1)	Other expenses
Operating income	12,600	(5,928)	712	7,384		Operating profit
Non-operating income	1,443	(1,443)				
		5,482	(4,697)	784	(1),(5)	Finance income
Non-operating expenses	2,080	(2,080)				
		1,542	44	1,587	(1),(5)	Finance costs
Extraordinary gains	4,891	(4,891)				
Extraordinary losses	6,243	(6,243)				
Income before income taxes	10,610	—	(4,030)	6,580		Profit before tax
Income taxes	3,293		(1,531)	1,762	(1),(3),(4), (5),(6),(7)	Income tax expense
Income	7,317	¥ —	(2,499)	4,818		Profit for the period
						Profit attributable to:
Income (loss) attributable to non-controlling interests	(25)		(38)	(63)		Non-controlling interests
Income attributable to owners of parent	¥ 7,342		¥(2,461)	¥ 4,881		Owners of parent

(Millions of yen)

Items under J-GAAP	Amount under J-GAAP	Reclassification	Differences in Recognition and Measurement	Amount under IFRS	Notes	Items under IFRS
Income	¥ 7,317	¥—	¥(2,499)	¥ 4,818		Profit for the period
Other comprehensive income (loss):						Other comprehensive income (loss):
Unrealized gain (loss) on available-for-sale securities	(2,272)		3,221	948	(5)	Financial assets measured at fair value through other comprehensive income
Deferred gain on hedges	5		(0)	5		Cash flow hedges
Translation adjustments	(2,386)		507	(1,879)		Exchange differences on translating foreign operations
Remeasurements of defined benefit plans	(760)		(45)	(806)	(6)	Remeasurements of defined benefit plans
Share of other comprehensive income in affiliates	(146)		(670)	(816)	(2)	Share of other comprehensive income of entities accounted for using equity method
Total other comprehensive income (loss)	(5,561)	—	3,012	(2,548)		Total other comprehensive income (loss), net of tax
Comprehensive income	1,756	¥—	513	2,269		Comprehensive income (loss)
Comprehensive income attributable to:						Comprehensive income (loss) attributable to:
Owners of parent	1,840		598	2,438		Owners of parent
Non-controlling interests	¥ (83)		¥ (85)	¥ (169)		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassification

Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows:

- Among items that are classified as non-operating profit, non-operating expenses, extraordinary gains and extraordinary losses under J-GAAP, finance-related items are classified as finance income or finance costs and other items are classified as other income or other expenses under IFRS.

(2) Differences in recognition and measurement

1) Review of scope of consolidation

While J-GAAP does not require a not-for-profit entity to be included in the scope of consolidation, IFRS requires it to be consolidated as long as it is controlled by the Group; therefore not-for-profit entities are included in the scope of consolidation as consolidated subsidiaries.

2) Reconciliation of the closing date of an entity accounted for using the equity method

When the closing date of an entity accounted for using the equity method differs from that of the parent, an additional financial statement as of the closing date of the parent will be prepared by such entity to be accounted for using the equity method.

3) Reconciliation of revenue and cost of sales

While revenue for certain sale of goods had been recognized at the time of shipment under J-GAAP, in accordance with IFRS, revenue is recognized at the time of arrival when risks and rewards associated with the goods are transferred to customers.
While under J-GAAP, gross amount was presented as sales in transactions where the Group acted as an agent, in accordance with IFRS, net amount of sales and cost of sales corresponding to the amount of fee is presented as revenue.

4) Reconciliation of levies

Levies such as property tax that had been expensed at the time of payment under J-GAAP, are recognized at once as liabilities and expenses when the obligating event occurs in accordance with IFRS.

5) Reconciliation of financial instruments

Unlisted stocks that had been carried at cost under J-GAAP have been measured at fair value under IFRS.
Corporate bonds that had been carried at the amount of a debt obligation, or face amount, under J-GAAP have been measured using the amortized cost method under IFRS.

Gains and losses on sale of stocks and other securities previously recognized in profit or loss under J-GAAP are recognized as other comprehensive income under IFRS.

6) Reconciliation of retirement benefit plan

Whereas actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss by amortizing them over a certain period under J-GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While J-GAAP uses the discount rate and expected return on plan assets, IFRS uses only the discount rate that is applied to net defined benefit liability (asset).

7) Reconciliation of income tax

In calculating tax effect with respect to elimination of unrealized gains and losses, under the J-GAAP seller's tax rate is used while IFRS applies buyer's tax rate.

Notes on reconciliations of cash flow

There are no significant differences between Consolidated Statements of Cash Flows based on J-GAAP and those based on IFRS.

5) Consolidated supplementary schedules

[Details of bonds]

(Millions of yen, Thousands of U.S. dollars)

Issuer	Type	Issue date	Beginning balance FY2016 (As of April 1, 2016)	Ending balance FY2016 (As of March 31, 2017)		Interest rate (%)	Collateral	Maturity date
			Yen	Yen	Dollars			
Kureha Corporation	The 3rd unsecured bonds	September 16, 2010	¥ 4,992	¥ 4,997 (4,997)	$ 44,540 (44,540)	0.95 per annum	None	September 15, 2017
Kureha Corporation	The 4th unsecured bonds	October 20, 2011	4,987	4,992	44,495	0.82 per annum	None	October 19, 2018
Kureha Corporation	The 5th unsecured bonds	March 6, 2015	6,968	6,976	62,180	0.30 per annum	None	March 6, 2020
Kureha Corporation	Zero coupon convertible bonds due 2018 (bonds with stock acquisition rights)	March 14, 2013 (London time)	14,866	14,933 (14,933)	133,104 (133,104)	—	None	March 14, 2018
Total	—	—	¥31,814	31,898 ¥(19,930)	284,321 $(177,645)	—	—	—

Notes: 1. The amounts shown in parenthesis in "Ending balance" column represent the current portion of bonds payable.
2. The aggregate annual amounts to be redeemed within five years after the end FY2016 are as follows:

(Millions of yen, Thousands of U.S. dollars)

Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
Yen	Dollars	Yen	Dollars	Yen	Dollars	Yen	Dollars	Yen	Dollars
¥20,000	$178,269	¥5,000	$44,567	¥7,000	$62,394	¥—	$—	¥—	$—

[Details of loans payable]

(Millions of yen, Thousands of U.S. dollars)

Classifications	Beginning balance FY2016 (As of April 1, 2016)	Ending balance FY2016 (As of March 31, 2017)		Average interest rate (%)	Maturity date
	Yen	Yen	Dollars		
Short-term loans payable	¥16,329	¥17,974	$160,210	0.76	—
Current portion of long-term loans payable	13,656	6,784	60,468	0.95	—
Current portion of lease obligations	281	278	2,477	0.55	—
Commercial papers (current portion)	4,000	2,000	17,826	(0.00)	—
Long-term loans payable (excluding the current portion)	14,509	11,592	103,324	0.95	April 2018 to March 2033
Lease obligations (excluding the current portion)	593	478	4,260	0.55	April 2018 to November 2024
Total	¥49,370	¥39,108	$348,587	—	—

Notes: 1. "Average interest rate" is presented as the weighted average interest rate against the loans outstanding at the end of the year.
2. The aggregate annual amounts of long-term loans payable and lease obligations to be repaid within five years after the end of FY2016 are as follows:

	(Millions of yen, Thousands of U.S. dollars)							
	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	Yen	Dollars	Yen	Dollars	Yen	Dollars	Yen	Dollars
Long-term loans payable	¥4,831	$43,060	¥3,886	$34,637	¥1,952	$17,399	¥694	$6,185
Lease obligations	206	1,836	140	1,247	82	730	26	231

[Details of asset retirement obligations]
The disclosure is omitted because the amounts of asset retirement obligations as of the beginning and end of FY2016 were less than 1% of the total liabilities and equity as of the same dates.

(2) Other information
Quarterly information for FY2016

	(Millions of yen, unless otherwise stated)				(Thousands of U.S. dollars, unless otherwise stated)
(Cumulative period)	First quarter	Second quarter	Third quarter	FY2016 (From April 1, 2016 To March 31, 2017)	FY2016 (From April 1, 2016 To March 31, 2017)
Revenue	¥28,291	¥60,228	¥93,411	¥132,294	$1,179,196
Profit before tax	273	3,564	9,144	8,981	80,051
Profit (loss) attributable to owners of parent	(34)	3,052	7,317	7,001	62,403
Basic profit (loss) per share (yen/dollars)	(2.00)	177.61	425.80	407.38	3.63

				(Yen)	(Dollars)
(Each quarter)	First quarter	Second quarter	Third quarter	Fourth quarter	Fourth quarter
Basic profit (loss) per share	¥(2.00)	¥179.61	¥248.20	¥(18.43)	$(0.16)

Note: The amounts of basic profit (loss) per share are adjusted to reflect the ten-to-one share consolidation conducted on October 1, 2016.

Major Subsidiaries and Affiliates

Country	Company Name	Major Business
Japan	Kureha Trading Co., Ltd.	Trading of chemical and plastic products
	Resinous Kasei Co., Ltd.	Manufacture/sale of advanced materials
	Kureha Extech Co., Ltd.	Manufacture/sale of plastic film and products
	Kureha Extron Co., Ltd.	Manufacture/sale of plastic products
	Kureha Gohsen Co., Ltd.	Manufacture/sale of plastic fiber and products
	Kurehanishiki Construction Co., Ltd.	Construction
	Kureha Engineering Co., Ltd.	Plant engineering and maintenance
	Kureha Ecology Management Co., Ltd.	Waste treatment and management
	Kureha Special Laboratory Co., Ltd.	Environmental/physiochemical evaluation and analysis
	Kureha Unyu Co., Ltd.	Transportation and storage services
	Kureha Service Co., Ltd.	Real estate, travel and welfare services for Kureha Group
	Kureha Staff Service Co., Ltd.	Recruiting and staffing services
	Kureha-kai Medical Corporation	Hospital operations (Kureha General Hospital)
USA	Kureha America Inc.	Holding company and finance
	Kureha America LLC	Sale of advanced products and packaging materials
	Kureha PGA LLC	Manufacture/sale of PGA resins
	Kureha Energy Solutions LLC	Sale of PGA downhole tools
	Fortron Industries LLC*	Manufacture/sale of PPS resins and compounds
Germany	Kureha GmbH	Sale of advanced products
Netherlands	Kureha Europe B.V.	Holding company and finance
	Krehalon B.V.	Manufacture/sale of food packaging products
Australia	Krehalon Australia Pty. Ltd.	Sale of food packaging products
China	Kureha (China) Investment Co., Ltd.	Holding company and finance
	Kureha (Shanghai) Carbon Fiber Materials Co., Ltd.	Manufacture/sale of carbon fiber products
	Kureha (Changshu) Fluoropolymers Co., Ltd.	Manufacture/sale of PVDF resins and compounds
	Nantong SKT New Material Co., Ltd.*	Manufacture/sale of PVDC resins and compounds
Vietnam	Kureha Vietnam Co., Ltd.	Manufacture/sale of food packaging films

*Affiliates accounted for by equity method

Investor Information

(As of March 31, 2017)

Corporate Data

Corporate Name	Kureha Corporation
Headquarters	3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan Tel: 81-3-3249-4666 Fax: 81-3-3249-4744
Date of Establishment	June 21, 1944
Paid-in Capital	¥12,460 million
Number of Employees	4,426
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Information

Number of Shares of Common Stock Issued	18,168,390 shares
Number of Shareholders	13,517
Number of Shares Held by Foreign Shareholders	4,276,480 (23.5% of total)
Stock Exchange Listings	Tokyo Stock Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Stockholders

Meiji Yasuda Life Insurance Company
Japan Trustee Services Bank, Ltd. (Trust account)
The Master Trust Bank of Japan Ltd. (Trust account)
Tokio Marine & Nichido Fire Insurance Co., Ltd.
JP MORGAN CHASE BANK 385166 (UK)
Mizuho Bank, Ltd.
Japan Trustee Services Bank, Ltd. (9 trust accounts)
Daiichi Sankyo Company, Ltd.
Japan Trustee Services Bank, Ltd. (5 trust accounts)
Mizuho Trust & Banking Co., Ltd.

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