Financial Section 2017

Contents

DAICEL

Consolidated Balance Sheets

Daicel Corporation and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 96,275	¥ 65,237	$ 859,598
Marketable securities (Notes 4 and 15)	29	279	258
Receivables (Note 15):			
Trade notes	3,592	3,188	32,071
Trade accounts	83,735	80,484	747,633
Unconsolidated subsidiaries and associated companies	4,346	3,451	38,803
Allowance for doubtful receivables	(80)	(103)	(714)
Inventories (Note 5)	100,657	104,886	898,723
Deferred tax assets (Note 11)	6,631	4,891	59,205
Other current assets	12,029	14,512	107,401
Total current assets	307,216	276,828	2,743,000
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 18):			
Land	26,760	27,109	238,928
Buildings and structures	157,581	149,581	1,406,973
Machinery and equipment	595,739	557,373	5,319,098
Construction in progress	19,762	36,777	176,446
Total	799,843	770,842	7,141,445
Accumulated depreciation	(614,662)	(595,265)	(5,488,053)
Net property, plant and equipment	185,180	175,576	1,653,392
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	72,094	69,063	643,696
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 15)	10,357	11,442	92,473
Deferred tax assets (Note 11)	1,505	858	13,437
Net defined benefit asset (Notes 2.j and 8)	5,303	5,594	47,348
Other assets	18,049	20,826	161,151
Total investments and other assets	107,310	107,785	958,125
TOTAL	¥599,708	¥560,190	$5,354,535

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	¥ 7,788	¥ 7,196	$ 69,535
Current portion of long-term debt (Notes 7, 15 and 17)	4,513	5,361	40,294
Payables (Note 15):			
Trade notes	170	182	1,517
Trade accounts	44,446	47,905	396,839
Nontrade accounts	12,353	11,597	110,294
Construction	9,937	8,434	88,723
Unconsolidated subsidiaries and associated companies	2,182	2,229	19,482
Income taxes payable (Notes 11 and 15)	7,432	6,938	66,357
Other current liabilities (Notes 11 and 17)	20,503	12,820	183,062
Total current liabilities	109,327	102,667	976,133
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 15 and 17)	59,983	58,709	535,562
Net defined benefit liability (Notes 2.j and 8)	12,249	11,774	109,366
Asset retirement obligations (Note 9)	1,036	1,091	9,250
Deferred tax liabilities (Note 11)	16,158	14,786	144,267
Other long-term liabilities	1,523	2,441	13,598
Total long-term liabilities	90,951	88,802	812,062
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 20)			
EQUITY (Notes 10 and 22):			
Common stock, authorized, 1,450,000,000 shares; issued, 349,942,682 shares in 2017 and 364,942,682 shares in 2016	36,275	36,275	323,883
Capital surplus	31,867	31,579	284,526
Retained earnings	266,462	242,657	2,379,125
Treasury stock - at cost, 3,737,941 shares in 2017 and 15,770,285 shares in 2016	(4,025)	(10,388)	(35,937)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	34,978	31,499	312,303
Deferred gain (loss) on derivatives under hedge accounting	(16)	(146)	(142)
Foreign currency translation adjustments	4,212	5,885	37,607
Defined retirement benefit plans	(134)	62	(1,196)
Total	369,620	337,424	3,300,178
Noncontrolling interests	29,809	31,296	266,151
Total equity	399,429	368,720	3,566,330
TOTAL	¥599,708	¥560,190	$5,354,535

Consolidated Statements of Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2017, 2016 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
NET SALES	¥440,061	¥449,878	¥443,775	$3,929,116
COST OF SALES (Note 12)	303,229	316,049	327,628	2,707,401
Gross profit	136,832	133,829	116,147	1,221,714
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	72,526	69,479	64,844	647,553
Operating income	64,306	64,349	51,303	574,160
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,821	2,367	1,802	16,258
Gain on sales of investment securities	2,461	2,719	52	21,973
Subsidies from municipal governments (Note 18)		793	500	
Equity in earnings of unconsolidated subsidiaries and associated companies	870	1,094	1,172	7,767
Interest expense	(958)	(1,131)	(1,376)	(8,553)
Foreign exchange gain (loss)	(1,599)	(2,065)	1,822	(14,276)
Loss on dispositions of property, plant and equipment	(3,361)	(4,311)	(2,539)	(30,008)
Impairment loss on fixed assets			(90)	
Loss on claim compensation (Note 19)	(989)	(1,557)		(8,830)
Reduction of cost of property, plant and equipment (Note 18)		(561)	(475)	
Other – net	1,822	1,793	775	16,267
Other income (expenses) – net	66	(858)	1,644	589
INCOME BEFORE INCOME TAXES	64,373	63,491	52,947	574,758
INCOME TAXES (Note 11):				
Current	15,996	16,630	16,546	142,821
Prior periods	690		(850)	6,160
Deferred	(2,439)	305	1,155	(21,776)
Total income taxes	14,246	16,935	16,850	127,196
NET INCOME	50,126	46,555	36,096	447,553
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	6,928	6,242	4,843	61,857
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 43,198	¥ 40,313	¥ 31,252	$ 385,696

	Yen			U.S. Dollars (Note 1)
	2017	2016	2015	2017
PER SHARE INFORMATION (Notes 2.r and 13):				
Basic net income	¥ 124.61	¥ 115.02	¥ 88.95	$ 1.11
Cash dividends applicable to the year	30.00	26.00	21.00	0.27

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2017, 2016 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
NET INCOME	¥50,126	¥46,555	¥36,096	$447,553
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):				
Unrealized gain (loss) on available-for-sale securities	3,546	(3,563)	14,603	31,660
Deferred gain (loss) on derivatives under hedge accounting	222	(94)	(219)	1,982
Foreign currency translation adjustments	(1,340)	(10,503)	11,166	(11,964)
Defined retirement benefit plans	(210)	(1,578)	3,783	(1,875)
Share of other comprehensive income (loss) in associates	(404)	(736)	987	(3,607)
Total other comprehensive income (loss)	1,813	(16,476)	30,322	16,187
COMPREHENSIVE INCOME	¥51,939	¥30,079	¥66,419	$463,741
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	¥44,937	¥26,394	¥59,306	$401,223
Noncontrolling interests	7,001	3,684	7,112	62,508

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daicel Corporation and Consolidated Subsidiaries

Years Ended March 31, 2017, 2016 and 2015

		Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	351,352,019	¥36,275	¥31,579	¥183,199	¥ (6,349)	¥20,517	¥ 79	¥ 5,374	¥(2,063)	¥268,612	¥27,193	¥295,805
Cumulative effect of accounting change				2,328						2,328	(129)	2,198
BALANCE, APRIL 1,2014 (as restated)	351,352,019	36,275	31,579	185,528	(6,349)	20,517	79	5,374	(2,063)	270,940	27,063	298,004
Net income attributable to owners of the parent				31,252						31,252		31,252
Cash dividends, ¥17.00 per share				(5,972)						(5,972)		(5,972)
Repurchase of treasury stock	(31,530)				(36)					(36)		(36)
Disposal of treasury stock	30		0		0					0		0
Effect of change in closing period of certain consolidated subsidiaries				670		(20)	(22)	(701)	3	(70)	(1,426)	(1,497)
Net change in the year						14,518	(145)	10,001	3,679	28,053	6,372	34,426
BALANCE, MARCH 31, 2015	351,320,519	36,275	31,579	211,478	(6,385)	35,014	(88)	14,674	1,619	324,167	32,010	356,177
Net income attributable to owners of the parent				40,313						40,313		40,313
Cash dividends, ¥26.00 per share				(9,134)						(9,134)		(9,134)
Repurchase of treasury stock	(2,148,198)				(4,003)					(4,003)		(4,003)
Disposal of treasury stock	76		0		0					0		0
Change in the parent's ownership interest due to transactions with noncontrolling interests										(540)		(540)
Net change in the year						(3,514)	(58)	(8,789)	(1,556)	(13,918)	(174)	(14,092)
BALANCE, MARCH 31, 2016	349,172,397	36,275	31,579	242,657	(10,388)	31,499	(146)	5,885	62	337,424	31,296	368,720
Net income attributable to owners of the parent				43,198						43,198		43,198
Cash dividends, ¥26.00 per share				(9,039)						(9,039)		(9,039)
Repurchase of treasury stock	(2,967,656)				(4,001)					(4,001)		(4,001)
Retirement of treasury stock			(11)	(10,353)	10,364							
Change in the parent's ownership interest due to transactions with noncontrolling interests			298							298	(2,228)	(1,930)
Net change in the year						3,479	130	(1,672)	(197)	1,739	742	2,481
BALANCE, MARCH 31, 2017	346,204,741	¥36,275	¥31,867	¥266,462	¥(4,025)	¥34,978	¥ (16)	¥ 4,212	¥ (134)	¥369,620	¥29,809	¥399,429

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2016	$323,883	$281,955	$2,166,580	$(92,750)	$281,241	$(1,303)	$52,544	$ 553	$3,012,714	$279,428	$3,292,142
Net income attributable to owners of the parent			385,696						385,696		385,696
Cash dividends, $0.23 per share			(80,705)						(80,705)		(80,705)
Repurchase of treasury stock				(35,723)					(35,723)		(35,723)
Retirement of treasury stock		(98)	(92,437)	92,535							
Change in the parent's ownership interest due to transactions with noncontrolling interests		2,660							2,660	(19,892)	(17,232)
Net change in the year					31,062	1,160	(14,928)	(1,758)	15,526	6,625	22,151
BALANCE, MARCH 31, 2017	$323,883	$284,526	$2,379,125	$(35,937)	$312,303	$ (142)	$37,607	$(1,196)	$3,300,178	$266,151	$3,566,330

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2017, 2016 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
OPERATING ACTIVITIES:				
Income before income taxes	¥64,373	¥63,491	¥52,947	$574,758
Adjustments for:				
Income taxes - paid	(16,272)	(20,895)	(10,791)	(145,285)
Depreciation and amortization	29,926	24,958	24,520	267,196
Impairment loss on fixed assets			90	
Amortization of goodwill	910	1,011	1,113	8,125
Loss on dispositions of property, plant and equipment	3,361	4,311	2,539	30,008
Gain on sales of investment securities	(2,461)	(2,719)	(52)	(21,973)
Equity in earnings of unconsolidated subsidiaries and associated companies	(870)	(1,094)	(1,172)	(7,767)
Reduction of cost of property, plant and equipment		561	475	
Subsidies from municipal governments		(793)	(500)	
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(4,161)	(4,987)	2,801	(37,151)
Decrease (increase) in inventories	3,778	(1,317)	(12,063)	33,732
Increase (decrease) in notes and accounts payable	(3,165)	1,325	(6,680)	(28,258)
Other – net	10,751	1,566	4,186	95,991
Net cash provided by operating activities	86,168	65,419	57,412	769,357
INVESTING ACTIVITIES:				
Net decrease (increase) in time deposits	468	640	(293)	4,178
Net decrease (increase) in short-term investment securities	59	(397)	3,600	526
Capital expenditures	(38,014)	(35,851)	(29,629)	(339,410)
Payment for purchases of investment securities	(524)	(23)	(3,910)	(4,678)
Proceeds from sales and redemption of investment securities	5,232	5,622	2,117	46,714
Proceeds from sales of property, plant and equipment	521	1,433	559	4,651
Increase in finance receivables	(76)	(413)	(221)	(678)
Collection of finance receivables	51	107	13	455
Subsidies from municipal governments		793	500	
Other – net	(2,440)	(3,318)	(3,017)	(21,785)
Net cash used in investing activities	(34,722)	(31,407)	(30,283)	(310,017)
FINANCING ACTIVITIES:				
Net change in short-term bank loans	831	(5,930)	(2,167)	7,419
Proceeds from issuance of long-term debt	5,771	382	5,000	51,526
Repayments of long-term debt	(5,318)	(8,415)	(25,314)	(47,482)
Dividends paid	(9,036)	(9,105)	(5,972)	(80,678)
Dividends paid to noncontrolling interests	(6,259)	(3,858)	(739)	(55,883)
Payment for purchases of treasury stock	(4,001)	(4,003)	(36)	(35,723)
Payment for acquisition of interests in a subsidiary from noncontrolling interests	(1,930)	(539)		(17,232)
Net cash used in financing activities	(19,942)	(31,470)	(29,230)	(178,053)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(465)	(4,041)	4,812	(4,151)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,037	(1,500)	2,711	277,116
INCREASE IN CASH AND CASH EQUIVALENTS FROM CHANGE IN CLOSING PERIOD OF CONSOLIDATED SUBSIDIARIES			1,452	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	65,237	66,737	62,573	582,473
CASH AND CASH EQUIVALENTS, END OF YEAR	¥96,275	¥65,237	¥66,737	$859,598

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daicel Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017. Amounts less than one million yen and one thousand U.S. dollars are rounded down, except for per share data. Therefore, total amounts may not correspond with the aggregation of such account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to $1, the approximate rate of exchange at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** - The consolidated financial statements as of March 31, 2017, include the accounts of the Company and its 62 significant (59 in 2016 and 58 in 2015) subsidiaries (collectively, the "Companies").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

The Company's wholly owned subsidiary, Daicel America Holdings, Inc., formerly known as Daicel (U.S.A.), Inc., acquired 100% of shares of Special Devices, Inc. on April 16, 2012, and accounted for it by the purchase method of accounting. The related goodwill is amortized over 10 years. The Company's subsidiary, Polyplastics Co., Ltd. acquired 100% of shares of LCP Leuna Carboxylation Plant GmbH on August 31, 2012, and accounted for it by the purchase method of accounting. The related goodwill is amortized over 5 years.

Investments in one (one in 2016 and 2015) unconsolidated subsidiary and seven (seven in 2016 and 2015) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies and associated companies accounted for by the equity method has been eliminated.

b. **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method** - ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Marketable and Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

All of the Companies' securities are classified as available-for-sale securities.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Inventories - Inventories are stated at the lower of cost, determined by the moving-average method, or net selling value.

h. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, and leased assets of the Company. Consolidated foreign subsidiaries primarily apply the straight-line method to property, plant and equipment.

The range of useful lives is principally from 3 to 75 years for buildings and structures and from 4 to 15 years for machinery and equipment. The useful lives for leased assets are the terms of the respective leases. Property, plant and equipment are carried at cost, less gains deferred on the sale and replacement of certain assets.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this treatment to the consolidated financial statements was immaterial.

i. Long-Lived Assets - The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Pension Plans - The Company and certain consolidated subsidiaries have lump-sum severance payment plans, defined benefit plans and defined contribution plans for employees. Additionally, the Company has a "Retirement Benefit Trust."

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain subsidiaries account for the net defined benefit liability based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years.

Because certain subsidiaries are classified as small enterprises, the simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation of the subsidiaries.

Certain domestic subsidiaries record retirement allowances for directors and corporate auditors to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of shareholders.

k. Asset Retirement Obligations - An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

m. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

n. Leases - Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

o. Research and Development Costs - Research and development costs are charged to income as incurred and included in "COST OF SALES" and "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES."

p. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this on the consolidated financial statements for the year ended March 31, 2017.

q. Derivatives and Hedging Activities - The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and foreign currency swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Swaps that qualify for hedge accounting are measured at market value at the balance sheet date, and unrealized gains or losses are deferred until maturity and included in other liabilities or assets.

r. Per Share Information - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Company has no securities or warrants that may cause an additional issue of common shares.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

s. **Accounting Changes and Error Corrections** - Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

3. BUSINESS COMBINATION

a. **Outline of Business Combination**

(a) Name of the company and its business

Name of the company: Win Tech Polymer Ltd.

Business: Manufacture and sale of polyacetal resin, polybutylene terephthalate (PBT) resin, liquid crystal polymer, and polyphenylene sulfide resin

(b) Date of business combination

September 30, 2016

(c) Legal form of business combination

Purchase of the treasury stocks by a consolidated subsidiary

(d) Company's name after business combination

No change

(e) Other matters regarding outline

The consolidated subsidiary purchased stocks from noncontrolling interests in order to strengthen business operations.

b. **Outline of Accounting for Business Combination**

This business combination was accounted for as a "transaction with noncontrolling interests in transaction under common control etc." in accordance with ASBJ statement No. 21, "Accounting Standard for Business Combinations" and the ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures."

c. **Acquisition Cost and Its Breakdown**

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Payment for acquisition of stocks: cash	¥1,930	$17,232
Acquisition cost of stocks	1,930	17,232

d. **Description of the Conditions Pertaining to Payments for the Acquisition Set by the Business Agreement and the Accounting Treatment Policy Going Forward**

This acquisition included an agreement that the acquisition cost has a possibility to be changed through a discussion in case subsequent events occur, which would be reflected in capital surplus.

e. **Information Related to the Change in Equity Due to the Transaction with Noncontrolling Interests**

(a) Major reason for change in capital surplus

Acquisition of treasury stocks by the consolidated subsidiary

(b) Increase in capital surplus by transaction with noncontrolling interests

¥298 million ($2,660 thousand)

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current:			
Government and corporate bonds	¥ 29	¥ 279	$ 258
Non-current:			
Equity securities	¥71,995	¥68,934	$642,812
Government and corporate bonds	96	125	857
Other	3	3	26
Total	¥72,094	¥69,063	$643,696

The costs and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016, were as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥21,558	¥49,196	¥(1)	¥70,753

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥23,525	¥44,342	¥(175)	¥67,692
Debt securities	250	0		250

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$192,482	$439,250	$(8)	$631,723

Securities whose fair values are not readily determinable as of March 31, 2017 and 2016, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Available-for-sale:			
Equity securities	¥1,241	¥1,241	$11,080
Debt securities	125	154	1,116
Other	3	3	26
Total	¥1,370	¥1,399	$12,232

Proceeds from sales of available-for-sale securities for the years ended March 31, 2017, 2016 and 2015, was ¥5,252 million ($46,892 thousand), ¥5,645 million and ¥6,517 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥2,513 million ($22,437 thousand) and ¥51 million ($455 thousand), respectively, for the year ended March 31, 2017.

5. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Finished products	¥ 50,358	¥51,973	$449,625
Semi-finished products and work in process	15,197	14,819	135,687
Raw materials and supplies	35,101	38,093	313,401
Total	¥100,657	¥104,886	$898,723

6. INVESTMENT PROPERTY

The Companies own certain rental properties such as land and buildings in Osaka and other areas. Rental income for the years ended March 31, 2017 and 2016, was ¥507 million ($4,526 thousand) and ¥516 million, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2016	Increase/Decrease	March 31, 2017	March 31, 2017
¥3,146	¥ (79)	¥3,066	¥13,795

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2015	Increase/Decrease	March 31, 2016	March 31, 2016
¥3,748	¥(602)	¥3,146	¥12,538

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2016	Increase/Decrease	March 31, 2017	March 31, 2017
$28,089	$(705)	$27,375	$123,169

Notes:
1. Increase and decrease of items related to rental properties are not disclosed for this fiscal year due to insignificance.
2. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
3. Fair values of properties as of March 31, 2017 and 2016, are measured by the Companies in accordance with the Real-Estate Appraisal Standard.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans were principally represented by bank overdrafts. Weighted-average annual interest rate of short-term bank loans at March 31, 2017 and 2016, was 1.39% and 1.10%, respectively.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
1.69% bonds due 2019	¥10,000	¥10,000	$ 89,285
0.41% bonds due 2018	10,000	10,000	89,285
1.05% bonds due 2023	10,000	10,000	89,285
Unsecured loans from banks and other financial institutions, due through 2025, with interest rates ranging from 0.40% to 5.50% for 2017 (from 0.56% to 5.50% for 2016)	34,496	34,071	308,000
Total	64,496	64,071	575,857
Less current portion	(4,513)	(5,361)	(40,294)
Long-term debt, less current portion	¥59,983	¥58,709	$535,562

At March 31, 2017, annual maturities of long-term debt were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 4,513	$ 40,294
2019	13,799	123,205
2020	18,294	163,339
2021	8,341	74,473
2022	2,042	18,232
2023 and thereafter	17,505	156,294
Total	¥64,496	$575,857

8. RETIREMENT AND PENSION PLANS

Years Ended March 31, 2017 and 2016

(1) The changes in defined benefit obligation (except for cases where the simplified method was applied) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥34,571	¥31,268	$308,669
Current service cost	1,926	1,706	17,196
Interest cost	213	407	1,901
Actuarial losses	236	2,931	2,107
Benefits paid	(1,602)	(1,394)	(14,303)
Others	88	(348)	785
Balance at end of year	¥35,434	¥34,571	$316,375

(2) The changes in plan assets (except for cases where the simplified method was applied) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥31,463	¥29,875	$280,919
Expected return on plan assets	361	348	3,223
Actuarial gains	(503)	465	(4,491)
Contributions from employer	986	1,773	8,803
Benefits paid	(784)	(870)	(7,000)
Others	88	(129)	785
Balance at end of year	¥31,610	¥31,463	$282,232

(3) The changes in defined benefit obligation as a result of applying the simplified method for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥2,983	¥2,775	$26,633
Retirement benefit cost	345	318	3,080
Benefits paid	(254)	(171)	(2,267)
Contributions from employer	(47)	(48)	(419)
Others	5	110	44
Balance at end of year	¥3,032	¥2,983	$27,071

(4) Reconciliation between the net liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥36,104	¥35,268	$322,357
Plan assets	(32,142)	(32,024)	(286,982)
	3,961	3,243	35,366
Unfunded defined benefit obligation	2,894	2,848	25,839
Net liability arising from defined benefit obligation	¥6,856	¥ 6,092	$61,214

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Net defined benefit liability	¥12,159	¥ 11,686	$108,562
Net defined benefit asset	(5,303)	(5,594)	(47,348)
Net liability arising from defined benefit obligation	¥ 6,856	¥ 6,092	$ 61,214

Note: Including defined benefit obligation under the simplified method.

(5) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥1,926	¥1,706	$17,196
Interest cost	213	407	1,901
Expected return on plan assets	(361)	(348)	(3,223)
Recognized actuarial losses	470	106	4,196
Amortization of transitional obligation	345	318	3,080
Balance at end of year	¥2,593	¥2,190	$23,151

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial losses	¥(283)	¥(2,343)	$(2,526)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial losses	¥(613)	¥(330)	$(5,473)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	30%	31%
Equity investments	51	51
General accounts of insurance companies	8	7
Others	11	11
Total	100%	100%

Note: Total plan assets consisting of a Retirement Benefit Trust for the years ended March 31, 2017 and 2016, were 14% and 14%, respectively.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	0.6%	0.6%
Expected rate of return on plan assets	1.2%	1.2%
Lump-sum election rate	82.5%	82.4%

(10) The amount of contributions to defined contribution plans for subsidiaries for the years ended March 31, 2017 and 2016 was ¥393 million ($3,508 thousand) and ¥365 million, respectively.

Retirement allowances for certain subsidiaries' directors and corporate auditors are included in "Net defined benefit liability" in the consolidated balance sheets. The amount was ¥89 million ($794 thousand) and ¥87 million at March 31, 2017 and 2016, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥1,091	¥1,093	$9,741
Reconciliation associated with passage of time	9	9	80
Reduction associated with settlement of asset retirement obligations	(52)	(9)	(464)
Other	(11)	(1)	(98)
Balance at end of year	¥1,036	¥1,091	$9,250

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the year ended March 31, 2017, 33% for the year ended March 31, 2016, and 36% for the year ended March 31, 2015. Foreign subsidiaries are subject to income tax of the countries in which they operate. Income taxes for prior periods are due to payments based on Advance Pricing Agreements of transfer pricing taxation for prior years.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2017, 2016 and 2015, was as follows:

	2017	2016	2015
Normal effective statutory tax rate	31%	33%	36%
Increase or decrease of valuation allowance	(0)	(1)	(0)
Tax difference of foreign countries	(2)	(2)	(4)
Equity in earnings of associated companies	(0)	(1)	(1)
Amortization of goodwill	0	1	1
Tax credit primarily for research and development costs	(5)	(3)	(2)
Effect of tax rate reduction		1	1
Other – net	(2)	(1)	1
Actual effective tax rate	22%	27%	32%

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Accrued enterprise taxes	¥ 620	¥ 531	$ 5,535
Accrued bonuses	1,717	1,604	15,330
Net defined benefit liability	5,065	4,792	45,223
Investment securities	184	85	1,642
Tax loss carryforwards	2,323	2,438	20,741
Intercompany profits	2,313	2,449	20,651
Other	6,251	4,961	55,812
Less valuation allowance	(2,758)	(2,842)	(24,625)
Deferred tax assets	¥15,717	¥14,019	$140,330
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥13,899	¥12,430	$124,098
Tax purpose reserves regulated by Japanese tax law	708	781	6,321
Undistributed earnings of foreign subsidiaries	4,546	4,714	40,589
Securities contributed to employees' retirement benefit trust	2,708	2,666	24,178
Intangible fixed assets	1,448	1,671	12,928
Other	612	994	5,464
Deferred tax liabilities	¥23,922	¥23,257	$213,589
Net deferred tax liabilities	¥ 8,204	¥ 9,237	$ 73,250

At March 31, 2017, certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,323 million ($20,741 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2017	2017
2018	¥ 35	$ 312
2019		
2020		
2021		
2022		
2023 and thereafter	2,287	20,419
Total	¥2,323	$20,741

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in "COST OF SALES" and "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES" were ¥16,806 million ($150,053 thousand), ¥15,306 million and ¥14,031 million for the years ended March 31, 2017, 2016 and 2015, respectively.

13. NET INCOME PER SHARE

The computation of net income per common share is based on the weighted-average number of shares outstanding. The weighted-average number of common shares in the computation was 346,660,483; 350,498,782; and 351,334,634 for the years ended March 31, 2017, 2016 and 2015, respectively.

14. LEASES

The Companies lease certain machinery, computer equipment, office space and other assets.

Future minimum payments under noncancelable operating leases were as follows:

	Operating Leases		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Due within one year	¥1,083	¥1,021	$ 9,669
Due after one year	2,111	2,431	18,848
Total	¥3,195	¥3,453	$28,526

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Companies use financial instruments, mainly long-term debt including bank loans and bonds, based on their capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

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 by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Maturities of bank loans and bonds are less than eight years and nine months after the balance sheet date. Although a part of such bank loans and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 16 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms.

The Companies manage their credit risk from receivables on the basis of internal guidelines, which include 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. Please see Note 16 for more detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2017.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected to arise from forecasted transactions, forward foreign currency contracts may be used with a contract term not exceeding six months.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

The basic principles of derivative transactions are approved by management at meetings held on a semiannual basis based on internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transactions and balances with customers is made, and the transaction data is reported to the chief financial officer and management, on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on their maturity dates. The Companies manage their liquidity risk by holding an adequate volume of liquid assets on a regular basis, along with adequate financial planning by the corporate treasury department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 16 for more detail about fair values of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 96,275	¥ 96,275	¥
Marketable securities	29	29	
Receivables	91,674	91,674	
Investment securities	70,724	70,724	
Total	¥258,703	¥258,703	¥
Short-term bank loans	¥7,788	¥7,788	
Payables	69,089	69,089	
Income taxes payable	7,432	7,432	
Long-term debt	64,496	65,502	¥(1,006)
Total	¥148,807	¥149,813	¥(1,006)

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥65,237	¥65,237	¥
Marketable securities	279	279	
Receivables	87,124	87,124	
Investment securities	67,664	67,664	
Total	¥220,305	¥220,305	¥
Short-term bank loans	¥7,196	¥7,196	
Payables	70,349	70,349	
Income taxes payable	6,938	6,938	
Long-term debt	64,071	65,392	¥(1,321)
Total	¥148,556	¥149,877	¥(1,321)

	Thousands of U.S. Dollars		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 859,598	$ 859,598	$
Marketable securities	258	258	
Receivables	818,517	818,517	
Investment securities	631,464	631,464	
Total	$2,309,848	$2,309,848	$
Short-term bank loans	$ 69,535	$ 69,535	
Payables	616,866	616,866	
Income taxes payable	66,357	66,357	
Long-term debt	575,857	584,839	$(8,982)
Total	$1,328,633	$1,337,616	$(8,982)

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 4.

Receivables, Payables and Income Taxes Payable

The carrying values of receivables, payables and income taxes payable approximate fair value because of their short maturities.

Short-Term Bank Loans

The carrying values of short-term bank loans approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

March 31, 2017	Carrying Amount Millions of Yen	Carrying Amount Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥5,514	$49,232

March 31, 2016	Carrying Amount Millions of Yen
Investments in equity instruments that do not have a quoted market price in an active market	¥6,057

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2017	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 96,275			
Receivables	91,674			
Marketable securities and investment securities:				
Government bonds	29	¥96	¥	¥
Total	¥187,978	¥96	¥	¥

	Millions of Yen			
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 65,237			
Receivables	87,124			
Marketable securities and investment securities:				
Government bonds	28	¥116	¥8	¥
Corporate bonds	250			
Total	¥152,640	¥116	¥8	¥

	Thousands of U.S. Dollars			
March 31, 2017	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 859,598			
Receivables	818,517			
Marketable securities and investment securities:				
Government bonds	258	$857	$	$
Total	$1,678,375	$857	$	$

Please see Note 7 for annual maturities of long-term debt.

16. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2017	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥24,002		¥27	¥27
Selling Euro	2,721		6	6
Buying U.S.$	2,774		(44)	(44)
Buying Japanese yen	103		(0)	(0)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	983	¥ 983	(78)	(78)
Receiving U.S.$, paying KRW	2,026	2,026	(19)	(19)

March 31, 2016	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥30,037		¥968	¥968
Selling Euro	3,152		9	9
Buying U.S.$	2,374		(30)	(30)
Buying Japanese yen	30		(0)	(0)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	1,053	¥983	(121)	(121)
Receiving U.S.$, paying KRW	982	982	45	45

March 31, 2017	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	$214,303		$ 241	$241
Selling Euro	24,294		53	53
Buying U.S.$	24,767		(392)	(392)
Buying Japanese yen	919		(0)	(0)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	8,776	$ 8,776	(696)	(696)
Receiving U.S.$, paying KRW	18,089	18,089	(169)	(169)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2017	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	¥11,532	¥8,455	¥(20)

March 31, 2016	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	¥12,711	¥10,432	¥(250)

March 31, 2017	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	$102,964	$75,491	$(178)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

17. RELATED PARTY DISCLOSURES

The Company had unsecured loans from Nippon Life Insurance Company, whose chairman has served as one of the corporate auditors of the Company since June 2010.

The balances due to Nippon Life Insurance Company at March 31, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Long-term debt	¥2,375	¥3,150	$21,205
Current portion of long-term debt	775	1,275	6,919
Interest expense payable	2	3	17
Repayments of long-term loans payable	1,275	1,275	11,383
Interest expenses paid	60	82	535

The interest rates of the loans were reasonably determined in accordance with market interest rates.

18. MUNICIPAL GOVERNMENT SUBSIDIES

The Companies received various incentives from municipal governments in the form of subsidies for purchases of property, plant and equipment. Such subsidies were accounted for as income as received. Certain portion of the amount is charged to income and credited against the cost of property, plant and equipment when the property, plant and equipment subject to the subsidies are acquired.

19. LOSS ON CLAIM COMPENSATION

Compensation related to the quality of products.

20. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2017, for loans guaranteed amounted to ¥287 million ($2,562 thousand). Loans guaranteed are principally those of unconsolidated subsidiaries, associated companies and employees.

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2017, 2016 and 2015, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year	¥ 7,509	¥ (3,172)	¥20,337	$ 67,044
Reclassification adjustments to profit or loss	(2,482)	(2,742)	(52)	(22,160)
Amount before income tax effect	5,027	(5,915)	20,284	44,883
Income tax effect	(1,481)	2,351	(5,680)	(13,223)
Total	¥ 3,546	¥(3,563)	¥14,603	$ 31,660
Deferred gain (loss) on derivatives under hedge accounting:				
Adjustments arising during the year	¥ 152	¥ (227)	¥ (366)	$ 1,357
Reclassification adjustments to profit or loss	78	127	149	696
Amount before income tax effect	230	(99)	(217)	2,053
Income tax effect	(7)	5	(2)	(62)
Total	¥ 222	¥ (94)	¥ (219)	$ 1,982
Foreign currency translation adjustments - Adjustments arising during the year	¥(1,340)	¥(10,503)	¥11,166	$(11,964)
Defined retirement benefit plans:				
Adjustments arising during the year	¥ (754)	¥ (2,449)	¥ 5,363	$ (6,732)
Reclassification adjustments to profit or loss	470	106	423	4,196
Amount before income tax effect	(283)	(2,343)	5,786	(2,526)
Income tax effect	73	764	(2,002)	651
Total	¥ (210)	¥ (1,578)	¥ 3,783	$ (1,875)
Share of other comprehensive income in associates - Gains arising during the year	¥ (404)	¥(736)	¥987	$ (3,607)
Total other comprehensive income	¥ 1,813	¥(16,476)	¥ 30,322	$ 16,187

22. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following plan for appropriations of retained earnings for the year ended March 31, 2017, was approved at the shareholders' general meeting of the Company held on June 23, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥17 ($0.15) per share	¥5,885	$52,544

23. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Operating segments are components of the entity for which separate financial information is available that is utilized on a regular basis by the chief operating decisionmaker in determining how to allocate the entity's resources and evaluate its performance.

Segment Information

1. Description of Reportable Segments

   The Companies engage in various fields of business and industries by providing products and services, which are categorized into the following segments: Cellulosic Derivatives, Organic Chemicals, Plastics, Pyrotechnic Devices and Others. The Cellulosic Derivatives segment manufactures and sells cellulose acetate and acetate tow for cigarette filters from cellulose as a key raw material. The Organic Chemicals segment manufactures and sells various organic chemical products and the relevant products, such as chiral columns used for separation of optical isomers. The Plastics segment manufactures and sells various resin materials, such as engineering plastics and other plastic products. The Pyrotechnic Devices segment manufactures and sells motor vehicle safety devices and products for aerospace and defense, based on pyrotechnology. The Others segment includes membrane, warehousing, and other businesses.

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2017	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Total	Others	Total	Reconciliations	Consolidated
Sales to external customers	¥ 89,476	¥76,193	¥156,946	¥111,199	¥433,816	¥ 6,244	¥440,061		¥440,061
Intersegment sales or transfers	2,009	12,725	16		14,751	10,456	25,207	¥(25,207)	
Total sales	¥ 91,485	¥88,919	¥156,963	¥111,199	¥448,568	¥16,701	¥465,269	¥(25,207)	¥440,061
Segment profit	¥ 23,000	¥11,538	¥ 21,551	¥ 21,278	¥ 77,369	¥ 741	¥ 78,111	¥(13,804)	¥ 64,306
Segment assets	112,748	74,563	158,135	111,154	456,601	6,598	463,200	136,507	599,708
Depreciation	9,293	5,364	5,043	7,906	27,608	271	27,880	1,151	29,031
Investments in associated companies	6,674	140	2,562		9,377		9,377		9,377
Amortization of goodwill			427	482	910		910		910
Increase in property, plant and equipment	8,267	9,192	5,145	12,625	35,229	368	35,598	3,930	39,528

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2016	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Total	Others	Total	Reconciliations	Consolidated
Sales to external customers	¥104,481	¥81,793	¥161,085	¥ 95,914	¥443,274	¥ 6,604	¥449,878		¥449,878
Intersegment sales or transfers	2,176	13,732	17		15,925	10,134	26,059	¥(26,059)	
Total sales	¥106,657	¥95,525	¥161,102	¥ 95,914	¥459,200	¥16,738	¥475,938	¥(26,059)	¥449,878
Segment profit	¥ 29,667	¥11,179	¥ 20,508	¥ 13,884	¥ 75,240	¥ 181	¥ 75,421	¥(11,071)	¥ 64,349
Segment assets	113,120	68,730	166,727	104,812	453,392	11,716	465,108	95,081	560,190
Depreciation	6,745	4,431	5,574	5,858	22,609	273	22,882	1,032	23,914
Investments in associated companies	7,806	140	2,571		10,517		10,517		10,517
Amortization of goodwill			476	534	1,011		1,011		1,011
Increase in property, plant and equipment	13,472	5,801	4,296	15,100	38,670	279	38,949	1,306	40,256

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2015	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Total	Others	Total	Reconciliations	Consolidated
Sales to external customers	¥ 95,704	¥ 89,041	¥169,520	¥83,578	¥437,845	¥ 5,930	¥443,775		¥443,775
Intersegment sales or transfers	2,567	17,517	5		20,090	9,792	29,883	¥(29,883)	
Total sales	¥ 98,272	¥106,559	¥169,525	¥83,578	¥457,936	¥15,722	¥473,659	¥(29,883)	¥443,775
Segment profit	¥ 25,712	¥ 9,456	¥ 15,912	¥10,043	¥ 61,125	¥ 30	¥ 61,155	¥ (9,852)	¥ 51,303
Segment assets	110,583	70,783	174,552	97,015	452,935	9,921	462,857	102,474	565,332
Depreciation	6,168	4,503	6,261	5,264	22,196	235	22,431	977	23,409
Investments in associated companies	9,012	139	2,539		11,692		11,692		11,692
Amortization of goodwill			623	489	1,113		1,113		1,113
Increase in property, plant and equipment	14,914	6,363	2,286	6,170	29,734	378	30,112	516	30,629

	Thousands of U.S. Dollars								
	Reportable Segment								
Year Ended March 31, 2017	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Total	Others	Total	Reconciliations	Consolidated
Sales to external customers	$ 798,892	$680,294	$1,401,303	$992,848	$3,873,357	$ 55,750	$3,929,116		$3,929,116
Intersegment sales or transfers	17,937	113,616	142		131,705	93,357	225,062	$ (225,062)	
Total sales	$ 816,830	$793,919	$1,401,455	$992,848	$4,005,071	$149,116	$4,154,187	$ (225,062)	$3,929,116
Segment profit	$ 205,357	$103,017	$ 192,419	$189,982	$ 690,794	6,616	$ 697,419	$ (123,250)	$ 574,160
Segment assets	1,006,678	665,741	1,411,919	992,446	4,076,794	58,910	4,135,714	1,218,812	5,354,535
Depreciation	82,973	47,892	45,026	70,589	246,500	2,419	248,928	10,276	259,205
Investments in associated companies	59,589	1,250	22,875		83,723		83,723		83,723
Amortization of goodwill			3,812	4,303	8,125		8,125		8,125
Increase in property, plant and equipment	73,812	82,071	45,937	112,723	314,544	3,285	317,839	35,089	352,928

Notes:
1. (1) The unallocated corporate expenses included in "Reconciliations" amounted to ¥13,804 million ($123,250 thousand), ¥11,071 million and ¥9,852 million for the years ended March 31, 2017, 2016 and 2015, respectively, which consisted mainly of expenses of administrative departments, basic research department and others.
(2) The unallocated corporate assets included in "Reconciliations" amounted to ¥145,072 million ($1,295,285 thousand), ¥98,318 million and ¥105,661 million for the years ended March 31, 2017, 2016 and 2015, respectively, which consisted mainly of cash and cash equivalents, investment securities, and corporate properties held or used by the administrative departments, basic research departments and others. The elimination of intersegment transactions such as receivables also included in "Reconciliations" amounted to ¥8,564 million ($76,464 thousand), ¥3,236 million and ¥3,187 million for the years ended March 31, 2017, 2016 and 2015, respectively.
(3) The unallocated depreciation and increase in property, plant and equipment were related to the administrative departments, basic research departments and others.
2. The aggregated amounts of operating income were equal to those in the consolidated statements of income.

Related Information

1. Information about Products and Services

	Millions of Yen					
	2017					
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Total
Sales to external customers	¥ 89,476	¥76,193	¥156,946	¥111,199	¥6,244	¥440,061

	Millions of Yen					
	2016					
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Total
Sales to external customers	¥104,481	¥81,793	¥161,085	¥ 95,914	¥6,604	¥449,878

	Millions of Yen					
	2015					
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Total
Sales to external customers	¥ 95,704	¥89,041	¥169,520	¥ 83,578	¥5,930	¥443,775

	Thousands of U.S. Dollars					
	2017					
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Total
Sales to external customers	$798,892	$680,294	$1,401,303	$992,848	$55,750	$3,929,116

2. Information about Geographical Areas

(1) Sales

Millions of Yen				
2017				
	Asia			
Japan	China	Other	Other	Total
¥210,526	¥67,619	¥78,113	¥83,802	¥440,061

Millions of Yen				
2016				
	Asia			
Japan	China	Other	Other	Total
¥204,777	¥72,106	¥81,695	¥91,299	¥449,878

Millions of Yen				
2015				
	Asia			
Japan	China	Other	Other	Total
¥217,874	¥68,916	¥81,490	¥75,493	¥443,775

Thousands of U.S. Dollars				
2017				
	Asia			
Japan	China	Other	Other	Total
$1,879,696	$603,741	$697,437	$748,232	$3,929,116

Note: Sales are classified by country or region based on the location of customers.

(2) Property, Plant and Equipment

Millions of Yen					
2017					
	Asia				
Japan	China	Malaysia	Other	Other	Total
¥119,352	¥19,248	¥17,149	¥13,129	¥16,301	¥185,180

Millions of Yen					
2016					
	Asia				
Japan	China	Malaysia	Other	Other	Total
¥115,406	¥16,887	¥17,248	¥9,626	¥16,407	¥175,576

Millions of Yen					
2015					
	Asia				
Japan	China	Malaysia	Other	Other	Total
¥108,970	¥15,194	¥20,425	¥10,576	¥11,729	¥166,896

Thousands of U.S. Dollars					
2017					
	Asia				
Japan	China	Malaysia	Other	Other	Total
$1,065,642	$171,857	$153,116	$117,223	$145,544	$1,653,392

Note: Change in presentation

Prior to April 1, 2016, "China" was included in "Other" of "Asia." As the amount of property, plant and equipment in China became more than 10% of that in the consolidated balance sheet during the fiscal year ended March 31, 2017, such amount is disclosed separately. In accordance with this change in presentation, property, plant and equipment for the years ended March 31, 2016 and 2015 were reclassified. The amount of "China" included in "Other" of "Asia" for the years ended March 31, 2016 and 2015 was ¥16,887 million and ¥15,194 million, respectively.

3. Information on Impairment Losses of Fixed Assets for Each Reportable Segment

	Millions of Yen						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Elimination/Corporate	Total
Impairment losses of assets	¥	¥	¥	¥	¥	¥90	¥90

No impairment losses were recognized in 2017 and 2016.

4. Information on Amortization and Balance of Goodwill for Each Reportable Segment

	Millions of Yen						
	2017						
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Elimination/Corporate	Total
Amortization of goodwill	¥	¥	¥427	¥ 482	¥	¥	¥ 910
Goodwill at March 31, 2017			215	2,496			2,712

	Millions of Yen						
	2016						
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Elimination/Corporate	Total
Amortization of goodwill	¥	¥	¥476	¥ 534	¥	¥	¥1,011
Goodwill at March 31, 2016			687	3,006			3,694

	Millions of Yen						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Elimination/Corporate	Total
Amortization of goodwill	¥	¥	¥ 623	¥ 489	¥	¥	¥1,113
Goodwill at March 31, 2015			1,171	3,747			4,919

	Thousands of U.S. Dollars						
	2017						
	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Elimination/Corporate	Total
Amortization of goodwill	$	$	$3,812	$ 4,303	$	$	$ 8,125
Goodwill at March 31, 2017			1,919	22,285			24,214

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daicel Corporation:

We have audited the accompanying consolidated balance sheets of Daicel Corporation and its consolidated subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2017, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daicel Corporation and its consolidated subsidiaries as of March 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2017, in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC.

June 23, 2017

Member of
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