

Consolidated Financial Results for the year ended March 31, 2017 [IFRS]



1. Consolidated Financial Statements (1) Consolidated Statements of Financial Position

	(Millions of yen)		
	Transition date (April 1, 2015)	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
ASSETS			
Current assets:			
Cash and cash equivalents	7,911	6,695	6,222
Trade and other receivables	30,201	30,928	29,387
Other financial assets	232	234	332
Inventories	32,429	33,077	36,497
Current assets held for sale	—	—	772
Other current assets	2,277	1,958	2,060
Total current assets	73,051	72,894	75,272
Non-current assets:			
Property, plant and equipment, net	130,952	124,987	115,911
Intangible assets	1,825	1,666	1,395
Investments accounted for using equity method	10,939	10,393	10,714
Other financial assets	30,417	24,568	25,342
Deferred tax assets	2,066	1,692	1,350
Other non-current assets	3,779	3,605	4,920
Total non-current assets	179,981	166,913	159,634
Total assets	253,032	239,807	234,907

	(Millions of yen)		
	Transition date (April 1, 2015)	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21,174	19,817	20,369
Bonds and loans payable	35,207	33,986	46,689
Other financial liabilities	1,233	763	836
Accrued income taxes	2,430	1,419	873
Provisions	5,953	5,835	5,742
Other current liabilities	8,322	7,755	6,161
Total current liabilities	74,322	69,578	80,672
Non-current liabilities:			
Bonds and loans payable	52,260	46,323	23,561
Other financial liabilities	1,978	1,534	1,291
Deferred tax liabilities	2,759	870	1,492
Provisions	669	490	386
Net defined benefit liability	557	434	382
Other non-current liabilities	1,088	1,135	1,147
Total non-current liabilities	59,314	50,788	28,261
Total liabilities	133,636	120,366	108,934
Equity:			
Shareholders' equity:			
Capital stock, no par value			
Authorized: March 31, 2016 and 2017			
- 60,000,000 shares	12,460	12,460	12,460
Issued: March 31, 2016 and 2017			
- 18,168,390 shares			
Capital surplus	10,013	9,430	9,430
Less: Treasury stock, at cost	(4,487)	(4,450)	(4,456)
Retained earnings	90,726	95,723	101,731
Other components of equity	9,710	5,013	5,132
Total equity attributable to owners of parent	118,422	118,177	124,297
Non-controlling interests	973	1,263	1,674
Total equity	119,396	119,440	125,972
Total liabilities and equity	253,032	239,807	234,907

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Prior fiscal year (From April 1, 2015 To March 31, 2016)	Current fiscal year (From April 1, 2016 To March 31, 2017)
Net sales	140,779	132,294
Cost of sales	102,064	96,791
Gross profit	38,714	35,503
Selling, general and administrative expenses	28,056	26,632
Share of income of entities accounted for using equity method	1,706	1,619
Other income	918	1,398
Other expenses	5,899	2,633
Operating income	7,384	9,255
Finance income	784	577
Finance costs	1,587	852
Income before tax	6,580	8,981
Income tax expense	1,762	1,874
Income (loss) for the period	4,818	7,106
Income attributable to:		
Owners of parent	4,881	7,001
Non-controlling interests	(63)	105
Total	4,818	7,106
Income per share (in Yen):		
Basic	284.05	407.38
Diluted	236.23	338.77

Consolidated Statements of Comprehensive Income

	Prior fiscal year (From April 1, 2015 To March 31, 2016)	Current fiscal year (From April 1, 2016 To March 31, 2017)
Income for the year	4,818	7,106
Other comprehensive income (loss):		
Items that will not be reclassified to income or loss:		
Financial assets measured at fair value through other comprehensive income	948	1,780
Remeasurements of defined benefit plans	(806)	190
Total	142	1,970
Items that may be reclassified subsequently to income or loss:		
Exchange differences on translating foreign operations	(1,879)	(698)
Cash flow hedges	5	2
Share of other comprehensive income of entities accounted for using equity method	(816)	(199)
Total	(2,690)	(896)
Total other comprehensive income (loss), net of tax	(2,548)	1,074
Comprehensive income (loss)	2,269	8,181
Comprehensive income (loss) attributable to:		
Owners of parent	2,438	7,993
Non-controlling interests	(169)	187
Comprehensive income (loss)	2,269	8,181

(3) Condensed Consolidated Statements of Changes in Equity

Prior fiscal year (From April 1, 2015 To March 31, 2016)

	Total equity attributable to owners of parent						
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity		
					Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2015	12,460	10,013	(4,487)	90,726	323	—	(7)
Income for the period				4,881			
Other comprehensive income						(2,680)	5
Comprehensive income	—	—	—	4,881	—	(2,680)	5
Acquisition of treasury stock			(3)				
Disposal of treasury stock							
Share-based payment transaction			40	(6)	(18)		
Dividends				(2,061)			
Changes in Equity		(583)		(49)		(2)	
Increase of subsidiaries							
Reclassification from other components of equity to retained earnings.				2,233			
Others				1			
Total transactions with owners	—	(583)	36	115	(18)	(2)	—
BALANCE-MARCH 31, 2016	12,460	9,430	(4,450)	95,723	304	(2,682)	(2)

	Total equity attributable to owners of parent					
	Other components of equity			Total	Total	Non- controlling interests
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			Total net assets
BALANCE-APRIL 1, 2015	9,394	—	9,710	118,422	973	119,396
Income for the period			—	4,881	(63)	4,818
Other comprehensive income	1,023	(791)	(2,442)	(2,442)	(105)	(2,548)
Comprehensive income	1,023	(791)	(2,442)	2,438	(169)	2,269
Acquisition of treasury stock			—	(3)		(3)
Disposal of treasury stock			—	—		—
Share-based payment transaction			(18)	15		15
Dividends			—	(2,061)	(30)	(2,092)
Changes in Equity			(2)	(635)	489	(145)
Increase of subsidiaries			—	—		—
Reclassification from other components of equity to retained earnings	(3,024)	791	(2,233)	—		—
Others			—	1	(0)	1
Total transactions with owners	(3,024)	791	(2,254)	(2,684)	459	(2,225)
BALANCE-MARCH 31, 2016	7,393	—	5,013	118,177	1,263	119,440

Current fiscal year (From April 1, 2016 To March 31, 2017)

	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)
Income for the period				7,001			
Other comprehensive income						(900)	2
Comprehensive income	—	—	—	7,001	—	(900)	2
Acquisition of treasury stock			(5)				
Disposal of treasury stock		0	0				
Share-based payment transaction					14		
Dividends				(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 net assets
BALANCE-APRIL 1, 2016	7,393	—	5,013	118,177	1,263	119,440
Income 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			—	(5)		(5)
Disposal of treasury stock			—	0		0
Share-based payment transaction			14	14		14
Dividends			—	(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

(4) Consolidated Statements of Cash Flows

	Prior fiscal year (From April 1, 2015 To March 31, 2016)	Current fiscal year (From April 1, 2016 To March 31, 2017)
Cash flows from operating activities:		
Income before tax	6,580	8,981
Depreciation and amortization expense	10,333	10,191
Business restructuring costs	4,024	1,194
Loss on business withdrawal	—	378
Finance income	(784)	(550)
Finance costs	720	557
Share of (income) loss of entities accounted for using equity method	(1,706)	(1,619)
Loss on disposal and sale of property, plant and equipment, and intangible assets	1,118	486
(Increase) decrease in trade and other receivables	(1,029)	1,597
(Increase) decrease in inventories	(957)	(3,630)
Increase (decrease) in trade and other payables	(164)	340
Increase (decrease) in provision	(287)	(188)
Increase (decrease) in net defined benefit asset and liability	(1,206)	(1,172)
Others	662	(2,235)
Subtotal	17,303	14,328
Interest and dividend income received	2,220	1,395
Interest expenses paid	(712)	(481)
Income tax paid	(4,252)	(2,890)
Cash flows from operating activities	14,559	12,350
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment, and intangible assets	407	32
Payments for purchases of property, plant and equipment, and intangible assets	(12,515)	(9,379)
Proceeds from sales of investment securities	7,238	1,320
Purchase of investment securities	(117)	(38)
Purchase of shares of subsidiaries	(64)	—
Proceeds from government grants	—	7,780
Others	(997)	(786)
Cash flows from investing activities	(6,049)	(1,071)
Cash flows from financing activities:		
Dividends paid	(2,061)	(1,890)
Dividends paid to non-controlling interests	(30)	(35)
Net increase (decrease) in commercial paper and short-term loans payable	2,457	(117)
Proceeds from non-current loans payable	8,202	4,090
Repayments of non-current loans payable	(7,167)	(13,715)
Repayments of bonds	(10,000)	—
Proceeds from contributions of non-controlling interests	—	260
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,026)	—
Others	(309)	(317)
Cash flows from financing activities	(9,935)	(11,727)
Effect of exchange rate changes on cash and cash equivalents	210	(24)
Net decrease in cash and cash equivalents	(1,215)	(472)
Cash and cash equivalents at beginning of year	7,911	6,695
Cash and cash equivalents at end of year	6,695	6,222

(5) Notes concerning condensed consolidated financial statements

(Going concern assumption)

Not applicable

(Notes to condensed consolidated financial statements)

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 the current fiscal year (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 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 the current fiscal year (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 is April 1, 2015. The Group had previously adopted Japanese GAAP and the closing date of the accounting period stated on the most recent consolidated financial statements under Japanese 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 “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.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these 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 Company 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 a income or loss in the consolidated statements of income.

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). Goodwill that arose from acquisitions prior to the transition date is stated at the carrying amount in accordance with the previously adopted accounting standard as of the transition date.

(3) Foreign currency translation

1) Foreign currency transactions

The items included in the financial statements of each entity of the Group entity 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 income 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 (including goodwill and fair value adjustments arising from the acquisition of that foreign operation) 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 income or loss as 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 income 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 year

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 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 income 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 income 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 income 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 income 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 income or loss.

(c) Financial assets measured at fair value through income or loss

Financial assets designated to be measured at fair value through income 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 income 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 income 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 income 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 income or loss.

(ii) Subsequent measurement

Financial liabilities measured at fair value through income or loss are measured at fair value, and subsequent changes in the fair value are recognized in income 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 income or loss in its consolidated statements of income 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.

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. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities measured at fair value through income or loss, and accounted for based on its classification.

Changes in fair value of a derivative designated as fair value hedges are recognized in income 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 income 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 income or loss in the same period in which the hedged item affects income 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 income 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 income 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) Loyalty

Loyalty 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 deducted in arriving at the carrying value of the assets. Government grants are recognized in income 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 income 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 income 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) Income per share

Basic income per share are calculated by dividing net income attributable to owners of parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury stocks held. Diluted income 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),
- Valuation of inventories (Item (5) of 3. Significant Accounting Policies),
- Recoverability of deferred tax assets (Item (19) of 3. Significant Accounting Policies),
- Valuation of defined benefit obligations (Item (12) of 3. Significant Accounting Policies),
- Recognition of provisions (Item (14) of 3. Significant Accounting Policies), and
- Assumption on valuation of financial instruments (Item (11) of 3. Significant Accounting Policies).

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).

(Segment Information)

(1) Overview of the 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-related," 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, food containers and cooking paper, PVDF fishing lines, vinylidene chloride (PVDC) film, PVDC compound, 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

(2) Segment revenue and performance

The accounting policies for the reportable segments are the same as those of the Group stated in “3. Significant Accounting Policies.”, included in “ Consolidated Financial Results for the Three Months Ended June 30, 2016” . Intersegment revenue is principally based on the market price.

The Group’s segment information is as follows.

Prior fiscal year (from April 1, 2015 to March 31, 2016) (Millions of yen)

	Reportable segments						Reconcili- ations (Note)	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total		
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 income	1,441	4,760	3,188	1,537	1,497	12,424	(5,040)	7,384
Finance income								784
Finance costs								(1,587)
Income before income tax								6,580

Note:

Operating income reconciliation consists of 59 million yen of loss by elimination of intersegment transaction, mainly 918 million yen of other income and 5,899 million yen of other expenses not allocated to reportable segments.

Current fiscal year (from April 1, 2016 to March 31, 2017) (Millions of yen)

	Reportable segments						Reconcili- ations (Note)	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total		
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 income (loss)	79	2,538	4,986	1,026	1,726	10,357	(1,101)	9,255
Finance income								577
Finance costs								(852)
Income before tax								8,981

Note:

Operating income reconciliation consists of 133 million yen of income by elimination of intersegment transaction, mainly 1,398 million yen of other income and 2,633 million yen of other expenses not allocated to reportable segments.

(Notes to Consolidated Statements of Income)

(1) Other income

	(Millions of yen)	
	Prior fiscal year (From April 1, 2015 To March 31, 2016)	Current fiscal year (From April 1, 2016 To March 31, 2017)
Income from government grants (Note)	169	1,014
Compensation income	218	22
Others	530	361
Total	918	1,398

Note:

Income from government grants mainly consist of 7,780 million yen of proceeds from subsidy for Fukushima Recovery Initiative and (6,910) million yen of direct deduction of non-current assets acquired using the provided subsidy.

(2) Other expenses

	(Millions of yen)	
	Prior fiscal year (From April 1, 2015 To March 31, 2016)	Current fiscal year (From April 1, 2016 To March 31, 2017)
Business restructuring costs (Note 1)	4,524	1,194
Loss on business withdrawal (Note 2)	—	713
Loss on disposal and sale of property, plant and equipment, and intangible assets	1,130	501
Others	244	224
Total	5,899	2,633

Note 1:

Business restructuring costs consist of impairment loss on property, plant and equipment. (prior fiscal year: 4,024 million yen, current fiscal year: 1,194 million yen)

Note 2:

Loss on business withdrawal consists of impairment loss on property, plant and equipment. (current fiscal year: 378 million yen)

(3) Impairment on non-financial assets

1) Impairment loss

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

2) Explanation of main events and circumstances that led to recognition of impairment loss

Current fiscal year (From April 1, 2016 To March 31, 2017)

(Millions of yen)				
Segment	Purpose of use	Location	Type of assets	Amount
Advanced materials	Manufacturing facility	Kasumigaura, Ibaraki	Buildings	336
			Structures	137
			Land	269
		Shanghai, PRC	Machinery and equipment	451
Specialty chemicals	Manufacturing facility	Iwaki, Fukushima	Buildings	303
			Others	74
Total				1,572

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 non-current assets for property tax, and it is taken as zero when sale cannot be expected.

i) Advanced materials segment

For manufacturing facility in Kasumigaura City, Ibaraki Prefecture, after reviewing the future operating environment and projected earnings following by 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 non-current assets associated with the advanced plastics business to their recoverable value and recognized the reduction of 743 million yen under other expenses. In addition, the Group applies value in use for recoverable value.

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 as other expenses. In addition, the Group applies value in use for recoverable value.

ii) Specialty chemicals segment

For manufacturing facility in Iwaki City, Fukushima Prefecture, after reviewing the future operating environment and projected earnings following by 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 non-current 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.

(Per Share Information)

(1) Basis on which basic income per share has been determined

	(Millions of yen)
	Current fiscal year (From April 1, 2016 To March 31, 2017)
Income attributable to ordinary equity holders of parent entity	
Income attributable to owners of parent	7,001
Income not attributable to ordinary equity holders of parent entity	—
Income used for determining basic net income per share	7,001
Weighted average number of common stock during the period	17,185,950
Basic income per share	(Yen) 407.38

Note:

On October 1, 2016, a consolidation of 10 shares to 1 share was executed. The Group determined basic income per share on the assumption that the consolidation has been executed on beginning of prior fiscal year.

(2) Basis on which diluted income per share has been determined

	(Millions of yen)
	Current fiscal year (From April 1, 2016 To March 31, 2017)
Income attributable to ordinary equity holders including dilutive effects	
Income used for determining basic income per share	7,001
Adjustments on income	—
Income used for determining diluted basic income per share	7,001
Weighted average number of common stock during the period	17,185,950
Dilutive effects	3,480,568
Weighted average number of common stock including dilutive effects	20,666,518
Diluted net income per share	(Yen) 338.77

Note:

On October 1, 2016, a consolidation of 10 shares to 1 share was executed. The Group determined basic income per share on the assumption that the consolidation has been executed on beginning of prior fiscal year.

(Subsequent Events)

Not applicable.

(First-time adoption of IFRS)

The Group has adopted IFRS from the current fiscal year 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 Japanese GAAP and the closing date of the accounting period stated on the most recent consolidated financial statements under Japanese 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)

(Millions of yen)

Line item under Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
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 Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
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)				
				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)

						(Millions of yen)
Line item under Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
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 Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
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	<u>75,357</u>	<u>(2,347)</u>	<u>(115)</u>	<u>72,894</u>		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	<u>161,275</u>	<u>2,347</u>	<u>3,289</u>	<u>166,913</u>		Total non-current assets
Total assets	<u>236,633</u>	<u>—</u>	<u>3,174</u>	<u>239,807</u>		Total assets

(Millions of yen)						
Line item under Japanese GAAP (J-GAAP)	Amount under J-GAAP	Reclassification	Differences in recognition and measurement	Amount under IFRS	Notes	Line item under IFRS
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)				
				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.
- “Accumulate 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 Japanese GAAP does not require a not-for-income 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-income 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 Japanese 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 Japanese 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 Japanese 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, Japanese 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 Japanese 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 Japanese 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 Japanese 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 Japanese 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 Japanese 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 income or loss by amortizing them over a certain period under Japanese GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While Japanese 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 Japanese 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 Japanese 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 Japanese 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)	
	as of the transition date (April 1, 2015)	End of the previous fiscal year (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 income or loss and comprehensive income for the fiscal year of the previous fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of yen)						
Items under Japanese 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)	Net sales
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 income 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 income
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		Income before tax
Income taxes	3,293		(1,531)	1,762	(1),(3),(4),(5),(6),(7)	Income tax expense
Net income	7,317	-	(2,499)	4,818		Income for the period
						Income attributable to:
Net income (loss) attributable to non-controlling interests	(25)		(38)	(63)		Non-controlling interests
Net income attributable to owners of parent	7,342		(2,461)	4,881		Owners of parent

(Millions of yen)

Items under Japanese GAAP	Amount under J-GAAP	Reclassification	Differences in Recognition and Measurement	Amount under IFRS	Notes	Items under IFRS
Net income	7,317	-	(2,499)	4,818		Income 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 income 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 income, non-operating expenses, extraordinary gains and extraordinary losses under Japanese 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 Japanese GAAP does not require a not-for-income 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-income 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 Japanese 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 Japanese 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 net sales.

4) Reconciliation of levies

Levies such as property tax that had been expensed at the time of payment under Japanese 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 Japanese 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 Japanese GAAP have been measured using the amortized cost method under IFRS.

Gains and losses on sale of stocks and other securities previously recognized in income or loss under Japanese 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 income or loss by amortizing them over a certain period under Japanese GAAP, in accordance with IFRS, they are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

While Japanese 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 Japanese 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 Japanese GAAP and those based on IFRS.